OTP banka d.d. and OTP Group

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023

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

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WORD OF THE PRESIDENT OF THE BOARD

Another year has gone by in which OTP Group boasted outstanding business results, growth of market shares and excellence in numerous fields brought about by its unwavering efforts on multiple fronts. We ushered it in with a successful introduction of the euro as the official currency, yet again proving to our clients and other stakeholders our dedication to tackle the most complex tasks and earning their trust. Throughout the year, we dedicated our time and efforts to improvement of our products and services, to expansion of user experience, and particularly to launching of new agile work methods and development of sustainable financing.

If we have learned anything over the last few years, it is that we can expect anything but smooth sailing. To prove the point, last year was beset with the economic impacts of the political developments in Ukraine and the Middle East, spiralling of the prices of energy and energy sources, which overflowed causing soaring costs and hindering the recovery of supply chains. With inflation as a top concern, the restrictive monetary policy that was instrumental to dampening its effects pushed interest rates to an all-time high across the major global economies, and the Eurozone was not an exception. The Croatian economy proved to be rather resilient in the face of those challenges, as demonstrated by good performance of companies, higher employment rates and a rise in personal consumption.

OTP Group responded to such circumstances with agility and flexibility, adjusting its offer and continuously improving and fine-tuning the organisation and work methods to meet the regulatory requirements, to follow the market trends and to live up to the expectations of our clients and stakeholders. We persisted in pushing the limits of our ambitions when it comes to setting of goals. We even outperformed many of our initial plans and we have the figures to show for it.

The total assets of OTP Group at the end of 2023 amounted to EUR 8.5 billion, or 6.3% more than at the end of the preceding year, whilst the total assets of OTP banka equalled EUR 8 billion, which accounted for 5.1% of YoY rise. At the end of 2023, we were again the fourth biggest bank in the Croatian banking market, with a slightly higher market share of 10.3 %. Our growth was evident in almost all market shares. At the Group level, net loans to and receivables from the clients grew by 7.5 %, or 7.1% in gross amount. This intensive credit activity reflected on the market position of OTP banka d.d., especially in the segment of retail lending where the market share reached 14.7 % (from 14.4 % in 2022). The market share in lending to the corporate customers remained stable at 12.6 %, whilst the market share in loans to corporate customers and government dropped from 11.7% in 2022 to 11.2 % in 2023, on account of cutting down on the loans to government. Best evidence of good performance was the profit of OTP banka d.d. after tax, which recorded a whopping 50.3% increase compared to 2022. Such surge in profit reflected in an increase of return on equity by as much as 429 basis points, reaching 14.1 % (from 9.8 % in 2022).

Our business strategy is rooted in five key aspirations: to be the first choice of our clients in terms of digital solutions; to offer a reliable, straightforward and secure service; to run an efficient and profitable organisation; to look after our employees by providing an inspiring work environment, and to build sustainable future through responsible solutions.

Last year bore witness to our continued efforts in spreading the agile operations by creating new models of cooperation to speed up advanced solutions and expand the range of services available in digital banking. We particularly dived into development of a new digital and fully integrated solution for cash loan origination and into building of a new mobile banking platform, with the expected launch date at the beginning of 2024.

In the meantime, sustainable financing and integration of ESG (environmental, social and governance) criteria into the overall operations of the bank have become increasingly important. We took big leaps forward in that area, primarily by implementing the Green Loan Framework, which is intended to help us recognise the investments that boost the positive and curb the negative impact on the environment and society, and thus adjust to the effects of the climate change. We carried on with other activities towards supplementing and applying of ESG strategy, which is a bedrock for further assembly of processes for enhancement of the environmental and social sustainability. The sound governance reflects on our direct impacts to the extent that we buy power from renewable sources, produce own power, pursue responsible waste management and cut back on the use of plastic and paper.

The credit for the above-mentioned achievements goes to our employees: almost 2,600 in the Group, of which over 2,400 in OTP banka. With their dedication, knowledge and enthusiasm, they have contributed to the accomplishment of rather ambitious goals. In return, the bank has been striving to create a pleasant work environment and to become an appealing employer, providing the employees with a whole range of benefits in a generous Collective Bargaining Agreement.

WORD OF THE PRESIDENT OF THE BOARD (CONTINUED)

The Bank is recognised as a worthy partner by the communities in which it operates, not only because of its investments into the development of such communities, but also because of its volunteer schemes. Together with 18,000 of our clients, in 2023 we continued donating to the children's wards in hospitals nationwide in the fourth cycle of our OTP Round Up donation scheme.

It is a great pleasure that a number of reputable institutions recognised our efforts to achieve business excellence, and responsible and sustainable operations. In 2023 the Bank was presented with multiple awards and recognitions: the Banker named us the best bank in Croatia in 2023, and so did Global Finance; we received two Euromoney Awards for Excellence in the categories of digital solutions and ESG; Global Investor/ISF declared OTP banka a leading custodian bank in all three categories; whilst Global Finance named us the best sub-custodian bank.

Bank's plans for the year 2024 have been aligned with the forecasts for macroeconomic indicators and expectations, and in accordance with the strategic guidelines. The expectations for the retail banking segment include a slight growth of the market share in housing and general purpose loans. We will remain focused on better customer experience, enhancing of credit products and further digital transformation.
As for the corporate segment, we anticipate the investment cycle to slow down together with the long-term investment ambition. OTP Group will closely monitor the international and the domestic economic trends, always eager to adapt to new operating conditions, technological developments and shifts in behavioural patters of our clients. We recognise the great potential of the sustainable transition options and in the development of responsible and sustainable business operations, which increasingly impact resilience and growth of the brand. We are convinced that 2024 will present great business opportunities and that we will be ready to take them, whilst our formidable stability and capital strength will make use a reliable partner to the Croatian economy and citizens.

On behalf of the Board, I would like to extend thanks to our stakeholders for their trust and cooperation. We believe that in today's world, where the preservation of the environment, curtailing the effects of the climate change, striving for social justice and laying foundations for future generations are considered common values, candid and committed collaboration is the way to go.

Balázs Pál Békeffy
President of the Management Board

GENERAL INFORMATION

COMPANY AND HEADQUARTER

OTP banka d.d. (the Bank) is an authorized commercial bank operating in the Republic of Croatia and is the parent company of the Group OTP bank (the Group) in the Republic of Croatia.
The registered seat of the Bank is in Split, Domovinskog rata 61. The Bank is incorporated in the Republic of Croatia as a joint stock company.

BUSINESS ACTIVITY

Group OTP bank provides a full range of banking services to individuals and legal entities, as well as a wide range of financial services that include insurance, leasing, fund management and other services, the most important of which are real estate management services.

The Group's main areas of operation are as follows:

1. Acceptance of all types of deposits
2. Approval of loans to customers
3. Repurchase of receivables
4. Financial lease
5. Issuing guarantees
6. Trading for own account or client's account
7. Payment services
8. Services related to lending activities
9. Issuing and managing other payment instruments
10. Rental of safes
11. Mediation on the money market
12. Issue of electronic money
13. Consulting legal entities on the structure of capital, business strategy, and provision of services related to business combinations and acquisition of shares and business interests
14. Investment related services and activities
15. Investment consulting
16. Offer implementation services, i.e. sale of financial instruments with the obligation of redemption
17. Offer implementation services, i.e. sale of financial instruments without the obligation of redemption
18. Conducting business related to the sale of insurance policies

OWNERSHIP STRUCTURE

The ownership structure and shareholders of the Bank are specified below:

	31 December 2023		31 December 2022	
	Share capital	**Ownership interest in %**	**Share capital**	**Ownership interest in %**
	in EUR millions		**in EUR millions**	
OTP bank Nyrt Hungary	539.2	100.00	530.1	100.00
Total	**539.2**	**100.00**	**530.1**	**100.00**

Purchase of own shares

OTP bank d.d. is 100% owned by OTP Bank Nyrt Hungary, and during 2023 it did not buy its own shares.

GENERAL INFORMATION (CONTINUED)

SHARE CAPITAL

The Bank is registered at the Commercial Court in Split, with the registered share capital in the amount of EUR 539,156,898.00 as at 31 December 2023 (31 December 2022: EUR 530,062,353.18).

Pursuant to the Law on the introduction of the euro as the official currency in the Republic of Croatia (Official Gazette 57/22, 88/2022), the Bank converted the share capital in the amount of HRK 3,993,754,800.00 into EUR 530,062,353.18 at a fixed conversion rate of 7.53450. By decision of the General Assembly dated 31 March 2023 and according to the provisions of the Law on Amendments to the Companies Act (Official Gazette 114/2022), the Bank increased its share capital by transferring the amount of EUR 9,094,544.82 from the Bank's retained earnings to share capital, and in accordance with the respective increase, the nominal value of each share is EUR 27.00 (twenty-seven euros).
The share capital increase was registered in the Court Register on 11 April 2023 (decision number Tt-23/2656-2). Additional information is presented in the Note 28 Share capital and reserves.

REGULATORY CAPITAL

The Group's unaudited temporary regulatory capital amounts to EUR 934.4 million (2022 - audited: EUR 945.0 millions) and is composed of the Common Equity Tier capital and additional capital. Additional capital amounts to EUR 60.0 million (2022 - audited: EUR 60.0 million). The capital adequacy ratio is 18.29% (2022 – audited: 18.82%).

The Bank's unaudited temporary regulatory capital amounts to EUR 915.9 million (2022 - audited: EUR 927.4 millions) and is composed of the Common Equity Tier capital and additional capital. Additional capital amounts to EUR 60.0 million (2022 - audited: EUR 60.0 million). The capital adequacy ratio is 19.75% (2022 - audited: 19.89%).

GOVERNANCE AND MANAGEMENT

Shareholders' Assembly as at 31 December 2023 and 31 December 2022:
Annus Szabolcs, representative of the President of the Supervisory Board

Supervisory Board as at 31 December 2023 and 31 December 2022:

Péter Csányi	President from 1 April 2020
László Kecskés	Vice president from 1 April 2020
Zlatko Mateša	Member from 15 October 2019
Ibolya Rajmonné Veres	Member from 1 April 2020
Zsolt Ardó	Member from 18 February 2020
Natalija Parlov	Member from 6 July 2022
Árpád Srankó	Member from 6 July 2022

Management Board as at 31 December 2023 and 31 December 2022:

Balázs Pál Békeffy	President from 6 October 2011
Slaven Celić	Member from 1 December 2018
Zvonimir Akrap	Member from 1 December 2018
Bruno Biuk	Member from 1 December 2018
Nikola Mikša	Member from 5 September 2019
Ivan Šimičević	Member from 15 March 2021

Audit Committee as at 31 December 2023 and 31 December 2022:

László Kecskés	President from 16 April 2012
Natalija Parlov	Deputy President from July 21, 2022
Zlatko Mateša	Member from 15 October 2019

GENERAL INFORMATION (CONTINUED)

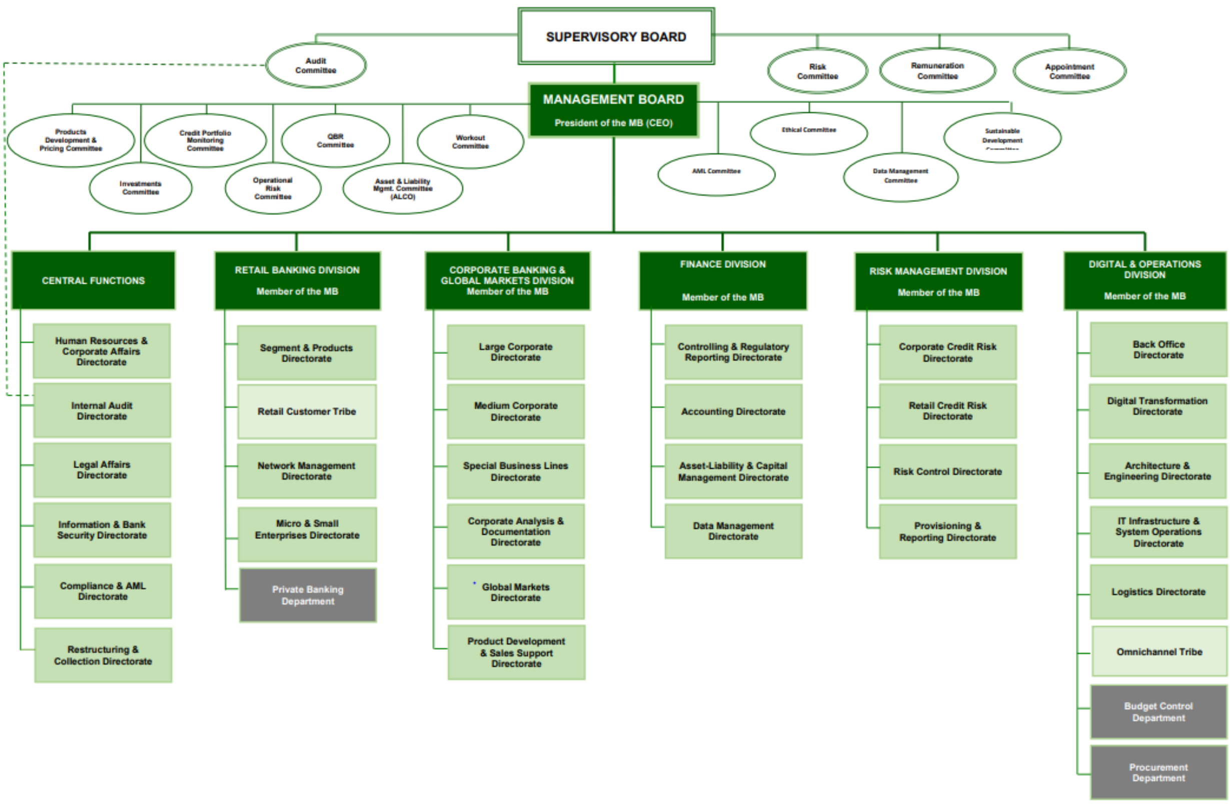
CORPORATE GOVERNANCE CODE

Bank as a credit institution is well aware of the importance of a responsible and ethics-based conduct of corporate entities as an essential prerequisite for developing high-quality relations and loyal competition between business partners as well as for efficient functioning of the market. So, the Bank is developing its business activities and acting in accordance with the good corporate management practice and is trying, by way of its business strategy, business policy, key internal acts and business practice, to contribute to transparent and efficient business activities and better-quality relations with its business environment.
Bank's adequate corporate management includes:

- clear organisational structure with well defined authorisations and responsibilities;
- efficient activities for establishing, measuring and monitoring of the risks the Bank is or may be exposed to as well as related reporting activities;
- adequate internal controls mechanisms which also involve prudent administrative and accounting procedures, the strategies and the procedures for a constant assessment and review of the figures, the structure and the distribution of the internal capital required as coverage for current and future risks;
- fulfilment of general transparency requirements
- meeting the obligations and the responsibilities towards the shareholders, the employees and other interested parties;
- safe and stable business activities in accordance with law and regulations

The Corporate Governance Code is published on the Bank's official website and is available at the following link: https://www.otpbanka.hr/sites/default/files/doc/Kodeks%20korporativnog%20upravljanja.pdf

ORGANIZATION STRUCTURE OF THE BANK



GENERAL INFORMATION (CONTINUED)

BUSINESS NETWORK

The bank operates with clients in 6 operating centers through 107 branches and 445 ATMs. In the last few years, the Bank has been optimizing its network of branches, however, it has maintained its presence in all areas of Croatia with the aim of providing quality and timely service to its clients. Also, in order to raise the level of service quality, the Bank is focused on the remodelling of branches, which from branches focused on transactional business have become comfortable zones for consulting clients focused on building long-term relationships with clients. In addition to the remodelling of branches, free Wi-Fi and internal radio stations are installed, as well as digital info kiosks with all important information for clients, and the children's corners.
In addition, in accordance with socially responsible business operations, in 2023 the Bank started equipping its branches with an inductive loop, a device that enables easier communication with hearing impaired people, and the first coin machines - devices for paying coins at ATMs - were installed.

In the branches, individual person clients can contract all products, and in a large number of locations, the branches also provide services for business clients.

Branch network:

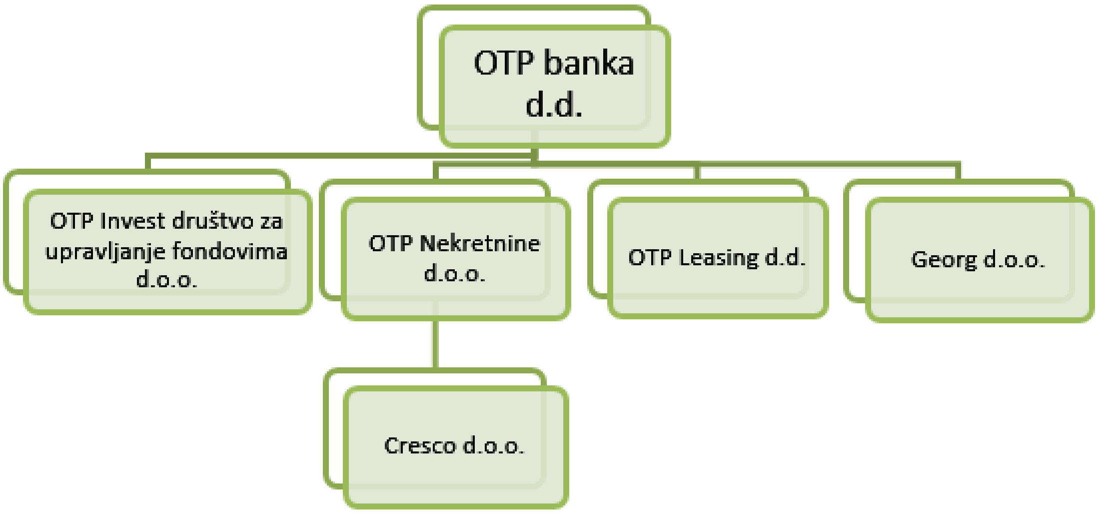
GENERAL INFORMATION (CONTINUED)

BUSINESS NETWORK (CONTINUED)

ATM network:

GENERAL INFORMATION (CONTINUED)

GROUP OF OTP BANKA D.D. IN CROATIA



Several companies in full or partial ownership of OTP banka d.d. were established in the Republic of Croatia. During 2023, there were no additional purchase and sales or investments in the branches so that the number of branches and percentage of the Bank ownership at the end of 2023 remained the same as it was at the end of 2022. In cooperation with subsidiaries, the Bank develops and provides all groups of services and products that can support banking operations with individuals and legal entities.

	Headquarter	Percentage of ownership	Industry
OTP Nekretnine d.o.o.	Zagreb	100%	Organization of project implementation for buildings
OTP invest društvo za upravljanje fondovima d.o.o.	Zagreb	81.7%	Fund management activities
OTP Leasing d.d.	Zagreb	60%	Finance and operating lease
Georg d.o.o.	Zagreb	76%	Business and other management consultancy activities

GENERAL INFORMATION (CONTINUED)

GROUP OF OTP BANKA D.D. IN CROATIA (CONTINUED)

OTP Leasing d.d.

OTP Leasing d.d. was established in Zagreb by Merkantil Bank Zrt, Hungary, which specialises in lease operations within OTP Group, in 2006. Having initially owned 10% of the shares in the company, in 2019 OTP banka concluded the Share Sale and Assignment Agreement concluded in September 2018, and thus became the majority owner of the company holding 60% of the shares. Merkantil Bank Zrt remained the owner of 40% of the Company's shares.

The main activity of the company are financial and operating lease and activities directly or indirectly related to leasing transactions.

The company has a wide sales network with branches in Zadar, Split, Pula, Rijeka, Zagreb, Varaždin, Slavonski Brod, Osijek and Dubrovnik. Any lease arrangements can be concluded also in the OTP banka branch network, which greatly contributes to the level of availability of the services nationwide.

On 1 July 2022, SB Leasing d.o.o. (founded in 2007) was merged to OTP Leasing d.d., whose business shares (100%) were acquired by the Company through an agreement on the transfer of business shares from Splitska banka d.d. in June 2018, and its activity is financial and operational leasing.

In 2023, the company retained first place in the industry in terms of the number of newly concluded contracts. The company's total assets increased by 21.7% and amounted to EUR 518.3 million (2022: EUR 452.8 million). For the year ended 31 December 2023, the Company's net profit was EUR 5.5 million (2022: EUR 7.9 million), which is decrease of 29.7% compared to 2022.

By the decision of the General Assembly of the Company dated 13 March 2023, the share capital and shares were adjusted according to the provisions of the Law on Amendments to the Companies Act (Official Gazette 114/2022) by reducing the share capital from EUR 1,089,919.70 to EUR 1,067,560.00. The reduction of the share capital was registered in the Court Register on 29 March 2023 (decision number Tt-23/11993-2).

Plans for 2024

In the projections of the leasing market for the year 2024, a growth of 6% compared to the year 2023 is planned.

In accordance with strategic guidelines, the Company is focused on all segments of clients (legal entities, public sector, artisans, individuals), and financing of all types of leasing facilities (except real estate) in all regions and through various sales channels.

As part of the Group OTP bank, special attention od the company wil be the adaptation of business activity to relevant European standards, with special emphasis on ESG regulations and the implementation and promotion of social responsibility in all its aspects.

Risk management

Risk management protects the value and profit in accordance with the strategy and objectives. Depending on the approach applied, different instruments are used for enforcing risk management. In order to establish an adequate risk management process, risk policies, guidelines and procedures are adopted and a framework i.e. methodology for risk management is established. In this way, the Company defines the risks to which it is exposed to and, by using certain methods and processes, analyses all types of risks, measures and mitigates existing risks, and manages and controls those risks more effectively.

The most significant risks to which the company is exposed to are: market risk, liquidity risk and credit risk.

Market risk includes interest rate risk and price risk, while currency risk is minimized by the introduction of the euro as the official currency from 1 January 2023 and a small portion of the portfolio in Swiss francs. As of the reporting date, the company was not exposed to price risk because it has no investments in listed equity securities or investment funds.

GENERAL INFORMATION (CONTINUED)

GROUP OF OTP BANKA D.D. IN CROATIA (CONTINUED)
OTP Leasing d.d. (continued)
Risk management (continued)

Interest rate risk represents the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
In view of the fact that interest rate changes are allowed in lease contracts, the company reduces the gap by regular adjustments of interest rates in accordance with periodic changes in interest rates on financing sources.

Liquidity risk is the risk that a company assumes when it does not have adequate funding to meet all payment obligations.

In order to manage liquidity risk, the company undertakes the following activities:
- planning of expected and possible cash outflows and sufficient cash inflows to cover them (projection of cash flows on a daily, weekly, monthly, quarterly and annual basis),
- continuous monitoring of liquidity,
- preventing or eliminating potential causes of illiquidity

Credit risk is the risk of failure of a counterparty to settle its liabilities under a financial instrument, which may cause loss for the other party. The company is exposed to credit risk from activities regarding financial and operating leases, i.e. claims from its lessees. Credit risk is managed by monitoring the concentration per individual clients, regions and economic sectors.

OTP invest društvo za upravljanje fondovima d.o.o.

OTP Invest d.o.o. was established in 1997 in Zagreb, and is presently owned by OTP banka (81.7%) and OTP Alapkezelő Zártkörűen Működő Részvénytársaság, Hungary (18.3%).

The basic activity of the company is founding and management of UCITS funds and alternative investment funds. In addition to these activities, the Company also provides investment consulting and portfolio management services.

The open investment UCITS funds managed by the Company are OTP start Fund, OTP ABSOLUTE Fund, OTP Balanced Fund, OTP MERIDIAN 20 Fund, OTP INDEKSNI Fund, OTP GLOBAL – in liqudation, OTP MULTI USD 2 Fund, OTP MULTI EUR 2025 fund te OTP MULTI EUR 2025 II fund.

In May 2023, the Company established a new fund, the OTP MULTI EUR 2025 fund, and in November 2023, the OTP MULTI EUR 2025 II fund, which attracted additional investors, which had an impact on increasing the Company's income in 2023 and strengthening its market share. Income from investment consulting also had a positive effect on the Company's operations in 2023.

The Company's market share at the end of 2023 was 6.7% (8.3% at the end of 2022).

By the decision of the General Assembly of the Company dated 29 March 2023, the share capital and shares were adjusted according to the provisions of the Law on Amendments to the Companies Act (Official Gazette 114/2022) by reducing the share capital from the amount of EUR 2,417,054.88 to the amount of EUR 2,417, 030.00. The reduction of the share capital was registered in the Court Register on 5 April 2023 (decision number Tt-23/14823-2).

Plans for 2024

In 2024 the company’s sales activities will continue to be focused on encouraging citizens to invest in funds, and accordingly, an increase in sales of all types of funds managed by the Company is expected. In doing so, the Company will mainly rely on the Bank as the main sales distribution channel, and the plan is to increase the number of licensed employees who participate in sales in terms of general education related to this type of investment.

Risk management

The company pays due attention to risk management. The most significant types of financial risks the company is exposed to extend to credit risk, liquidity risk and market risk.

GENERAL INFORMATION (CONTINUED)

GROUP OF OTP BANKA D.D. IN CROATIA (CONTINUED)

OTP invest društvo za upravljanje fondovima d.o.o. (continued)

Risk management (continued)

Market risk includes exchange rate risk, interest rate risk and price risk. At the date of the balance sheet the company did not have a significant exposure to foreign exchange risk and interest rate. As of the balance sheet date, the company was not significantly exposed to price risk arising from changes in the prices of financial instruments or changes in currency. However, the Company is exposed to changes in the prices of goods and services it uses from its suppliers, as well as inflation in 2023 and expectations of inflation in 2024.

At the balance sheet date, the Company's credit risk arises from its exposure to the Bank which is the majority owner of the Company, on the basis of funds held in its transaction accounts and also very insignificant part from the funds held in accounts with other banks.

Liquidity risk is the risk that the Company will encounter difficulties in finding funds to settle its due obligations. The Company's short-term assets on the balance sheet date are greater than the Company's short-term liabilities and, according to the Company's assessment, there is no risk that the Company will be unable to meet its short-term liabilities.

OTP Nekretnine d.o.o.

The company OTP Nekretnine d.o.o. was founded in Zadar in 2000, and is fully owned by the OTP banka d.d. The basic activities include rental and real estate management, appraisal of real properties and chattels, real estate agency services, development projects and consultancy services. The company operates through its two branches (Zagreb and Zadar).

The company is a sole owner of Cresco d.o.o., founded in 2008. The main activity of Cresco d.o.o. are the acquisition of real estate at auctions organised as a part of enforcement and bankruptcy, sale of such properties, and real estate agency services.
Consolidated profit of OTP Nekretnine d.o.o. for 2023 amounted to EUR 0.5 million which is an increase for EUR 0,3 million compared to the initial plan (2022: EUR 1.0 million).

The difference between the plan and the realization in 2023 is the result of the implementation of the SAS project as well as the abandonment of the RB16 project, which resulted in significantly lower costs, both interest and amortization. At the same time, it also resulted in lower rental income, which was largely compensated by higher income from assessments.

By decision of the sole member of OTP Nekretnine d.o.o. from 29 March 2023, the share capital and shares were adjusted according to the provisions of the Law on Amendments to the Companies Act (Official Gazette 114/2022) by reducing the share capital from the amount of EUR 34,485,115.14 to the amount of EUR 34,485,100.00 . The reduction of the share capital was registered in the Court Register on 13 April 2023 (decision number Tt-23/15036-2).

By decision of the sole member of Cresco d.o.o. from 29 March 2023, the share capital and shares were adjusted according to the provisions of the Law on Amendments to the Companies Act (Official Gazette 114/2022) by reducing the share capital from EUR 5,176.19 to EUR 5,170.00. The reduction of the share capital was registered in the Court Register on 17 April 2023 (decision number Tt-23/15035-2).

Plans for 2024

In 2024, a stable continuation of the operations of OTP Nekretnine and Cresco is expected.
Continuously investing in the quality of service, in all segments of services provided by the Companies, in 2024 OTP Nekretnine plans to continue with already started investments which will result in an increase in rental income in the coming years.
For Cresco d.o.o. 2024 will also be a year of investment both in the real estate RB 25 that was purchased in 2023, and for which remodeling and leasing is planned during 2024, as well as investment in new portfolio given that the current stock of acquired properties for sale has been significantly reduced.

GENERAL INFORMATION (CONTINUED)

GROUP OF OTP BANKA D.D. IN CROATIA (CONTINUED)

OTP Nekretnine d.o.o. (continued)

Risk management

The company pays due attention to risk management. Credit risk is the most significant type of risk to which the company is exposed.

Credit risk is the risk of failure of a counterparty to meet its liabilities under a financial instrument, which may cause loss for the other party. The company is exposed to credit risk arising from the claims from its leasees.

Credit risk is managed by having one keep track of concentration by individual customers, regions and economic sectors. The structure of the leasees in terms of the size of the leased out space is mixed and well balanced. Large companies, IT companies and law firms account for the half of the total leased out space, whereas the other half is rented out by the companies that individually occupy less space, which in turn minimises the risk and optimises revenue in stable market circumstances.

Georg d.o.o.

Georg d.o.o. is a company founded in Zagreb in 1992. The Bank became the majority owner when it bought the controlling interest of 76% in 2021.

The basic activities of the Company are advisory services regarding grants awarded by the European Union. The company provides services to small and medium-sized enterprises mainly in the sectors of agriculture and food industry, but also to all other sectors, as well as a certain number of state administration bodies and local self-government units (LGUs), as well as companies owned by LGUs, mainly in co-financed projects from EU funds. The company is also present in the markets of the Region, especially in the knowledge and experience transfer projects related to the Rural Development Fund.

Through 2023, the Company has intensified its work on synergy and visibility of the Company within the Group in the Republic of Croatia, providing services to the Bank's clients, organizing information and presenting investment opportunities for investors as part of the new Strategic Plan of the Common Agricultural Policy; Intervention and Sectoral measures, while also analyzing the past period of ZPP for existing and new potential clients through 8 joint workshops throughout the Republic of Croatia and joint sales meetings in the field.The Company's profit after tax in 2023 amounts to EUR 80 thousand (2022: EUR 119 thousand).

By the decision of the members of the company dated 30 March 2023, the share capital and shares were adjusted according to the provisions of the Law on Amendments to the Companies Act (Official Gazette 114/2022) by increasing the share capital from EUR 2,654.46 to EUR 3,000.00. The share capital increase was registered in the Court Register on 5 May 2023 (decision number Tt-23/15735-4).

Plans for 2024

In 2024, additional activities are planned, specially joint workshops and sales meetings in the field, that will contribute to increased synergy between the Bank and the Company and greater visibility within the Group OTP bank.

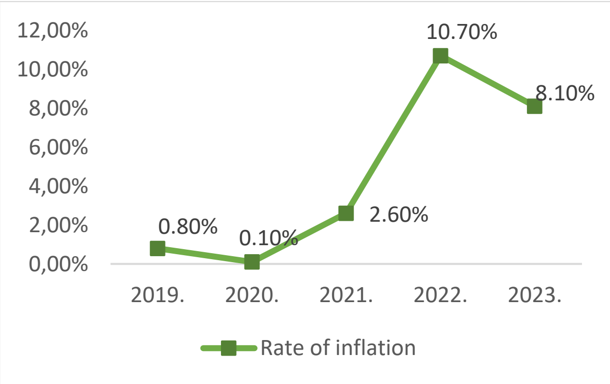
MACROECONOMIC INDICATORS FOR THE REPUBLIC OF CROATIA

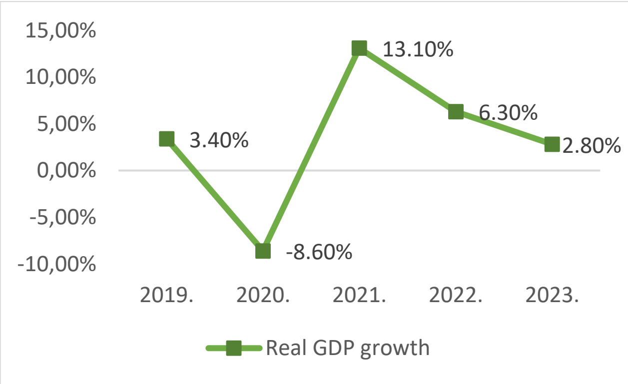
The initial expectations of the growth of the economy of the Republic of Croatia for 2023 were relatively modest, however, given that the risks of a significant global economic recession have been removed, especially after the upheaval in the financial markets caused by the collapse of several regional banks in the USA and one significant bank in Switzerland, expectations of economic growth were revised on higher, both for all developed economies and for the Republic of Croatia. On the other hand, although the risks for the continuation of economic growth are much more moderate than at the beginning of 2023, they are still very expressive, mainly in the form of exogenous factors such as increased geopolitical risks in the form of the development of the situation in the Middle East, the war situation in Ukraine, and the new trends in terms of geo-economic fragmentation. According to the data published by the State Bureau of Statistics at the end of February 2024, the gross domestic product of the Republic of Croatia in the fourth quarter of 2023 grew by 4.3% compared to the same period last year, while in the entire year of 2023 the gross domestic product product grew by 2.8% in real terms. According to the macroeconomic projections published in December 2023, the Croatian National Bank (CNB) forecasted a real growth of the gross domestic product at the level of 3.0% in 2024 and 2.7% in 2025. OTP Group has envisaged the growth of the economy of the Republic of Croatia at the level of 2.6% in 2023, 2.1% in 2024, and 3.0% in 2025.

Since the beginning of 2023, the annual inflation rate in the Republic of Croatia has consistently been in a downward trend, when it amounted to 12.7% in January, and 4.5% in December. The only exception in the downward trend of the inflation rate was recorded in August, when the inflation rate increased compared to July from 7.3% to 7.8%. The average inflation rate in the Republic of Croatia in 2023 was 8.1%. According to the HICP methodology, the average inflation rate was 8.9%. According to the macroeconomic projections of the CNB, an average inflation rate of 4.0% in 2024 and 2.5% in 2025 is expected. A positive contribution to the decline in the inflation rate is primarily expected from categories that are otherwise highly volatile, primarily from the stabilization of energy and food prices. On the other hand, the average core inflation rate for 2023 was 8.9%, while the CNB estimates that in 2024 the average core inflation rate could be 4.8%.
OTP Group projections has envisaged an average inflation rate of 8.5% in 2023, 4.7% in 2024, and 2.5% in 2025.

Growth rates	2023	2022	2021	2020	2019
Gross domestic product (GDP)	2.8	6.3	13.1	-8.6	3.4
Inflation	8.1	10.7	2.6	0.1	0,8
Unemployment rate	6.5	7.0	7.6	7.5	6.6
Public debt (as % of GDP)	*63.7	68.2	78.4	87.0	71.1
Budget deficit (as % of GDP)	*-1,0	0.1	-2.6	-7.3	0.3
Import	-5,2	30,2	17.6	-12.4	6,5
Export	-4,7	27,0	36.4	-23.3	6,8
Nominal salaries	13.0	8.3	4.1	2.8	3.8
Real salaries	4.6	-2.2	1.5	2.7	3.0

* Parent company's projections





MACROECONOMIC INDICATORS FOR THE REPUBLIC OF CROATIA (CONTINUED)

A relatively sharp rise in employment in the first half of 2023 is largely due to the acceleration of economic activity in the services sector, particularly in tourism. In the same period, the unemployment rate drop down from 7.2% in January to 5.6% in June 2023, while the number of unemployed decreased from 122,369 to 98,709, or by 23,660. During the tourist season, the unemployment rate rose to 6.5% in December. According to data from the National Bureau of Statistics, the average monthly net salary for the period from January to December 2023 is nominally higher by 12.8%, while in real terms it is higher by 3.8%. For the year 2024, the trend of increased demand for labor is expected to continue, which by all accounts should result in further nominal and real wage growth, and which will partly depend on the future development of inflationary pressures.

High budget revenues based on solid economic activity as well as a relatively high inflation rate characterized most of the fiscal year 2023. It is expected that such budget revenues will exceed the increase in salaries in the public sector, as well as social benefits, which is why the European Commission expects a relatively small budget deficit of 0.1% of gross domestic product at the end of 2023. In order to reduce the negative impact of the increase in energy prices as a result of Russian aggression against Ukraine, the Government of the Republic of Croatia adopted a decision on a package of measures aimed at stabilizing energy prices, and it is expected that such programs will last at least until the end of the first quarter of 2024. In 2024, a negative impact on the state budget is expected as a consequence of the further effects of salary adjustments in the public sector, social benefits, and public investments. In this context, the European Commission expects the budget deficit to increase to the level of 1.8% of GDP. Projections of the OTP Group suggest a budget deficit at the level of 1.0% in the fiscal year 2023, while the deficit is expected at the same level in 2024. In the domain of the ratio of public debt to gross domestic product, the continuation of positive trends was recorded. According to CNB data from December 2023, the total public debt at the end of June 2022 amounted to 66.5% of gross domestic product, which represents a decrease of 5.9 percentage points compared to 72.4% of the amount of public debt against gross domestic product amounted to at the end of June 2022. Projections of OTP Group predict a level of public debt of 63.7% of GDP at the end of 2023, while in 2024 a level of 61.3% of GDP is predicted. On the other hand, the forecasts of the European Commission are somewhat more optimistic regarding the ratio of public debt to GDP, and in accordance with them, the ratio is expected at the end of 2023 at the level of 60.8% of GDP, and 58.8% in 2024. year. During 2023, there was no change in the credit rating of the Republic of Croatia. In September 2023, the credit rating agency Standard & Poor's confirmed the credit rating of the Republic of Croatia at the BBB+ level, and at the same time revised the outlook from stable to positive, and the credit agency Fitch did the same in October, as did the credit agency Moody's in November.

The European Central Bank (ESB) continued to implement a restrictive monetary policy, mainly in the part of increasing the reference interest rates on the euro, all with the aim of reducing the inflation rate to the medium-term target level of 2.0%. During 2023, the ECB raised reference interest rates on six occasions, which means that the ECB's deposit rate is currently at the level of 4.0%, the refinancing rate at the level of 4.5%, while the interest rate on overnight borrowing with a pledge of acceptable of financial collateral amounts to 4.75%. At the session held in August 2023, a decision was made to discontinue the application of remuneration at the deposit rate for the maintained part of the required reserve, as soon as a more efficient mechanism for the application of monetary policy is ensured. In the domain of the PEPP program, which was introduced by the ECB in response to the volatility caused by the corona virus pandemic, at the session in December, the Governing Council made a decision that during the first half of 2024, the principals of maturing securities that were purchased within the framework of the aforementioned will continue to be fully reinvested program. In the second half of 2024, it is planned to gradually reduce the said portfolio in an average amount of EUR 7.5 billion per month, while from the end of 2024 it is intended to completely suspend reinvestment within the PEPP program.

According to CNB data from February 2024, the total assets of credit institutions amounted to EUR 78.6 billion in 2023, which represents an increase of 3.5% compared to the end of 2022. In terms of credit assets, total loans and advances increased by 2.0% compared to the end of 2022, while non-performing loans and advances decreased by 11.4%.
Total for the year 2023, credit institutions achieved a total profit after taxation in the amount of EUR 1.4 billion, while a positive trend in total profitability was also achieved, given that credit institutions achieved an average return on assets (ROA) of 1.8%, and on equity (ROE) in the amount of 15.5%.

The capitalization of the banking sector was maintained at very high levels during 2023, so at the end of December 2023, the rate of total capital of the banking system was 23.6%, with all credit institutions having a higher rate of total capital than the minimum prescribed rate on level of 8.0%.

The liquidity of the banking system measured by the liquidity coverage ratio (LCR) was 238.1% at the end of December 2023, with all credit institutions meeting the minimum prescribed liquidity requirements.

FINANCIAL OVERVIEW OF BUSINESS OPERATIONS OF THE GROUP AND BANK FOR THE YEAR 2023

Financial position - key positions and indicators

in million EUR	Group			Bank		
	2023	2022	Change	2023	2022	Change
Total assets	8,525.1	8,021.9	+503.2	8,025.4	7,637.1	+388.3
Loans and receivables from customers	5,790.2	5,388.3	+401.9	5,332.0	5,019.0	+313.0
Amounts due to customers	6,266.8	5,990.3	+276.5	6,275.1	6,013.9	+261.2
Capital	1,026.4	951.8	+74.6	990.0	921.1	+68.9
Loan to deposit ratio (L/D)	83.6%	82.1%	+155 bp	85.0%	83.5%	+151 bp
Capital Adequacy Rate (CAD)	18.3%	18.4%	-11 bp	19.5%	19.6%	-8 bp

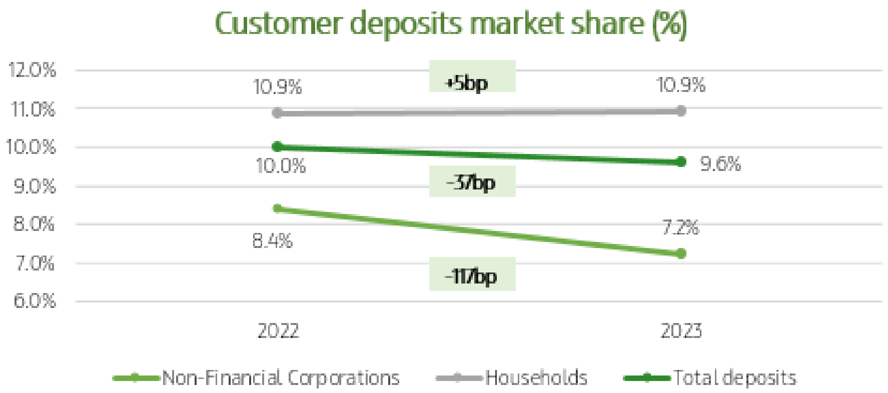
Financial position of the Group and the Bank

in million EUR	Group			Bank		
	2023	2022	Change	2023	2022	Change
Cash and balances with Croatian National Bank	**1,607.5**	**1,634.4**	**-26.9**	**1,607.5**	**1,634.4**	**-26.9**
Financial assets - securities	**876.7**	**732.8**	**+143.9**	**876.7**	**732.8**	**+143.9**
Financial assets measured at amortized cost - except for securities	**5,790.2**	**5,406.8**	**+383.4**	**5,332.0**	**5,037.5**	**+294.5**
Loans and receivables from banks	0.0	18.5	-18.5	0.0	18.5	-18.5
Loans and receivables from customers	5,790.2	5,388.3	+401.9	5,332.0	5,019.0	+313.0
Other assets	**250.7**	**247.9**	**+2.8**	**209.2**	**232.4**	**-23.2**
TOTAL ASSETS	**8,525.1**	**8,021.9**	**+503.2**	**8,025.4**	**7,637.1**	**+388.2**
Financial liabilities at amortized cost	**7,303.0**	**6,893.9**	**+409.1**	**6,846.1**	**6,541.7**	**+304.4**
Amounts due to other banks	20.0	159.3	-139.3	20.0	159.3	-139.3
Amounts due to customers	6,266.8	5,990.3	+276.5	6,275.1	6,013.9	+261.2
Other borrowed funds	1,016.2	744.3	+271.9	551.0	368.5	+182.5
Other liabilities	**195.7**	**176.2**	**+19.5**	**189.3**	**174.3**	**+15.0**
TOTAL LIABILITIES	**7,498.7**	**7,070.1**	**+428.6**	**7,035.4**	**6,716.0**	**+319.4**
Capital	**1,026.4**	**951.8**	**+74.6**	**990.0**	**921.1**	**+68.9**
TOTAL LIABILITIES AND CAPITAL	**8,525.1**	**8,021.9**	**+503.2**	**8,025.4**	**7,637.1**	**+388.3**

The Bank's balance sheet in 2023 increased by 5.1% compared to the beginning of the year, so measured by the amount of total assets, the Bank is ranked fourth among the credit institutions in the Republic of Croatia, with a market share of 10.2%.

The growth is based primarily on the increase in received customer deposits. Structurally speaking, the increase in received deposits in the household segment was relatively low (1.9%) due to new investment opportunities in government bonds and treasury bills and positive reactions from citizens. The growth of household deposits in the Bank was in line with the growth in the overall market, so the Bank in that segment remained in a stable market position at the level of 10.9%.
In the segment of legal entities it was recorded growth in the segment of legal entities which mostly refers to increased terms of institutional investors and received payments of founding contributions (escrpw account). In addition, a positive trend is present in the segment of micro and small business deposits, and there is a noticeable change in the structure in favor of term deposits.
The graph of market shares shows the decrease in the share of company deposits, recorded in the a'vista deposit part, while the escrow account balances are not indicated as they are part of other liabilities. Total customer deposits continue to remain the Bank's main source of funding.

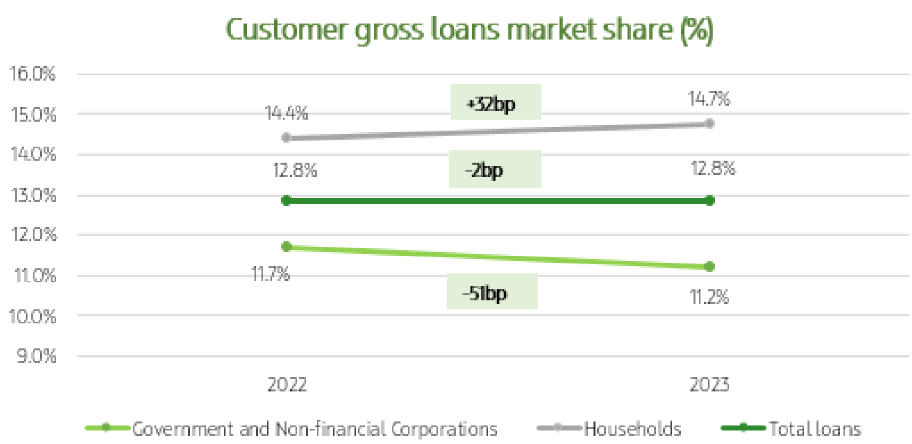
FINANCIAL OVERVIEW OF BUSINESS OPERATIONS OF THE GROUP AND BANK FOR THE YEAR 2023 (CONTINUED)



Liabilities to banks recorded a significant decrease, considering that there was a change in the currency structure of assets with the transition to the euro as the official currency, which reduced the need for short-term debt. High liquidity did not generate borrowing needs, but the increase in other borrowed liabilities is a consequence of covering capital needs due to the growth of the Bank's credit activity. The movement of capital, in addition to the attribution of the current year's profit, was also influenced by the payment of a dividend in the amount of EUR 75 million.
The Group's balance sheet is further increased by the financing of the leasing business of OTP Leasing by HBOR and OTP Financing, Malta.

Net loans and receivables from clients recorded a growth of 6.2%, whereas gross loans and receivables from clients recorded a rise by 5.9%. The overall growth is primarily due to lending to the retail segment, which grew by almost 12% in the year, with two-thirds of the growth related to housing lending, and one-third to non-purpose lending. Lending for clients' housing needs was additionally encouraged by the government's subsidized financing program, and in that segment the Bank achieved excellent market success, achieving an increase in market share of 33 basis points (increase in market share to 15%). Non-purpose loans also grew at a high rate (slightly above 10%) which enabled maintenance the market share at 14.4% and increase the market share of lending to households by 32 basis points.

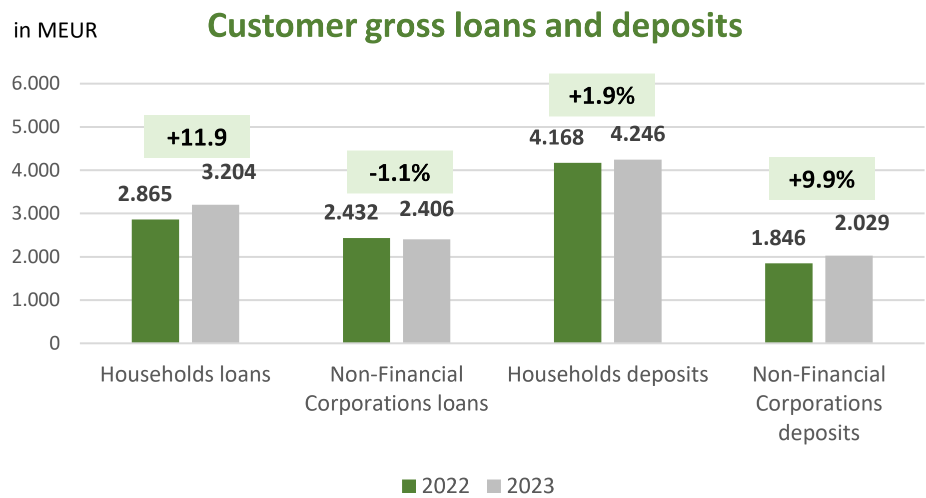
Overall, lending to legal entities mostly stagnated, but in fact lending to the real sector recorded a high growth (about 6%) in line with market trends and ensured that the market position was maintained at slightly lower than 13% of the market. A negative effect within this was the deleveraging of the central government, which canceled out the growth of lending to economic entities.



In addition, the Group had excellent results in the segment of financial and operational leasing, where OTP Leasing took the leading position on the market in terms of the total amount of new placements, which contributed to the total increase of gross loans to clients last year to the level of 7%.

FINANCIAL OVERVIEW OF BUSINESS OPERATIONS OF THE GROUP AND THE BANK FOR THE YEAR 2023 (CONTINUED)

Successful credit activity in the past year, along with the realized trend and structure of the growth of financing sources, is reflected in the increased share of total loans in assets, as well as the growth of the ratio of net loans and deposits (both in the Bank and at the Group level). Thus, the share of loans to clients at the Group level increased from 67.1% to 67.9% of total assets, and the ratio of net loans to client deposits increased from 90.1% to 92.4%.



In addition to the growth in the volume of loans and receivables, the Group and the Bank are also resulted in an improvement in the quality of the loan portfolio, as a result of which the ratio of impairment and gross loans of the Group in 2023 decreased by 35 basis points and amounts to 4.7% at the end of 2023 compared to 5.0% as it was at the end of 2022 (for the Bank reduction of 28 basis points to 5.0% for 2023 compared to 5.3% at the end of 2022).

Statement of profit or loss of the Group and the Bank

in million EUR	Group			Bank		
	2023	2022	Change	2023	2022	Change
Net interest income	338.0	189.8	+148.2	328.1	177.3	+150.8
Net fee and commission income	67.7	63.2	+4.5	65.6	61.4	+4.2
Net trading and other income	-72.1	16.7	-88.8	-82.4	7.6	-90.0
Net operating income	**333.6**	**269.7**	**+63.9**	**311.3**	**246.3**	**+65.0**
Operating expenses	-156.4	-147.4	-9.0	-139.3	-130.5	-8.8
Net losses from loss allowance and provisions	-6.0	7.2	-13.2	-7.6	3.3	-10.9
Profit before tax	**171.2**	**129.5**	**+41.7**	**164.4**	**119.1**	**+45.3**
Income tax	-30.8	-31.7	+0.9	-29.6	-29.4	-0.2
Profit for the year	**140.4**	**97.8**	**+42.6**	**134.8**	**89.7**	**+45.1**
Return on equity (ROE)	14.2%	10.4%	+376 bp	14.1%	9.8%	+426 bp
Cost-Income Ratio (C/I)	46.9%	54.7%	-777 bp	44.7%	53.0%	-827 bp

Good results in the segment of credit activity, financing through leasing and reasonable management of sources had a positive reflection on the increase in income.
Changes in the economic and monetary environment had a major impact on the operations of the Bank as well as other members of the Group. The entry of the Republic of Croatia into the Eurozone contributed positively to the remuneration of liquid assets at the Central Bank while the growth of active interest rates (as a result of the ECB's monetary measures), additionally contributed to the increase in interest income on surplus liquidity and credit placements of the Bank with a variable interest rate.
Positive trends in the economy of the Republic of Croatia, especially the good results of the tourist season, contributed to the increase in net income from fees.

FINANCIAL OVERVIEW OF BUSINESS OPERATIONS OF THE GROUP AND THE BANK FOR THE YEAR 2023 (CONTINUED)

Compared to 2022, the overall operating expenses increased by 26.4%, mostly as a result of the increase in staff costs, while other costs are increasing primarily as a result of higher marketing costs, but also due to the increase in the prices of services caused by inflation, which is primarily visible on the cost side cash processing and maintenance costs. Regardless of the higher operating expenses, and due to positive trends, in 2023 the overall efficiency improved (observing the ratio of costs and income - decrease from 54.7% to 46.9% for the Group, or from 53.0% to 44.7% for the Bank).

In 2023 the growth of profits was reflected also in the higher rate of return on equity, which had increased by 429 basis point and equalled 14.1% (9.8% in 2022).
In 2023, the Bank duly met all relevant regulatory requirements. Its strong liquidity and capital position guarantees long-term stability and sustainability.

ESG AND CORPORATE SOCIAL RESPONSIBILITY OF THE GROUP AND BANK FOR 2023

Strategic approach and ESG management

The Group has been an active supporter of corporate social responsibility and sustainability. We consider social and environmental impacts, as well as the influence on the economic development of the communities in which the Bank operates and society in general, part of our mission. As a financial group, Group OTP bank is committed to development of sustainable financing, as well as development of products and services that contribute to social values, as well as to preservation of climate and environment; its governance is based on ethics, with transparent reporting on business operations and impacts.
Given the importance of the ESG strategy, with great commitment, in 2023 the Bank continued to build the sustainable development framework up, primarily by setting in place an adequate infrastructure enabling multi-way and separate coordination of ESG factors, seeing that our impact comes from and is managed within various sectors of the Bank. The Sustainable Development Committee has been established at the highest management level (chaired by the president of the Board), along with a separate Sustainable Development Department the task of which is to manage and coordinate sustainability process at Bank level.
Corporate social governance and sustainability strategy and plans have been designed to reflect the framework of the parent OTP group (OTP Nyrt Hungary), particularly ESG strategy development guidelines. In addition, the Bank has been adhering to directives and regulations of the European Union, sustainable development objectives issued by the UN, relevant international conventions, documents, guidelines and standards, and lastly, the requirements of the financial industry regulators.
The main task to which the Bank was committed in 2023 was the implementation of the Green Loan Framework, that is framework that governs the Bank's green lending activities and is defined to identify investments that increase positive and reduce negative impact on the environment and society and that help companies and societies adapt to the effects of climate change. In addition to the above, the Bank is working on the recommendations of the Croatian National Bank for alignment with supervisory expectations for the identification and management of climate and environmental risks, as a result of which it conducted an analysis of the geographic distribution of collateral in order to determine the sensitivity to the risk of floods and fires as drivers of physical risk.
The Bank's intention is to fully align its operations with regulatory requirements concerning sustainable finance, and to make headway in monitoring and managing of own footprint.
The processes and rules adopted by the Bank shall apply to all its subsidiaries in the Republic of Croatia, in cooperation with which sustainable solutions are developed.

Actions undertaken to protect the environment and climate

The Bank has been recognised as „green“ thanks to its long-term efforts to minimise its impact on the environment. It tackled its own sustainable corporate climate in the ESG strategy, under “Corporate social responsibility stakeholder”. The Bank’s commitment to monitoring and responsible management of own impact is again and again proved by the ongoing improvement in several segments:

- Use of energy from renewable sources, responsible management of energy and energy efficiency; from October 2021, the Bank procures electricity exclusively from renewable sources, by purchasing ZelEn HEP Opskrba products; in 2023, 8,138 MWh of energy was taken over with 0 percent CO2 emissions;

ESG AND CORPORATE SOCIAL RESPONSIBILITY OF THE GROUP AND BANK FOR 2023 (CONTINUED)

Actions undertaken to protect the environment and climate (continued)

- using energy from own sources - solar panels installed on administrative buildings in Zadar, Dubrovnik and Pula; in 2023, 89.4 MWh of electricity was produced for own needs;
- Implementation of the “Green light to green living” project, i.e. initiatives for a plastic-free bank, use of recycled and recyclable materials in business operations, use of environmentally friendly material when furnishing branches and offices, and development of a responsible waste management system; in 2023, a total of 55.1 tons of waste was separated in this way;
- Project of replacement of all plastic cards used by our clients with the currently most sustainable solution available - PLA cards made of natural, biodegradable materials;
- Continuous reduction of paper use, by digitalisation of operations and making changes to business processes
- Development of online business operations, instructions on responsible use of transport, and procurement of vehicles that have lower impact on the environment.

Sustainability reporting and support to public dialogue

The Group has been publishing a special Sustainability Report composed in accordance with the GRI Standard. The Sustainability Report shows contributions to sustainable development objectives of the UN, and relies also on ISO 26 000 standard guidelines and UN Global Compact principles. In addition, the information about the Bank and its subsidiaries in Croatia are published also in the OTP Group Sustainability Report.
The report on non-financial operations (in accordance with Article 21a of the Accounting Act) is issued by the Bank as a separate document (https://www.otpbanka.hr/sites/default/files/doc/Izvje%C5%A1%C4%87e%20o%20odr%C5%BEivosti%20za%202022.%20godinu_0.pdf). Also, the report on non-financial operations of the Bank is included in the consolidated report on non-financial operations of OTP Bank Nytr (https://www.otpgroup.info/static/sw/file/230428_Annual_report.pdf).

The Bank’s website has various documents available, along with codes and policies providing for ethical business practice, corporate responsibility, and for other segments of a sustainable and responsible corporation.

The Bank, within Group, keeps track and measures its progress in sustainable practices also by participating in the Croatian Sustainability Index (HRIO), a uniform national measuring system set up by the Croatian Business Council for Sustainable Development.
In its public communication, the Bank supports and encourages the dialogue on sustainable development and social responsibility. Thus, in 2023, the Banl participated in supporting the organization and presenting content at the ESG Adria summit in Porto Montenegro, the Green Future conference in Split, the Greencajt conference in Zagreb, the 15th conference on sustainable development in Zagreb and the Women in Adria conference. The importance of dialogue on sustainable development was also recognized at the level of the international OTP group, so the first ESG summit was held in Budapest in May. In 2023, the Bank received an award for excellence awarded by Euromoney, declaring the Bank the best bank for ESG in Croatia.

Corporate social responsibility

Corporate social responsibility is entirely a part of Group business policy that, besides responsible and transparent business, pays a lot of attention to projects through which it tries to contribute to the development of the local communities in which it operates.
Its projects of establishing relations with the community through corporate social responsibility the Bank unites under the slogan “Different Bank – different world”,where it is engaged in encouraging the development of important segments in the communities of its business: care for the environment, sports, education, science, culture, health, entrepreneurship, as well as helping socially vulnerable segments of the society.
For fourteen years now, the Bank has been allocating significant funds for scholarships for students of lower financial standing. After 13 years of cooperation with local communities on this project, in this academic year the Bank independently organized a competition for student scholarships. The criteria were material and social status and general success in education, and seventeen students met the criteria for receiving a bank scholarship in the amount of three hundred euros per month. For the fifth year in a row, the Bank also announced a competition for awarding scholarships to student athletes and selected four student athletes which will help to achieve academic and sports excellence.

ESG AND CORPORATE SOCIAL RESPONSIBILITY OF THE GROUP AND BANK FOR 2023 (CONTINUED)

Corporate social responsibility (continued)

These scholarships also amount to three hundred euros per month, and student athletes, as well as students of lower financial standing, receive them during all 12 months of the year.
For the twelfth year running, the Bank invited tenders for donations intended for projects within four different categories: the young, education and science; protection of cultural, historic and traditional heritage and environmental protection; humanitarian projects and sports.The Donations Committee selected 34 projects from hundreds of applications from all over the Republic of Croatia. We chose the projects that stood out for their quality and showed special value for sensitive social groups and that, when implemented, will contribute to improve the quality of life in their local communities.
In 2020, the Bank and Mastercard launched a considerable donation programme “OTP RoundUp!” in order to contribute, together with clients, to better quality and more accessible care in children’s hospital wards.
Using Mastercard of the Bank, clients can round up the amounts during contactless payment and with every transaction they make buying at any point of sale in the Republic of Croatia or online, the balance of the donation account, set up exclusively for the purpose of this programme, is increased. The programme consists of cycles during which the funds are collected for two children’s hospitals or children’s hospital wards. The cycles are closed at the end of the calendar year and the funds are paid to hospitals, and with the first day of the following year, the dial goes back, but not to zero but rather to the amount of 125 thousand euros that is donated for this program jointly by the Bank and Mastercard at the beginning of each cycle.
In the last cycle, completed at the end of December 2023, a total amount of 206 thousand euros was paid to Zadar General Hospital and Osijek Clinical Hospital for equipping children's wards.
The “RoundUp!” programme will continue in 2024 and will prove once again the Bank’s commitment to initiate constructive social activities.

The Bank has traditionally supported volunteer and humanitarian work by its engagement in numerous activities over the past years: Wings for Life humanitarian race, Boranka campaign, volunteering at an animal shelter, volunteering in the children’s village in Ladimirevci and Lekenik, in the children's homes in Split and Kaštele, supporting and participating in environmental actions like Ekotlon or cleaning the Marjan forest park, and similar.

The Volunteer Club of the Bank has been operating since May 2022 and is aimed at providing help to persons in need in the local communities the Bank operates in and it consists of all employees who decide to participate in volunteer actions organised by the Bank or by inviting its employees to participate in a specific campaign or project supported by the Bank.In 2023. Only in 2023, more than 200 employees were engaged in over 15 volunteering campaigns organised by the Bank in the Republic of Croatia.

In addition, the Bank enables its employees who are voluntary blood donors to donate blood in its premises when such campaigns are organised by the Bank and the Red Cross. In 2023, nine such campaigns were organised, in three different locations, three each in Split, Zadar and Zagreb, during which a total of 286 doses of blood were collected.

Responsibility for client relations

Sustainability and responsibility in market relations are the basis of the Group’s business policy. The Group develops its products and services in accordance with the accepted principles of sustainability and special attention is paid to product availability, transparency of communication with clients, fair and transparent marketing communication. The implementation of the new *Omnichannel digital banking solution*, although not directly aimed at improving customer service, significantly contributes to more responsible customer care. By offering seamless and secure access through various channels, clients are ensured to receive efficient and personalized service, meeting their needs quickly and securely. Flexibility and adaptability ensure that the Group provides quality and timely responses to the needs of clients whose expectations are constantly changing in the digital era.

In the development of product availability, the Bank cooperates with the Croatian Bank for Reconstruction and Development in order to provide clients in areas of special state concern or of a less favourable economic position with more accessible sources of financing for their entrepreneurial projects.
The “OTP RoundUp!” programme is an example of a socially engaged product where clients have the opportunity to participate in a humanitarian campaign using the Bank’s Mastercard. In 2023, 18,000 clients participated in the programme.
In an effort to help Ukrainian citizens who fled to the Republic of Croatia as a result of the war, the Bank provided them with access to a special package of basic services and products.

ESG AND CORPORATE SOCIAL RESPONSIBILITY OF THE GROUP AND BANK FOR 2023 (CONTINUED)

Responsibility for client relations (continued)

The Group invests in the development of financial literacy all the time, especially of young generations (that is why a new web selector for students was created) and strives to respond to the needs of young people by continuously adjusting the methods and channels of communication.
The Group pays special attention to the security of its clients and the protection of their privacy and assets. The Bank, within the Group, participates in the European Cyber Security Month. Instructions for the safe use of digital channels are constantly published on its website, and initiatives to raise awareness of digital inclusion and security are supported.
In accordance with its principles of diversity, the Bank facilitates availability of products and services to all persons, so when refurbishing branches, care is taken of access for persons with disabilities so that they can use the premises without hindrance. The Omoguru widget has been on the Bank's website for several years, making it easier for clients with sight and reading difficulties to follow the content on the website.
There are several ways available to clients to make inquiries in more detail, report an irregularity or complain about the conduct in a business relationship. Client opinion surveys indicate their full satisfaction with services and the speed required to resolve their inquiries.

BANK'S PLANS FOR 2024

Bank's plans for 2024 have been set in accordance with the projected macroeconomic indicators and expectations regarding further development and growth of the banking sector, defined strategic guidelines and operational objectives set based on the going concern assumption.
In 2024, the retail banking segment will focus on further growth of the market share of housing and non-purpose loans, enhancing quality of client experience across all our communication and sales channels, enhancing of credit products and further digitalisation of business operations.
A particularly important area in 2024 is the continuation of the digital transformation of products and services, as a response to significant changes in customer behavior and habits. For this purpose, a project to replace the mobile banking platform was launched with the aim of creating a high-level service that follows the demands of clients in digital banking for the coming years. In addition, other projects have been launched that should increase the level of service quality and client satisfaction. In terms of corporate clients and the government banking sector, overall inflation in the euro area is expected to continue to decrease due to cost pressures and the resolution of bottlenecks in supply chains. This results from the gradual weakening of the impact of past energy price shocks and other producer cost pressures, and rising labor costs will gradually become the main driver of inflation. On the other hand, a slump in demand, a stronger impact of monetary policy tightening and a more pronounced spillover of the decline in the prices of energy and other raw materials to consumer prices of goods and services might push inflation below its projected path. The aforementioned will be reflected in the company's operations, where the investment cycle and long-term investment ambitions will slow down. Credit risk will also increase due to pressure on profit margins.
With the aim of risk amortization and optimal capital management, the emphasis is on financing in the EU and national guarantee schemes.
Recognizing clients needs when designing products and services, under the assumption of normalization of life and economy, will contribute to the planned scaling up of operating income in 2024. Simultaneously with the mentioned activities, we expect improvement of the efficiency and business optimisation, whilst keeping costs at bay, which should create preconditions for achieving planned business results.
The overall business result will be also under the impact of higher risk costs that are expected in the upcoming period due to inflation.
Operating income will increase primarily due to planned increase in net interest income and from higher net fees income, while a decrease in other income is expected.
Operating costs in 2024 will increase as a result of the increase in service prices due to inflation, but also because of new IT services due to the operationalization of projects started in the previous year, as well as the continuation of work on strategic projects with the aim of more effectively meeting the clients' requirements and expectations.
The Bank adopted an ESG strategy in mid-2022, which was also taken into account when creating the business plan for 2024. The emphasis is on sustainable financing, green and socially responsible products, responsible management of ESG risks, reduction of one's own carbon footprint and transparent reporting of sustainability data.
The Bank has established a Framework for managing ESG risks when approving and monitoring loans for clients of legal entities, which includes a list of ESG exclusions, a sectoral heat map for ESG risks, and an ESG risk assessment of the transaction.

BANK'S PLANS FOR 2024 (CONTINUED)

Following the request of the Parent Bank, the Green Loan Framework was introduced in the Bank; framework that governs the Bank's green lending activities and is defined to identify investments that increase positive and reduce negative impact on the environment and society and that help companies and societies adapt to the effects of climate change. The Green Loan Framework has identified a broad list of categories to define green financing activities, and the criteria are based on the EU taxonomy and the CBI taxonomy. As part of the aforementioned Framework, the Green Alignment Assessment Tool was established, with which all relevant organizational units involved in the green lending process define the compliance of individual financing with the aforementioned taxonomies. In the coming period, the systematic development of support for the mentioned tools is planned, as well as the strengthening of ESG competencies of all organizational units involved in the process.

RISK MANAGEMENT

As part of the OTP Group, the Bank's Risk Management is defined by the basic principles and guidelines prescribed in the policies and internal regulations of the Bank/OTP Group, together with the legal and regulatory requirements of both local and other relevant statutory bodies. The regulatory framework of the Bank's Corporate Governance ensures the independence of the risk management function/division from commercial and operational functions, as well as from other control functions. The risk management function includes the identification, measurement, assessment, analysis and monitoring of all significant risks of the institution's critical functions. The Risk Management framework includes the entire risk management system, including risk strategy, risk appetite and risk controls (such as policies and methodologies, etc.). The risk strategy summarises the risk approach, vision, mission, values, goals, strategic initiatives that support risk management within the set risk appetite and includes the Risk Appetite Statement (RAS). The Risk Appetite Statement regulates the risk appetite the Bank/OTP Group is willing to accept in order to implement its business and risk strategy. Although it is an integral part of the Risk Strategy, the RAS is approved by the Management Board as a separate document that is reviewed every year.
Main goals:

- Implementation of business strategies, taking into account the risk/return ratio;
- Ensure that potential losses are kept with the risk capacity;
- Adequate provisions for credit losses reflected in price and profitability;
- Adequate hedging for unexpected losses;
- Running the risk management system according to the size and complexity and in line with the regulator's expectations, using international best practices;
- Proactive, aware of risks, supporting business goals in a dynamic environment.

The strategic mission is: to be a partner to our business units; creating a value through data-driven decision making, advanced analytics and process excellence; ensuring a unique and transparent methodology or control environment for managing operational losses as well as maintaining safe growth of the portfolio through economic cycles.
Credit, market and operational risks are managed and controlled within the organisational structure of the Risk Management Division, headed by the Risk Management Member (CRO). Compliance risk management, data protection, fraud detection and prevention, information and cyber security, AML/CFT, legal risk and ESG are managed within the organisational structure of the Central Functions Division, headed by President of the Management Board.
Interest rate and liquidity risks are managed within the organisational structure of the Finance Division, headed by the Finance Board Member (CFO). The second line of defence/control covering these risks is implemented within the organisational structure of the Risk Management.

Credit risk
Credit risk means the risk that the other party won't be able to fully settle the amounts they owe. The Bank determines credit risk levels by setting a limit for risk amounts it assumes in relation to one client or a group of clients, and according to the business segment or products. Client credit risk management is based on a comprehensive assessment of the client's risk profile from a quantitative (financial) and qualitative point of view using a scoring and evaluation model, along with individual approval given by the corresponding level of approval. The authorisation system is set to reflect the risk profiles of clients as well as the competency level for their assessment. Internal lending limits at the level of client / group of clients, transaction or product are established in line with the Bank's defined risk appetite. The Bank has established a robust monitoring process for funded clients and approved exposures that enables corrective actions to be taken in the event of deterioration. The credit risk exposures are managed through various regular analyses at the level of client or portfolio, product or segment, sales channel or area. In the prevention of credit risk frauds, a wide range of tools and controls have been introduced with the aim of prevention, early detection of fraud cases and optimisation of the process.

RISK MANAGEMENT (CONTINUED)

Market risk
Market risk means the effect of external influences on the value of positions in the Bank's portfolio due to price changes, i.e. trends in the financial markets. According to this definition, market risk consists of currency risk, interest rate risk and price risk.
The fundamental goal of market risk management in the Trading Book is to make a profit by taking advantage of fluctuations in exchange rates and interest rates, i.e. limiting losses that may result from their unfavourable trends in a way not to put at risk the Bank's profitability and operations.
The Bank applies the VaR methodology using the historical simulation method with a confidence level of 99% and a time horizon of 1 day to estimate the market risk and maximum expected losses of the positions it holds.
The VaR methodology is a statistically defined probability-based approach that takes into account market volatility as well as risk diversification by identifying offsetting positions and correlations between products and markets.
The Management Board approves an acceptable level of VaR limits, which are monitored on a daily basis. While VaR covers the Bank's daily exposure to currency and interest rate risk, the sensitivity analysis assesses the impact of a reasonably possible change in interest rates or foreign currency exchange rates during the year. The longer horizon of the sensitivity analysis complements VaR and helps the Parent Bank assess its market risk exposure.
Market risk, the risk of foreign countries and counterparty risk in transactions on the financial markets are managed by the Market Risk and Liquidity Control Department. The Department is directly accountable to the chief risk director of the Bank and is fully independent of the business units it supervises. It operates within the Market Risk Division of the OTP Group, and risk measurement methodologies and control procedures of the Bank are aligned with the best practices of the OTP Group.

Liquidity risk
The policy of managing cash flows aimed at maintaining a balance between cash receipts and expenses is part of the Bank's broader asset and liability management policy. In order to ensure a satisfactory level of liquidity reserves, the Bank consistently monitors and plans the cash flow and predicts future liquidity needs taking into account changes in the economic, legislative and other circumstances of its operations. The aforementioned planning includes the identification of known, expected and potential cash outflows and the development of strategies to satisfy the Bank's liquidity reserves in certain currencies. It is important to emphasise that, when managing liquidity risk, the Bank strives to ensure currency compatibility of the portfolio of liquid assets with the currency distribution of its net liquidity outflows.

Operational risk
Operational risk means the risk of loss arising from inadequate or unsuccessful internal processes, humans and systems or from external events, including legal risk.
The Bank's activities in the field of operational risk management are compliant with current regulations and good practices of operational risk management and are reviewed regularly in line with their changes.
Significant operational risks are identified by:

- Self-assessment of risk and control mechanisms (Risk control self-assessment - RCSA)
- Scenario analysis
- Key risk indicators
- Collection of operational risk events
- Business Impact Analysis (BIA)

The Bank uses a simple approach for calculating capital requirements for operational risk.

By implementing all the adopted measures, the Management Board believes that the risks are adequately and satisfactory managed.

MANAGEMENT OF GROUP'S HUMAN RESOURCES

The Human Resources and Corporate Affairs Directorate incorporates three departments that deal with the personnel issues.
Contemporary HR functions are combined in the processes of the Talent Acquisition and Employee Support Department, the Employee Knowledge, Career and Experience Management Department, and the Organization Development and HR Controlling Department.
At the end of 2023, the Group had the total of 2,590 employees of which 2,402 are Bank employees. The Group records an increase of 27 employees in 2023 compared to 2022.
During 2023, 231 new employees were hired on the Group level, of which 205 new hires relate to the Bank (of which 86 employees relate to branches), while in the same period 202 employees left the Group, of which 178 employees from the Bank (of which 104 employees relate to branches).
The age and educational structure of the Group's and Bank's employees has been stable in the last two years; the average age is about 42 years, of which 67% of the employees have higher education, and the average total years of employment is 17 years (of which 13 years in the Bank).

Employee remuneration
To this end, in 2023 Group provided additional funds for pay rise in response to the costs of living hike driven by the inflationary pressures. Additional funds were set aside for the bonus scheme, whereas the number of employees included into the bonus scheme was increased, as were the amounts of individual bonuses paid to the retail staff.

New hires
The new hires were meticulously planned and aligned with the Group's development objectives. The ongoing evolution of banking and booming digitalisation call for intensive search for highly trained experts through new hires and in-house recruitment. The situation in the labour market was rather unfavourable, which is why the Group used services of employment and headhunting agencies for talent scouting.

New Collective Bargaining Agreement / perquisites
On 1st January 2022, the Bank concluded a new Collective Bargaining Agreement, effective for a three-year period. The new Agreement includes all previous employee entitlements and perquisites, and provides for some new ones, whereas the most prominent include: thirteenth salary (end-of-year bonus), holiday bonus, gift vouchers, presents for employees' children, financial support upon birth of a child, loyalty bonuses, bonuses for the participants in the bonus scheme, and contributions paid for special work conditions. The Bank ensures regular medical check-ups, and funds various sport and cultural events. The employees enjoy special benefits when taking housing loans and using banking services. There are insurance policies covering all employees during working hours and whilst commuting to and from work, with various forms of financial supports available in case of natural disasters, illnesses and similar.
The new Collective Bargaining Agreement provides for longer holiday entitlements and paid leaves of absence (especially for parents of young children, such as paid time off for the first day of school or kindergarten, paid time off for any volunteering organised by the Bank or its partners, and expanded options for paid time off for professional training and qualifications.
As of 1 September 2023, the Bank concluded an Addendum to the current Collective Agreement which introduced additional benefits for employees, the most significant of which is an increase in the minimum gross 1 salary.

Hybrid work
The Bank introduced a hybrid work option whereby an employee can work 3 days in the office and 2 days from home, wherever such arrangement is feasible without compromising the quality of business processes and services provided to the clients. This way the Bank accommodated additional work flexibility for the employees eligible for this type of arrangement.

Employer branding
During 2022, the Employer branding strategy was completed and the action plan for 2023 was defined. The strategy was developed to meet existing challenges, such as the unpredictable labor market, increased employee turnover, numerous communications from other employers in the banking sector. Given that the Bank made a stronger step towards agile business transformation, the need for highly qualified IT experts in various fields also arose, which required additional efforts in attracting and retaining them.

MANAGEMENT OF GROUP'S HUMAN RESOURCES (CONTINUED)

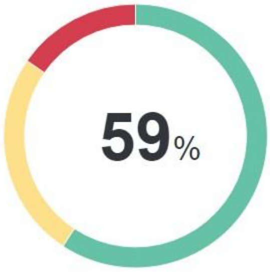
Digitalisation in HR
Closely following new trends and striving to meet the employees' expectations, the Bank has set up a digital signature scheme enabling the employees to sign their employment contracts electronically. The annual performance assessment process has been digitalised as well as budgeting process.

Employee training and development
The Bank seeks to enable its employees to improve their knowledge and skills by way of various professional training programmes, and supports their personal development. Along the same line, applying timely and high-calibre education modules, the Bank provides a major support to the entire business operations and better services to its clients.
Only in 2023, the total of 2,365 employees took part in as many as 341 different training sessions of total duration of 42.7 thousand hours.
As much as 57% of the training accounted for in-house training, whereas 53% of all sessions were held through digital channels. It is worth noting that the digital training trend recorded a slight decrease compared to the year before.
The e-learning platform offered the employees new contents and various topics to choose from.
Apart from the ongoing standard training programmes related to the regulatory issues, knowledge of products and services, expert skills in financial analysis and risk management, the training sessions available in 2023 extended to the currently trending topics of agile methodology and operations, ESG framework.
Special attention is given to educational programs intended for different levels of managers, from those who find themselves in this position for the first time, to strategic and branch managers.

Employee engagement and satisfaction
Throughout 2023 the Bank continued introducing innovations though its Ideaportal Platform, encouraging its employees to think out of the box and offer creative ideas for solving certain challenges or for improving of business processes within the Bank.
Also, in 2023, the Bank participated in conducting the OTP Group's annual employee engagement survey in all countries where the Group operates in order to enable its employees to share feedback about their work experience. In total, 98% of the Bank's employees participated in the survey, indicating a desire for continuous dialogue and active participation in shaping the desired work environment.

Response rate

Engagements score



In 2023, the Bank's employee engagement rate is 59%, and the key drivers that most influence employee engagement were identified as: the possibility of achieving career goals, recognition of employees as important stakeholders in the company's success by senior management, employee well-being as a priority, open and honest communication and acknowledgment for job well done.
A detailed analysis of results provides guidelines for planning necessary development activities, all with the aim of further increasing employee engagement.

Maintaining occupational health and safety awareness
The Bank provided medical check-ups for its employees in 2023, aimed at disease prevention and health promotion.
The Bank has been running perpetual training sessions to ensure that its employees work in a safe manner, and to advise them of the firefighting measures and first aid.

RESEARCH AND DEVELOPMENT

The present fast-changing society, witnessing a relentless progress of science and technology, calls for an organisational culture that fosters innovation steered towards enhancing of the relationship with clients and upgrading of their experience, thus laying the foundations for sustainable long-term business relations.
The Group encourages creativity and thinking outside the box in everyday work, as evident in the Ideaportal platform – an interactive portal where the employees can share proposals for optimisation and improvement of the business processes. Taking into account the requirements of the market and the needs of clients, the Group is related to the continuous improvement of products, services and business processes.

During 2023, the activities of the research and development in line with strategic goals aiming at improvement of clients' experience and satisfaction, have been continued, through development of suvrement and digitalized products and services, creating in that way, reliable, simple and safe solutions for clients whilst increasing business efficiency.

In this sense, the main focus during the year was on the development of a new digital and fully integrated E2E (End-to-End) solution for approving cash loans, as well as on the construction of a new mobile banking platform, with the aim of creating a high-level service that follows the demands of clients in digital banking for the coming years. Full implementation of these processes and products is expected at the beginning of 2024. The aforementioned initiatives, along with the significant improvement of digital marketing carried out in previous years, should significantly increase the level of service quality and client satisfaction, and at the same time enable the realization of plans for new placements, both cash and housing loans.

In the coming period, the Group will continue to carry out activities for the purpose of a complete transition towards an agile way of working with the aim of shortening the time required to deliver solutions (Time to market) in the field of digital banking and increasing the range of services available to clients through digital channels, as well as improving the existing services to upgrade the user experience. To accomplish this objective, the Group will be reshaping to accommodate agile practices through development of its IT solutions, transformation projects and raising of employee awareness about the agile operating model. Through the digital transformation program, initiatives related to improving the efficiency of business processes within branches will be continued, which consequently also positively affect the level of client satisfaction, operational efficiency and cost efficiency.

The design of appealing and competitive financial products and solutions predominantly tailored to suit the clients' needs in accordance with market standards, whilst remaining true to the nature of its business activities, will continue to be an area of paramount importance for the Group in the future.

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

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

The Management Board is responsible for the submission of the annual report, which includes the separate and consolidated financial statements and other information, to the Supervisory Board for acceptance. If the Supervisory Board approves the annual financial statements, they are deemed confirmed by both, the Management Board and the Supervisory Board of the Bank.

The Management Board is responsible for the preparation and content of the Management Board Report and the other information, in accordance with the provisions of the Accounting Act (Official Gazette 78/2015, 134/2015, 120/2016, 116/2018, 42/2020, 47/2020, 114/2022, 82/2023).

Separate and consolidated 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 (Official Gazette 42/2018, 122/2020, 119/2021 and 108/2022), were authorised by the Management Board on 13 March 2024 and submitted to the Supervisory Board for acceptance. To confirm this, the separate and consolidated financial statements have been signed by authorized persons, as follows.

For and on behalf of OTP banka d.d.:

Balázs Pál Békeffy
President of the Management Board

Nikola Mikša
Member of the Management Board

Slaven Celić
Member of the Management Board

Zvonimir Akrap
Member of the Management Board

Bruno Biuk
Member of the Management Board

Ivan Šimičević
Member of the Management Board

Ernst & Young d.o.o.
Radnička cesta 50, 10 000 Zagreb
Hrvatska / Croatia
MBS: 080435407
OIB: 58960122779
PDV br. / VAT no.: HR58960122779

Tel: +385 1 5800 800
Fax: +385 1 5800 888
www.ey.com/hr

Banka / Bank:
Erste & Steiermärkische Bank d.d.
Jadranski trg 3A, 51000 Rijeka
Hrvatska / Croatia
IBAN: HR3324020061100280716
SWIFT: ESBCHR22

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of OTP banka d.d.

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate financial statements of OTP banka d.d. (the Bank), and consolidated financial statements of OTP banka d.d. and its subsidiaries (together - the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2023, the separate and consolidated income statement and the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Bank and the Group as at 31 December 2023 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.

We are independent of the Bank and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Key Audit Matter	How we addressed Key Audit Matter
Determination of expected credit losses **See Note 14 Loans and advances to customers and Note 1.12 Loss allowance of financial assets.** Determination of expected credit losses represent management's best estimate of the expected credit losses within the loan portfolios at the reporting date. Assessment of appropriate staging of exposures depends mostly on triggers ("trigger events") identified by management as indicators of significant increase in credit risk of customers and impairment respectively. These triggers are subject to high level of judgement of the Management. Impairment provisions for expected credit losses require use of complex models (depending on the elements of the information system) and significant judgment of the Management Board and include high degree of subjectivity in estimating future cash-flows and timing of recoverability. Additionally, uncertain economic outlook resulted in more complex assessment onto expected credit losses. Additionally, regulator and market are focusing on exposures as they represent core business of the bank and provisioning of the loans is significantly affecting the result of the bank. This area is determined to be a key audit matter as the determination of the appropriate amount of impairment losses requires application of significant judgement and use of subjective and complex assumptions by management.	We obtained an understanding of the control environment and internal controls established by management in the process of measuring impairment provisions for expected credit losses. With the assistance of IT specialists, we assessed the design and tested the operating effectiveness of the controls, including the quality of underlying data and systems. We evaluated the design of controls over the calculation of individual impairments and tested the operational effectiveness of controls over the calculation of individual impairments of the Bank's portfolios, including the quality of the source data and the system. With the assistance of credit risk specialists, we assessed the methodology developed to calculate loan loss provisions under IFRS 9, concentrating on such aspects as factors for determining a "significant increase in credit risk", allocating loans to stages, appropriateness of models used for calculation of Stage 1 (A1) and Stage 2 (A2) allowances and portion of Stage 3 (B) allowances calculated on models (exposures below EUR 400 thousand) and estimation of key provisioning parameters. We evaluated matrices used in the calculation of probability of default ("PD") and loss given default ("LGD"). Additionally, with respect to models, we understood and assessed how the current macroeconomic expectations are incorporated in the model as part of forward- looking information. We examined a sample of exposures and performed procedures to evaluate the adequacy of classification of exposures in stages (including but not limited to assessing the creditworthiness of clients, review of input parameters such as probability of default, testing of reported days past due, assessing adequacy of Early warning signals ("EWS") and watch list status). Our audit procedures for individually significant exposures focused on measuring the impairment of individually significant credit exposures, including assessing whether historical experience is appropriate for estimating the amount of credit losses in the portfolio. On a sample of individually impaired credit exposures within a portfolio of individually significant exposures,

	we tested the assumptions used in identifying impairment and quantification including estimates of future cash flows, estimates of related collaterals and estimates of recovery on default and assessed whether the specific Croatian National Bank ("CNB") provisioning requirements were reflected in the calculation. This also included taking into consideration the impact of forbearance. We also assessed adequacy of the disclosures in Note 1.12 Loss allowance of financial assets and Note 14 Loans and advances to customers in the financial statements and if these are in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).
Assessment of provisions for CHF litigation **See Note 26 Provisions for liabilities and charges.** As of 31 December 2023, the Bank recorded provisions for litigation cases related to loans originally issued or indexed to Swiss Francs ("CHF"). The provision for litigation cases relates to loans that have been converted and to loans that have not been converted and are still denominated in CHF, including requests for nullifying loan agreements in full and requests for nullifying specific clauses of loan agreements. We focused on this area because there are considerable judgements and estimates in applying the relevant requirements to estimating both timing and size of outflows of economic resources required to settle the Bank's obligations resulting from these specific litigation claims, given their inherent uncertainty and volume. Therefore, due to the significant judgment involved and considering total amount of provisions we consider this area as a key audit matter.	We obtained an understanding of the control environment and internal controls established by management in the process of assessment of provisions for CHF litigation. Also, we have inquired management in order to gain an understanding of the assumptions considered in determining the need to recognize and measure provisions for CHF litigation. We obtained an overview of the litigation claims against the Bank and the provisions recognized for these cases. We reconciled this information to the information provided in the financial statements and to the information received from independent legal advisers used by management. We obtained and reviewed the opinions and statements of independent legal advisers used by management and compared them to the information received from management in relation to the litigation claims. We obtained and reviewed the calculation of provisions for litigation and assessed whether the assumptions, on which the measurement of provisions is based, are based on relevant and available information from independent parties and the market. We also assessed adequacy of the disclosures in Note 26 Provisions for liabilities and charges in the financial statements and if these are in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Building a better working world

Other information

Management is responsible for the other information. Other information comprises the Management Report included in the Bank's and Group's Annual Report, but does not include separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the other information.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report is consistent, in all material respects, with the enclosed separate and consolidated financial statements; and
2. the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Bank and Group and its environment obtained in the course of the audit of separate and consolidated financial statements, 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 Audit Committee for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group'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 and the Group or to cease operations, or has no realistic alternative but to do so.
Audit Committee is responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

- 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 and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Bank on 31 March 2021. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 31 March 2023, representing a total period of uninterrupted engagement appointment of three years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on 12 March 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Bank and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Bank and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

Report on Regulatory requirements

In accordance with the Bylaw on the structure and content of the annual financial statements of credit institutions ((National Gazette no 42/18, 122/2020, 119/2021 and 108/2022) (hereinafter "the Bylaw")) the Bank's management has prepared forms which are presented on pages 191 to 213, and which contain a separate and consolidated statement of financial position as at 31 December 2023, separate and consolidated income statement, separate and consolidated statement on other comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated cash flow statement for the year then ended together with reconciliation with the separate and consolidated financial statements of the Bank and the Group ("financial information"). This financial information is the responsibility of the Bank's management and is, pursuant to statutory accounting regulation as applicable to banks in Croatia, not a required part of the separate and consolidated financial statements but is required by the Bylaw.

Our responsibility with respect to this financial information is to perform the procedures we consider appropriate to conclude whether this financial information have been properly derived from the audited separate and consolidated financial statements. In our opinion based on the procedures performed the financial information presented in the forms has been properly derived, in all material respects, from the audited separate and consolidated financial statements of the Bank which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) as presented on pages 35 to 190 and are based on underlying accounting records of the Bank and Group.

The partner in charge of the audit resulting in this independent auditor's report is Zvonimir Madunić.

Zvonimir Madunić
Member of the Management Board and Certified auditor

13 March 2024

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia

Consolidated financial statement of profit or loss

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Note	2023	2022
Interest income	3	382.4	198.6
Interest expense	3	(44.4)	(8.8)
Net interest income		**338.0**	**189.8**
Fee and commission income	4	92.6	83.1
Fee and commission expense	4	(24.9)	(19.9)
Net fee and commission income		**67.7**	**63.2**
Net (losses)/gains from valuation of financial instruments at fair value through profit or loss	5a	(156.4)	(13.7)
Net (losses) on financial instruments at fair value through other comprehensive income	5b	-	(0.9)
Net gains from trading and converting monetary assets and liabilities	5c	66.2	16.3
Net gains on financial assets at amortized cost	5d	-	0.1
Other operating income	6	18.1	14.9
Net trading and other income		**(72.1)**	**16.7**
Profit before value adjustment and operating expenses		**333.6**	**269.7**
Other operating expenses	7	(57.2)	(52.8)
Depreciation and amortisation expenses	7a	(24.4)	(26.4)
Personnel expenses	8	(74.8)	(68.2)
Net gains/(losses) from loss allowance and provisions	9	(6.0)	7.2
Profit before tax		**171.2**	**129.5**
Income tax	10a	(30.8)	(31.7)
Profit for the year		**140.4**	**97.8**
Attributable to:			
Equity holders of the Group		138.1	94.7
Non-controlling interests		2.3	3.1
		140.4	**97.8**

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

Consolidated financial statement of other comprehensive income

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Note	2023	2022
Profit for the year		**140.4**	**97.8**
Other comprehensive income:			
Items not reclassified subsequently to profit or loss:			
Net fair value changes of financial asset measured through other comprehensive income - equity securities	28	2.9	2.7
Actuarial gains on provisions for severance pay	26, 28	-	0.2
Total		2.9	2.9
Items reclassified or could be reclassified to profit or loss:			
Net fair value changes of financial asset measured through other comprehensive income - debt securities	28	9.0	(35.4)
Net changes in allowance for expected credit losses of financial asset measured through other comprehensive income - financial assets	9,15	(0.7)	(0.3)
Total		8.3	(35.7)
Deferred tax	10c	(2.1)	5.8
Total other comprehensive income		**9.1**	**(27.0)**
The effect of changing the functional value		**-**	**0.2**
Total comprehensive income		**149.5**	**71.0**
Attributable to:			
Equity holders of the Bank		**147.2**	**67.9**
Non-controlling interests		**2.3**	**3.1**

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

(All amounts are expressed in millions of EUR)

	Note	31/12/2023	31/12/2022
ASSETS			
Cash and balances with Croatian National Bank	11	1,607.5	1,634.4
Loans and receivables from banks	12	-	18.5
Financial assets at fair value through profit or loss	13	44.8	47.1
Loans and receivables from customers	14	5,790.2	5,388.3
Equity securities at fair value through other comprehensive income	15a	18.3	15.3
Debt securities at fair value through other comprehensive income	15b	616.1	606.0
Financial asset measured at amortised cost	16	242.3	111.5
Property and equipment	18	88.4	86.3
Right-of-use assets	18a	15.4	14.4
Investment property	19	32.3	18.6
Intangible assets	20	15.3	12.2
Goodwill		0.6	0.6
Deferred tax assets	10c	12.7	14.7
Income tax receivables	10b	-	-
Other assets	21	40.4	53.4
Assets held for sale	22	0.8	0.6
TOTAL ASSETS		**8,525.1**	**8,021.9**

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

(All amounts are expressed in millions of EUR)

	Note	31/12/2023	31/12/2022
LIABILITIES			
Amounts due to other banks	23	20.0	159.3
Amounts due to customers	24	6,266.8	5,990.3
Other borrowed funds	25	1,016.2	744.3
Financial liabilities at fair value through profit or loss	13	31.6	26.3
Provisions for liabilities and charges	26	63.9	67.0
Lease liabilities classified under IFRS 16	18a	15.8	14.8
Income tax liabilities	10b	10.5	17.8
Other liabilities	27	73.9	50.3
Total liabilities		**7,498.7**	**7,070.1**
SHAREHOLDERS' EQUITY AND RESERVES			
Share capital		539.2	530.1
Share premium		22.7	22.7
Statutory and legal reserves		67.5	67.1
Fair value reserves		0.8	(8.3)
Other reserves		0.4	0.4
Retained earnings		379.9	326.0
Total shareholders' equity and reserves of the Group	28	**1,010.5**	**938.0**
Non-controlling interests		15.9	13.6
Currency exchange reserves		-	0.2
Total equity and reserves	28	**1,026.4**	**951.8**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY AND RESERVES		**8,525.1**	**8,021.9**

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

Consolidated financial statement of changes in shareholders' equity

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Share capital	Share premium	Legal and statutory reserves	Fair value reserves	Other reserves	Retained earnings	Currency exchange reserves	Non-controlling interests	Total
Balance at 1 January 2022	**530.1**	**22.7**	**67.1**	**18.7**	**0.4**	**271.0**	**-**	**10.5**	**920.5**
Changes in equity in 2022								-	
Other comprehensive income	-	-	-	**(29.1)**	-	-	-	-	**(29.1)**
- Debt securities (Note 28)	-	-	-	**2.2**	-	-	-	-	**2.2**
- Equity securities (Note 28)	-	-	-	**(0.3)**	-	-	-	-	**(0.3)**
Expected credit losses for FVTOCI financial assets (Notes 15b and 28)	-	-	-	**0.2**	-	-	-	-	**0.2**
Exchange rate differences due to conversion of kuna to euro	-	-	-	**-**	-	(0.2)	0.2	-	**-**
Profit for the year	-	-	-	-	-	94.9	-	3.1	**98.0**
Total comprehensive income	-	-	-	**(27.0)**	-	**94.7**	**0.2**	**3.1**	**71.0**
Transfer of profit to reserves	-	-	-		-	-	-	-	-
Dividends	-	-	-	-	-	(39.8)	-	-	(39.8)
Consolidation adjustment	-	-	-	-	-	0.1	-	-	0.1
Balance at 31 December 2022	**530.1**	**22.7**	**67.1**	**(8.3)**	**0.4**	**326.0**	**0.2**	**13.6**	**951.8**
Balance as of 1 January 2023 (before revision)	530.1	22.7	67.1	(8.3)	0.4	326.0	0.2	13.6	951.8
Effect of conversion into presentation currency	-	-	-	-	-	0.2	(0.2)	-	-
Balance as of January 1, 2023 (after revision)	530.1	22.7	67.1	(8.3)	0.4	326.2	-	13.6	951.8
Changes in equity in 2023									
Other comprehensive income	-	-	-	-	-	-	-	-	-
- Debt securities (Note 28)	-	-	-	7.4	-	-	-	-	7.4
- Equity securities (Note 28)	-	-	-	2.4	-	-	-	-	2.4
Expected credit losses for FVTOCI financial assets (Notes 15b and 28)	-	-	-	(0.7)	-	-	-	-	(0.7)
Actuarial gains on provisions for severance pay (Notes 26 and 28)	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	138.1	-	2.3	140.4
Total comprehensive income	**-**	**-**	**-**	**9.1**	**-**	**138.1**	**-**	***2.3***	**149.5**
Transfer of profit to reserves	-	-	0.4	-	-	(0.4)	-	-	-
Dividends	-	-	-	-	-	(75.0)	-	-	(75.0)
Transfers between capital components	9.1	-	-	-	-	(9.1)	-	-	-
Consolidation adjustments	-	-	-	-	-	0.1	-	-	0.1
Balance at 31 December 2023	**539.2**	**22.7**	**67.5**	**0.8**	**0.4**	**379.9**	**-**	**15.9**	**1.026.4**

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

Consolidated financial statement of cash flows

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		171.2	129.5
Adjustments to reconcile profit before taxes to net cash from operating activities			
Net (gains)/losses on impairment of financial assets	9	0.2	(17.9)
Net (gains)/ losses on financial assets measured at fair value through profit or loss	5a	156.4	13.6
Net (gains)/losses on financial assets measured at fair value through other comprehensive income	5b	-	0.9
Net (gains)/losses from financial assets measured at amortized cost	5d	-	(0.1)
Impairment of tangible assets, asset taken in lieu and assets held for sale	7	0.2	(0.3)
Provisions for legal actions and off-balance sheet items	9	5.8	10.7
Other provisions	9	(0.4)	0.2
Depreciation and amortisation	7a	24.4	26.4
(Gains) on disposal and write-off of property and equipment	6	(0.9)	(0.4)
Interest income	6	(383.0)	(198.9)
Interest expense	3, 6	44.4	8.8
Revenue from reversal of accrued expenses	3	(0.5)	(0.2)
(Gains) on sale of assets held for sale	6	(3.5)	(0.7)
Receivables write-off	5c	-	0.1
Other non-cash items, other income and expenses	9	6.7	4.7
Exchange rate differences	5a	(57.4)	6.2
Operating income before changes in operating assets and liabilities		**(36.4)**	**(17.4)**
(Increase)/decrease in operating assets:			
Obligatory reserves with the CNB		180.0	111.9
Loans and receivables from banks		24.8	(18.3)
Loans and receivables from customers		(458.5)	(762.8)
Other assets		12.5	(24.9)
Increase/(decrease) in operating liabilities:			
Amounts due to other banks		(139.3)	52.2
Amounts due to customers		284.3	735.6
Other liabilities		18.7	(6.1)
Payments from provisions for liabilities and charges		(8.5)	(7.1)
Net cash flow from operating activities before interest and income taxes paid		**(122.4)**	**63.1**
Income taxes paid		(38.1)	(14.2)
Interest received		440.0	200.3
Interest paid		(36.1)	(7.3)
Net cash from operating activities		**243.4**	**241.9**

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

(All amounts are expressed in millions of EUR)

	Note	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains from financial assets and liabilities measured at fair value through profit or loss		(121.7)	46.7
Gains / (losses) from securities measured at fair value through other comprehensive income		(4.6)	127.7
(Increase) for the purchase of tangible and intangible assets		(30.5)	(26.3)
Proceeds from the sale of tangible and intangible assets		5.5	7.5
(Increase) for assets held for sale		(0.2)	-
Proceeds from the sale of assets held for sale		5.0	1.6
(Increase) from Investment property		(15.8)	(0.3)
(Increase)/proceeds of investments at amortised cost		(130.8)	(62.4)
Received dividends from investment activities		0.2	0.1
Net cash from investing activities		**(292.9)**	**94.6**

	Note	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities (IFRS 16)		(4.3)	(4.0)
Increase of other borrowed funds		265.8	231.5
Dividends paid		(75.0)	(39.8)
Net cash from financing activities		**186.5**	**187.7**
Net increase in cash and cash equivalents		**137.0**	**524.2**
Cash and cash equivalents at the beginning of the year		**1,471.4**	945.2
Effect of foreign exchange rate changes on cash and cash equivalents		(0.9)	2.1
Cash and cash equivalents at the end of the year	**30**	**1,607.5**	**1,471.4**

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

Unconsolidated financial statement of profit or loss

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Note	2023	2022
Interest income	3	360.6	183.7
Interest expense	3	(32.5)	(6.4)
Net interest income		**328.1**	**177.3**
Fee and commission income	4	90.8	81.5
Fee and commission expense	4	(25.2)	(20.1)
Net fee and commission income		**65.6**	**61.4**
Net (losses)/gains from valuation of financial instruments at fair value through profit or loss	5a	(156.4)	(13.6)
Net (losses) on financial instruments at fair value through other comprehensive income	5b	-	(0.9)
Net gains from trading and converting monetary assets and liabilities	5c	66.2	19.2
Net gains on financial assets at amortized cost	5d	-	0.1
Other operating income	6	7.8	2.8
Net trading and other income		**(82.4)**	**7.6**
Profit before value adjustment and operating expenses		**311.3**	**246.3**
Other operating expenses	7	(53.0)	(49.3)
Depreciation and amortisation expenses	7a	(18.2)	(19.3)
Personnel expenses	8	(68.1)	(61.9)
Net gains/(losses) from loss allowance and provisions	9	(7.6)	3.3
Profit before tax		**164.4**	**119.1**
Income tax	10a	(29.6)	(29.4)
Profit for the year		**134.8**	**89.7**

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

(All amounts are expressed in millions of EUR)

	Note	2023	2022
Profit for the year		**134.8**	**89.7**
Other comprehensive income:			
Items not reclassified subsequently to profit or loss:			
Net fair value changes of financial asset measured through other comprehensive income - equity securities	**28**	2.9	2.7
Actuarial gains on provisions for severance pay	**26, 28**	**-**	0.2
Total		2.9	2.9
Items reclassified subsequently to profit or loss:			
Net fair value changes of financial asset measured through other comprehensive income - debt securities	**28**	9.0	(35.4)
Net changes in allowance for expected credit losses of financial asset measured through other comprehensive income - financial assets	**9,15**	(0.7)	(0.3)
Total		8.3	(35.7)
Deferred tax	**10c**	(2.1)	5.8
Total other comprehensive income		**9.1**	**(27.0)**
Exchange rate differences due to conversion of kuna to euro		-	(0.1)
Total comprehensive income		**143.9**	**62.6**

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

(All amounts are expressed in millions of EUR)

	Note	31/12/2023	31/12/2022
ASSETS			
Cash and balances with Croatian National Bank	11	1,607.5	1,634.4
Loans and receivables from banks	12	-	18.5
Financial assets at fair value through profit or loss	13	44.6	43.5
Loans and receivables from customers	14	5,332.0	5,019.0
Equity securities at fair value through other comprehensive income	15a	18.3	15.3
Debt securities at fair value through other comprehensive income	15b	616.1	606.0
Financial asset measured at amortised cost	16	242.3	111.5
Investments in subsidiaries	17	42.2	42.2
Property and equipment	18	45.8	43.2
Right-of-use assets	18a	22.3	21.9
Investment property	19	9.5	11.2
Intangible assets	20	14.9	11.9
Deferred tax assets	10c	11.1	13.0
Other assets	21	18.7	45.5
Assets held for sale		0.1	-
TOTAL ASSETS		**8,025.4**	**7,637.1**

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

(All amounts are expressed in millions of EUR)

	Note	31/12/2023	31/12/2022
LIABILITIES			
Amounts due to other banks	23	20.0	159.3
Amounts due to customers	24	6,275.1	6,013.9
Other borrowed funds	25	551.0	368.5
Financial liabilities at fair value through profit or loss	13	31.6	26.3
Provisions for liabilities and charges	26	63.2	66.4
Lease liabilities classified under IFRS 16	18a	23.0	22.6
Income tax liabilities	10b	10.8	18.1
Other liabilities	27	60.7	40.9
Total liabilities		**7,035.4**	**6,716.0**
SHAREHOLDERS' EQUITY AND RESERVES			
Share capital		539.2	530.1
Share premium		22.7	22.7
Statutory and legal reserves		67.5	67.1
Fair value reserves		0.8	(8.3)
Other reserves		0.4	0.4
Currency exchange reserves		-	(0.1)
Retained earnings		359.4	309.2
Total shareholders' equity and reserves	28	**990.0**	**921.1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY AND RESERVES		**8,025.4**	**7,637.1**

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

Unconsolidated financial statement of changes in shareholders' equity

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Share capital	Share premium	Legal and statutory reserves	Fair value reserves	Other reserves	Currency exchange reserves	Retained earnings	Total
Balance at 1 January 2022	**530.1**	**22.7**	**67.1**	**18.7**	**0.4**	**-**	**259.3**	**898.3**
Changes in equity in 2022	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
- Debt securities (Note 28)	-	-	-	(29.1)	-	-	-	**(29.1)**
- Equity securities (Note 28)	-	-	-	2.2	-	-	-	**2.2**
Expected credit losses for FVTOCI financial assets (Notes 15b and 28)	-	-	-	(0.3)	-	-	-	**(0.3)**
Actuarial gains on provisions for severance pay (Notes 26 and 28)	-	-	-	0.2	-	-	-	**0.2**
Exchange rate differences due to conversion of kuna to euro	-	-	-	-	-	(0.1)	0.1	**-**
Profit for the year	-	-	-	-	-	-	89.6	**89.6**
Total comprehensive income	-	-	-	**(27.0)**	-	**(0.1)**	**89.7**	**62.6**
Transfer of profit to reserves	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(39.8)	**(39.8)**
Balance at 31 December 2022	**530.1**	**22.7**	**67.1**	**(8.3)**	**0.4**	**(0.1)**	**309.2**	**921.1**
Balance as of 1 January 2023 (before revision)	530.1	22.7	67.1	(8.3)	0.4	(0.1)	309.2	921.1
Effect of conversion into presentation currency	-	-	-	-	-	0.1	(0.1)	-
Balance as of January 1, 2023 (after revision)	530.1	22.7	67.1	(8.3)	0.4	-	309.1	921.1
Changes in equity in 2023								
Other comprehensive income	-	-	-	-	-	-	-	**-**
- Debt securities (Note 28)	-	-	-	7.4	-	-	-	**7.4**
- Equity securities (Note 28)	-	-	-	2.4	-	-	-	**2.4**
Expected credit losses for FVTOCI financial assets (Notes 15b and 28)	-	-	-	(0.7)	-	-	-	**(0.7)**
Actuarial gains on provisions for severance pay (Notes 26 and 28)	-	-	-	-	-	-	-	**-**
Profit for the year	-	-	-	-	-	-	134.8	**134.8**
Total comprehensive income	-	-	-	**9.1**	**-**	**-**	**134.8**	**143.9**
Transfer of profit to reserves	-	-	0.4	-	-	-	(0.4)	**-**
Dividends	-	-	-	-	-	-	(75.0)	**(75.0)**
Capital transfers	9.1	-	-	-	-	-	(9.1)	**-**
Balance at 31 December 2023	**539.2**	**22.7**	**67.5**	**0.8**	**0.4**	**-**	**359.4**	**990.0**

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

Unconsolidated financial statement of cash flows

For the year ended 31 December 2023

(All amounts are expressed in millions of EUR)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		164.4	119.1
Adjustments to reconcile profit before taxes to net cash from operating activities			
Net (gains)/losses on impairment of financial assets	9	1.8	(13.7)
Net (gains)/ losses on financial assets measured at fair value through profit or loss	5a	156.4	13.6
Net (gains)/losses on financial assets measured at fair value through other comprehensive income	5b	-	0.9
Net (gains)/losses from financial assets measured at amortized cost	5d	-	(0.1)
Impairment of tangible assets, asset taken in lieu and assets held for sale	7	0.1	0.1
Provisions for legal actions and off-balance sheet items	9	5.8	10.4
Other provisions	9	(0.2)	0.3
Depreciation and amortisation	7a	18.2	19.3
(Gains) on disposal and write-off of property and equipment	6	-	(0,1)
(Gains) on disposal of assets held for sale	6	(3.3)	-
Interest income	3, 6	(361.0)	(184.0)
Interest expense	3	32.5	6.4
Revenue from reversal of accrued expenses	6	(0.3)	(0.3)
Other non-cash items, other income and expenses	6, 7	4.8	4.1
Exchange rate differences	5c	(57.4)	3.8
Operating income before changes in operating assets and liabilities		**(38.2)**	**(20.2)**
(Increase)/decrease in operating assets:			
Obligatory reserves with the CNB		180.0	111.9
Loans and receivables from banks		24.8	(18.3)
Loans and receivables from customers		(310.5)	(710.3)
Other assets		26.0	(29,0)
Increase/(decrease) in operating liabilities:			
Amounts due to other banks		(139.2)	52.2
Amounts due to customers		269.1	749.5
Other liabilities		15.4	(7.0)
Payments from provisions for liabilities		(8.7)	(7.1)
Net cash flow from operating activities before interest and income taxes paid		**18.7**	**121.7**
Income taxes paid		(37.2)	(12.2)
Interest received		356.4	180.6
Interest paid		(25.3)	(5.1)
Net cash from operating activities		**312.6**	**285.0**
CASH FLOWS FROM INVESTING ACTIVITIES			
Financial assets and liabilities at fair value through profit or loss		(125.1)	46.7
Securities at fair value through other comprehensive income		(4.6)	127.7
Purchases of tangible and intangible assets		(18.5)	(16.1)
Proceeds from sale of tangible and intangible assets		-	0.1
Proceeds from sale of repossessed real estate		4.7	0.2
(Increase) of investments at amortised cost		(130.8)	(62.4)
Received dividends from investment activities		1.2	0.7
Net cash from investing activities		**(273.1)**	**96.9**

(All amounts are expressed in millions of EUR)

	Note	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities (IFRS 16)		(5.2)	(4.9)
Increase of other borrowed funds		177.7	187.0
Dividends paid		(75.0)	(39.8)
Net cash from financing activities		**97.5**	**142.3**
Net increase in cash and cash equivalents		**137.0**	**524.2**
Cash and cash equivalents at the beginning of the year		**1,471.4**	945.1
Effect of foreign exchange rate changes on cash and cash equivalents		(0.9)	2.1
Cash and cash equivalents at the end of the year	**31**	**1,607.5**	**1,471.4**

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

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are summarised below.

1.1 Basis of preparation

1.1.1 Statement of Compliance

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

In preparing financial statements, the Group/Bank still takes into account certain minimum provisions in accordance with the applicable rules of the Croatian National Bank (CNB), primarily related to the identification of credit losses for individual placements that have been in default for a longer period of time, as well as provisions for certain categories of litigation. The Group considers that the application of the aforementioned remaining rules does not materialy affect compliance of the financial statements with IFRS.

1.1.2 Basis of measurement

The Group/Bank prepares standalone and consolidated financial statements under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below in this same note. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1.3 Use of estimates and judgments

In preparing the financial statements the management makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of commitments and contingencies at the reporting date, as well as the amounts of income and expenses 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 the information available as of the date of preparation of the financial statements, the results of which form the basis for making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources.
Actual results may differ from those estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 the current and future periods. Judgments made by management in the application of appropriate standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are described in Note 2.
The accounting policies outlined below, including changes resulting from the entry into force of new standards and amendments to the existing and interpretations that came into force (and adopted by the European Union), were applied to the periods in which they were in force.

1. ACCOUNTING POLICIES (CONTINUED)

1.1. Basis of preparation (continued)

1.1.4. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS and amendments to IFRS which have been adopted by the Group/Company as of 1 January 2023:

- **IFRS 17 insurance contracts -** this is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts.
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)** provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)** introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)** narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal
- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)** - The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes.

The adoption of these amendments did not have a significant impact on the Group's/Bank's financial statements.

1.1.5. The standards/amendments that are not yet effective, but they have been endorsed by the European Union

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.
  The Management Board has assessed that the amendments will not lead to significant changes in the Group's / Bank's financial statements in the period of the first application of the standards.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (continued)

1.1.5 The standards/amendments that are not yet effective, but they have been endorsed by the European Union

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been adopted at the level of the European Union. The Management Board has assessed that the amendments will not lead to significant changes in the Group's / Bank's financial statements in the period of the first application of the standards.

1.1.6 Standards issued but not yet effective and not early adopted

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.
  The Management Board has assessed that the amendments will not lead to significant changes in the Group's / Bank's financial statements in the period of the first application of the standards.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique
  The Management Board estimated that the changes in the standards will not lead to significant changes in the financial statements of the Bank in the period of the first application of the standards.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

1. ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation (continued)

1.1.6 Standards issued but not yet effective and not early adopted (continued)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Management Board estimated that the changes in the standards will not lead to significant changes in the financial statements of the Group/Bank in the period of the first application of the standards.

1.2. Consolidation

The consolidated financial statements include the financial statements of the Bank and companies under the Bank's direct and indirect control ("Group"). The structure of the Group is presented in Note 17.

The Group controls another company when it has the right to a variable return from involvement in the company and has the ability to affect those returns through its power over the company.
The Group reassesses whether it has control when one or more control elements change. This includes circumstances in which the Group's protective rights (for example, those arising from credit activities) become significant and result in the Group having power over the entity.

Subsidiaries
Subsidiaries are all entities over which the Bank has control. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are de-consolidated from the date that control ceases. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment. Investments in subsidiaries are consolidated using the full consolidation method in the consolidated financial statements of the Group.

Non-controlling interests
The Group elects to measure any non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Transactions eliminated on consolidation
Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Fund management
The Group manages and administers assets held in mutual funds on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity (there were no such cases at the reporting date).

1. ACCOUNTING POLICIES (CONTINUED)

1.3. Functional and presentation currency

Items included in the financial statements are presented in the currency of the primary economic environment in which the Group/Bank operates (its functional currency). The financial statements are presented in the Croatian kuna, which is both the functional and reporting currency of the Group/Bank. The amounts are rounded to the nearest million with one decimal (unless otherwise stated).

Considering that the Republic of Croatia introduced the euro as the official currency as of 1 January 2023, in accordance with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Group changed the presentation currency for the purposes of preparing financial statements for the year 2023 from kuna to euros, and the financial statements for the year 2023 were first prepared in euros. From 1 January 2023, the euro is also the functional currency of the Group (until 1 January 2023, it was HRK).
Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Group did not publish the third balance sheet in the financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it determined that the change in the presentation currency has no significant impact on the Group's financial statements, due to the stable HRK/EUR exchange rate over the past few years.
As a result of the above, the comparative data from the previous reporting period (year 2022), which were expressed in kuna, were recalculated and presented in euros in accordance with the provisions of the International Financial Reporting Standards. Exchange rate differences that arose due to the recalculation of items of assets, liabilities, capital, or the profit and loss account, are recognized in other comprehensive income, as a separate item.
For the sake of comparison, the items for the year 2022 were converted and presented in EUR according to the following rules:

- items of assets, liabilities, share capital, reserves and other comprehensive income as of 31 December 2022 - according to the official conversion rate of EUR 7.53450
- initial balances of assets, liabilities, share capital and reserves and other comprehensive income on 1 January 2022 - according to the middle exchange rate of the Croatian National Bank 1 EUR = HRK 7.517174
- items of the profit and loss account - according to the average middle exchange rate of the euro for each month in 2022

The principal exchange rates set by the Croatian National Bank and used in the conversion of the Bank's monetary assets and liabilities on the date of financial statement on financial position for 2022 were as follows:

31 December 2022 1 EUR = 7.53450 HRK 1 CHF = 7.651569 HRK 1 USD = 7.064035 HRK

The exchange rates of the Croatian National Bank for the most important currencies, used for the conversion of the Bank's monetary assets and liabilities for 2023, were as follows:

1 January 2023 1 EUR = 7.53450 HRK 1 EUR = 0.9847 CHF 1 EUR = 1.0666 USD

The exchange rates of the Croatian National Bank for the most important currencies, used for the conversion of the Group's / Bank's monetary assets and liabilities for 2023, were as follows:

31. prosinca 2023. 1 EUR = 0,9260 CHF 1 EUR = 1,1050 USD

1. ACCOUNTING POLICIES (CONTINUED)

1.4. Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions for the Group and Bank. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies at the year-end rates are recognised in profit and loss in the position Net gains/(losses) from trading and valuation of financial instruments (Note 5).
Foreign currency denominated non-monetary assets and items that are measured in terms of historical cost are translated at the exchange rates in effect on the transaction dates and are not retranslated at the reporting date. Changes in fair value of debt securities denominated in a foreign currency, which are, in line with IFRS 9, measured at fair value through other comprehensive income are recognised through other comprehensive income. Foreign exchange differences and expected credit losses for these securities are recognised through profit or loss in the position Net (losses) from the valuation of financial assets, which is measured through other comprehensive income. Changes in fair value and foreign exchange differences of equity securities denominated in a foreign currency are recognised through other comprehensive income – option of fair value through other comprehensive income.

1.5. Leases

The Group/Bank measures leases in accordance with IFRS 16.

a) Recognition of a lease liability

The Group/Bank recognizes lease liabilities that relate to „operating“ leases, which are measured at the present value of the lease payments receivable as at the date of commencement of the application of IFRS 16. Lease payments are discounted at the interest rate implicit in the lease or, if that rate can not be readily determined, the incremental borrowing rate. At the date of initial recognition, lease payments included in the measurement of the lease liability include the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed lease payments less all lease incentives,
- variable lease payments which are dependent on market indices,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of the purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease period reflects that the lessee used the option of terminating the lease.

b) Recognition of right-of-use assets
Right-of-use assets are initially measured at cost.
The cost of a right-of-use asset comprises:

- the initial estimate of lease liabilities (excluding VAT),
- all lease payments paid at the commencement date or earlier, less any lease incentives receivable, initial costs directly incurred by the lessee as a result of entering into a lease agreement,
- estimates of costs which are to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

The Group/Bank uses expedients related to short-term leases (less than 12 months) as well as in the case of leases where the related assets are of low value (less than USD 5.000 converted to the functional currency at the middle exchange rate on the contract date), for which no financial liabilities nor the right-of-use assets will be recognized. These types of payments will be recognized as expenses using the linear method over the life of the lease.

The value added tax cost under all lease contracts in accordance with IFRS 16 is recognized directly in administrative expenses and is presented in Note 7.

1. ACCOUNTING POLICIES (CONTINUED)

1.6. Interest income and expense

The Group/Bank calculates interest income and expense on a time basis, by reference to the principal outstanding and at the effective interest rate applicable,
Interest income includes coupons earned on fixed income investments and securities as well as accrued discount and premium other discounted instruments.
The Group/Bank recognizes one-off loan origination fees for loans which are probable of being drawn down, (together with related direct costs)as an adjustment to the effective yield of the loan and as such adjusts the interest income.
The Group/Bank recognizes interest income on financial assets classified as Stage 3 financial asset in the statement of profit or loss when collected in the position Net interest income (Note 3).
Penalty interests for financial assets and financial liabilities are recognised in Other operating income (Note 6) or Other operating costs (Note 7).

1.7. Fee and commission income and expense

The fees and commissions calculated and charged to clients by the Group/Bank for the provision of financial services consist mainly of fees for domestic and foreign payment services and credit guarantee services, account management services, card services, asset management services and other similar financial services provided by the Group/Bank in accordance with the registration. Fees included in the calculation of the effective interest rate are recognized as interest income and expense. Fee and commission income and expense are recognized in the profit and loss account in the position Net fee income and commissions (Note 4) under the service contract in question at the time the particular service is provided. Fees and commissions that are paid and charged in advance are deferred over the period of providing the service for services provided continuously over a longer period of time.

1.8. Employee benefits

Short-term benefits
The Group/Bank pays its employees regular monthly incomes, within which make payments of all public benefits to the state, as well as payments to pension funds. As part of regular monthly payments, the Group/Bank also pays benefits for short-term absences, such as paid vacation, sick leave, etc..
All the mentioned incomes are recognized as an expense in the profit and loss account under the item Employee expenses (Note 8) in the period in which they arise.

Bonuses
The Group/Bank estimates the cost of annual bonuses based on the set key performance indicators of the employees and for the total achievement of the set goals of 100%. After the evaluation of the employee's work in the past year, that is, after the evaluation of the set development goals, the annual bonus is paid to the employees using the estimated funds.

Retirement benefits
When the conditions for a full employee pension are met, the Group/Bank awards a one-time compensation to employees in the amount of the maximum non-taxable amount prescribed by the Act and Regulation on income tax. The payment is made using the funds reserved based on the calculation by an independent qualified appraiser. The calculation is carried out once a year according to data at the end of the year on the number of employees, seniority and years of life. Based on the calculation obtained by an independent qualified appraiser, the Group/Bank records actuarial gains/losses in other comprehensive income in the period in which they arise, while the interest cost, past and current work cost is recognized in the profit and loss account under the position Employee expenses (Note 8), in the period in which arise. The amount of the liability is shown in the Provisions for liabilities and charges.

Jubilee awards
The Group/Bank awards jubilee awards to employees on a monthly basis when the conditions for obtaining the jubilee award are met, i.e. when the requirement of a total length of service of 10 years in the Group/Bank is met, and every subsequent 5 years. Payments are made using funds that are reserved based on calculations by an independent qualified appraiser. The calculation is carried out once a year according to data at the end of the year on the number of employees, seniority and years of life. Based on the calculation obtained from an independent qualified appraiser, the Group/Bank records the amount of the obligation for jubilee awards in the profit and loss account under the position Employee expenses (Note 8). The amount of the liability is shown in the Provisions for liabilities and charges.

1. ACCOUNTING POLICIES (CONTINUED)

1.9. Taxation

Income tax expense is based on taxable income for the year and represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's/Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

The Group/Bank reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the tax assets to be recovered.

The Group/Bank measures deferred tax assets and liabilities at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group/Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group/Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred taxes are recognised as an expense or income in the position Income tax (Note 10), except when they relate to items presented directly in equity, in which case the tax is also recognised in equity, or where they arise from the initial accounting for a business combination.

1.10. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents comprise cash, balances with the Croatian National Bank (CNB), accounts with other banks and term deposits with other banks with contractual maturities of up to three months.
Cash and cash equivalents exclude guarantee deposits, as these funds are not available for the Bank's day-to-day operations.

1.11. Financial instruments

Classification

The Group/Bank recognizes buying and selling of financial assets at the settlement date, except for the derivate financial assets, that are recognized on the trade date. The Group/Bank applies IFRS 9 and, depending on business model for management of financial assets and contractual cash flow characteristics, classifies financial assets into following measurement categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income (FVTOCI); financial assets designated at fair value through other comprehensive income (FVTOCI); financial assets at fair value through profit or loss (FVTPL).

The Group/Bank classifies derivatives, units in investment funds and securities held for trading in Financial assets at fair value through profit or loss since this payments do not represent solely payments of principal and interest on unpaid principal.

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Financial instruments (continued)

Classification (continued)

Business model assessment

Business model is based on activities conducted by the Group/Bank to achieve objectives in accordance with Group's/Bank's strategy and how Group/Bank manages its' financial assets with aim of generating profits. Types of business models considering cash flow generation are described in following paragraphs:

- Business model held to collect

Objective of this model is to hold assets in order to collect contractual cash flows. Sale is not integral part of this business model within assets are measured at amortised cost, but sales could be consistent with this business model provided: a) sale is frequent, but insignificant (not more than 5% assets within homogeneous group occurred in observed period), b) sale is infrequent, but significant, c) sale is close to maturity or d) sale due to increase in credit risk (e.g. interest rate increase, sale of NPL portfolio). Sale in stress liquidity situations could also be classified within this model.
During 2022 and 2023, the Bank sold individual and NPL portfolios that did not lead to a breach of the business model, but were sold due to the deterioration of the credit risk of individual clients.

- Business model held to collect and sell

Objective is achieved by collecting contractual cash flows and by sale of financial assets. It is not required to observe frequency, value and reason of sale, but typically this business model involves greater frequency and value of sales.

- Other models (other strategies)

Objective is to achieve short term profit on disposal of financial assets and this business model includes assets held for trading. All other business models are allocated in measurement category fair value through profit or loss.

Business model is determined by the Group's/Bank's key management personnel. Key management personnel includes Group's/Bank's Management Board. Every Management Board member has an authority to determine business model for financial assets portfolio within his competence.

SPPI test (Solely Payment of Principal and Interest)

SPPI test is conducted to assess contractual cash flow characteristics of particular financial instruments, i.e. to assess if contractual cash flows represent solely payments of principal and interest on unpaid principal in accordance with basic lending arrangement (without specific modifications related to prepayment fee, index linked payments, mismatch between interest rate and reference interest rate etc.).
In cases where the SPPI test indicates the existence of modification of the time value of money, an additional assessment is conducted to determine whether the modification is significant (the benchmark test). Benchmark test is conducted by comparing undiscounted contractual cash flows and undiscounted cash flows that would arise if the time value of money element was not modified (reference or benchmark cash flows).
Relevant comparable benchmark instrument is instrument with identical contractual terms and the identical credit risk, either existing or hypothetical instrument.
If based on conducted assessments, result is significant difference between contractual cash flows and reference/benchmark cash flows, financial asset fails SPPI test and shall be allocated to measurement category fair value through profit or loss.
OTP Bank Nyrt has defined an SPPI test (questionnaire) that is conducted at the level of a product portfolio with the same or similar characteristics, the so-called homogeneous product groups. In specific cases of financing that cannot be attributed to a specific homogeneous product group, the SPPI test is conducted on an individual basis. This test was applied at the initial application of IFRS 9 (transition from IAS 39 to IFRS 9).

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Financial instruments (continued)

SPPI test (Solely Payment of Principal and Interest) (continued)

Below are listed the basic homogeneous groups of products for which the SPPI test was conducted. The Group/Bank further elaborates listed homogeneous groups taking into account the currency, interest rate type, certain types of funding programs, and other specific features and characteristics of the product.

1. Corporate clients products:
- Investment loans with administrative interest rate
- Investment loans with fixed interest rate
- Investment loans with variable interest rate
- Working capital loans with administrative interest rate
- Working capital loans with fixed interest rate
- Working capital loans with variable interest rate
- Other loans with administrative interest rate
- Other loans with fixed interest rate
- Other loans with variable interest rate
- Overdrafts on gyro account with fixed interest rate
- Overdrafts on gyro account with variable interest rate
- Refinancing loans with administrative interest rate
- Refinancing loans with fixed interest rate
- Refinancing loans with variable interest rate
- Guarantees
- Syndicated loans

2. Small corporate clients products:
- Long-term loan with a fixed interest rate
- Long-term loan with a variable interest rate
- Long-term loan with administrative interest rate
- Long-term loan with a fixed interest rate for residential buildings
- Long-term loan with a variable interest rate for residential buildings
- Agro loan for pre-financing with a fixed interest rate
- Agro loan for pre-financing with a variable interest rate
- Short-term loan with a fixed interest rate
- Short-term loan with administrative interest rate
- Short-term loan with variable interest rate
- Overdrafts on a giro account with a fixed interest rate
- Overdrafts on a giro account with a variable interest rate
- Revolving loan with a fixed interest rate
- Revolving loan with a variable interest rate
- Revolving loan with administrative interest rate
- Subsidized loans with a fixed interest rate
- Subsidized loans with variable interest rate

3. Retail clients products:
- Housing loans with fixed interest rate
- Housing loans with combination of fixed and variable interest rate
- Subsidized housing loans
- Cash loans with fixed interest rate
- Lombard loans
- Express loans

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Financial instruments (continued)

SPPI test (Solely Payment of Principal and Interest) (continued)

3. Retail clients products (continued):
- Mortgage loans
- Tourism loans
- Car loans
- Housing loans without mortgage
- Overdraft loans with fixed interest rate
- Credit card loans - revolving
- Credit card loans - charge
- Credit card loans - instalment

Modifications
The modification applies to all financial assets and liabilities within the scope of IFRS 9. Any change in a contractual provision is considered a modification. The Group/Bank defines the significance of the modification. In case of significant modification, the Group/Bank derecognizes the existing instrument and carries out initial recognition of the new instrument. Upon initial recognition of a new instrument, the Group/Bank implements all necessary requirements defined in IFRS 9 for the initial recognition of financial assets. If the modification is insignificant, the Group/Bank continues to recognize the existing instrument and calculates the modification differences using the effective interest rate. Modification gains and losses are recognized through the profit and loss statement.
The most common form of modification is restructuring, where in almost all cases the Group/Bank derecognizes an existing instrument and recognizes a new instrument. Payment delays (so-called moratoriums) and other exposure restructuring measures implemented as a result of the COVID-19 pandemic are also treated by the Group/Bank as modifications, therefore the Group/Bank calculates modification losses / gains. Also, insignificant modification differences result in continued recognition of the existing instrument, while in cases of significant modification differences, the Group/Bank derecognises the existing instrument and recognizes a new one, which is subject to all requirements of IFRS 9 on initial recognition of financial assets.

Recognition and derecognition
Financial assets and liabilities are initially recognized at fair value, increased or decreased by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.The fair value of a financial instrument on initial recognition is usually the purchase price of the transaction.

After initial measurement, the Group/Bank measures financial assets at amortized cost or at fair value (through other comprehensive income or through profit or loss), depending on the Group/Bank's financial asset management model and contractual cash flow characteristics.

Write-offs
The Group/Bank writes off financial assets in cases where it is not possible to collect, or when all payment possibilities have been exhausted, or when the collection costs exceed the amount of possible collection.
The Group/Bank writes off financial assets that are completely impaired or whose fair value is equal or approximately zero.
The Bank primarily seeks to sell such financial assets in the market. If there is no market demand for financial assets, they are written off and transferred to off-balance sheet records.
In case of financial assets recorded in off-balance sheet records, for which certain collection procedures of mostly formal nature have not yet been completed, the Group/Bank continues to monitor them and collect wherever possible. These financial assets are finally written off only when there is no longer any reason for the Group/Bank to continue collection, or when there is no possibility of partial collection in the future.
Discharge of debt is done by the Group/Bank if the receivables are written off in line with court decisions in accordance with applicable legal regulations or in other specific cases defined in the Group/Bank’s internal policies.
In case of financial assets that are not fully written off, the remaining assets are not recognised as an existing instrument at the time of writing-off, and a new instruments is recognised in accordance with IFRS 9.

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Financial instruments (continued)

Gains and losses

Gains and losses from financial assets and financial liabilities measured at fair value through profit or loss are recognized in profit and loss account in the position Net (losses)/gains from valuation of financial assets measured through profit or loss (Note 5).

Gains or losses arising from change in fair value and foreign exchange gain or loss for equity instruments designated at fair value through other comprehensive income are presented in other comprehensive income. Only dividends are recognized as gain in relevant reporting period in the position Other income (Note 6).

Fair value measurement principles

The fair values of quoted securities are based on current closing bid prices. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reason, the fair value cannot be reliably measured by market price, the Group/Bank determines the fair value using valuation techniques. These include the use of prices achieved in recent arm's length transactions between knowledgeable and willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate. The fair value of non-traded derivatives is estimated at the amount that the Group/Bank would receive or pay to terminate the contract at the statement of financial position date, taking into account current market conditions and the current creditworthiness of the counterparties.

Valuation techniques and assumptions for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivative financial instruments, and option pricing models for optional derivative financial instruments. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

1. ACCOUNTING POLICIES (CONTINUED)

1.12. Loss allowance of financial assets

Loss allowance of financial assets measured at amortised cost

Definition and calculation method of expected credit losses for each stage

Expected credit loss calculation methodology depends on type of portfolio and risk stage of portfolio subject to assessment. Portfolio classified into lower risk stages (Stage 1 and Stage 2) is assessed collectively.
The Group/Bank also recognizes expected credit losses on a monthly basis for exposures subject to loss allowance requirements in amounts equal to:

1) 12 month expected credit loss for Stage 1 risk subcategory;
2) lifetime expected credit loss for Stage 2 and Stage 3 risk subcategory

Portfolio classified into Stage 3 is assessed collectively with lifetime expected credit loss recognized in cases of retail portfolio and individually in cases of corporate portfolio. Exceptionally, in case of corporate portfolio, for clients with group exposure below EUR 0.4 million, collective assessment is applied in expected credit loss calculation.

For individual method, expected credit losses are calculated as difference between gross carrying amount of individual exposure and present value of expected future cash flows discounted at effective interest rate. At least two scenarios are projected for expected cash flow assessment. Weights are applied to each scenario based on probability of occurrence. The present value calculated as the weighted average of the individual scenarios is used to calculate the transaction of loss allowance. In calculation of individual expected credit losses the following information is taken into account: expected operating cash flow, expected cash from the sale of collateral (real estate), the effective interest rate, and the estimated collateral realisation period.

In case of collective assessment, the Group/Bank uses internal model in accordance with IFRS 9 for calculation of expected credit losses, applying PD (probability of default), LGD (loss given default) and EAD (exposure at default; for off-balance exposures CCF of 100% is applied) as parameters for loss allowance calculation. Group/Bank also applies 5 different macroeconomic scenarios that reflect forecasts. Macroeconomic scenarios and its probabilities are based on regional macroeconomic forecasts. Expected loss (EL) is calculated separately for each scenario and final expected loss (EL) assessment is weighted average of expected loss in cases of multiple scenarios. Model calculation is performed monthly.
Basic assumption in the model is credit segmentation based on client type (sovereign, banks, corporate, retail). Retail segment is further subdivided by product type into the sub-segment of housing, mortgage, cash, car and other loans and the sub-segments of overdrafts and credit cards. Each segment is further elaborated according to the time when the receivable was recorded in the system (book criterion), and according to the calculating provisions class (provisioning bucket) which is defined according to the number of days past due in combination with stage where necessary.
The classes are as follows:
Stage 1: DPD 0-30
Stage 2: DPD 0-30 when there is no delay but the claim is stage 2 according to another criterion
Restructured exposure with a delay of up to 30 days over a 2-year follow-up period (FB_PE)
DPD 31-60, DPD 61-90
Stage 3: DPD 0-90 - when the claim is in default even though there is no delay over 90 days
DPD 91-120, DPD 121-150, DPD 151-180, DPD 181-360, DPD above 360
Restructured exposure with a delay of up to 30 days over a 1-year follow-up period (FB_NPE)
For the purposes of capturing the LGD parameter, the ECL calculation model also uses a breakdown of secured and unsecured exposures, currencies, and number of quarters since entering the default status.
The Group/Bank uses the aggregate method to calculate the expected credit loss of exposures classified in Stage 3 in the case of Retail portfolio (included in Note 14 Loans and receivables from customers), and to calculate the expected credit loss of exposures classified in Stage 1 and Stage 2, and for assets carried at amortized cost which is included in notes 11 Cash and balances with Croatian National Bank, 12 Loans and receivables from banks, 14 Loans and receivables from customers, 16 Financial assets measured at amortized cost, and 21 Other financial assets subject to impairment.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Loss allowance of financial assets (continued)

Loss allowance of financial assets measured at amortised cost (continued)

Definition and calculation method of expected credit losses for each stage (continued)

After initial recognition financial assets are allocated into one of three stages:
1) Stage 1 - performing,
2) Stage 2 - performing, but for which significant increase in credit risk was observed since initial recognition,
3) Stage 3 - default and other non performing exposures

Performing assets (Stage 1) include all financial assets for which the events and conditions applicable to Stage 2 and Stage 3 do not exist at the reporting date.

A financial asset shows significant increase in credit risk (Stage 2), if in respect of which any of the following triggers exist on the reporting date, without fulfilling any of the conditions for the allocation to the default stage (Stage 3):

- the payment delay 31 to 90 (by introducing materially significant delays this trigger now works on both payment delay counter and the economic counter)
- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan and no hedge position exists in respect thereof (CHF) (valid only for retail placements),
- the loan-to-value ratio (LTV) exceeds a predefined rate (at present 125% for secured Retail loans)
- the transaction/client rating exceeds a previously defined value (for cash loans and corporate - rating 8 and 9; for housing loans - rating 7, 8 and 9) or enters a certain range, or has deteriorated compared to historical values and dropped to a predefined level. In the event that the determination of the stage based on the rating is not possible (because the rating category is not available), the following rule is used as a trigger for Stage 2: if in the last 6 months the number of days of delay (DPD) is greater than 10 days, the case in question is determined as Stage 2
- In case there is 3x increase in PD since initial recognition of housing and cash loans and at the same time the rating is 6 and above and due debt greater than HRK 37,5)
- all placements of a client whose at least one placement is classified in Stage 3 (if placements in Stage 3 are in the status of default due to objective criteria, and their balance sheet exposure is less then 20% of the total balance sheet exposure of the client, then all other placements are in Stage 2)
- exposure is marked as a watch-list (non retail)
- In case there is significant change in macroeconomic environment and it results in significant increase in the lifetime credit risk, the OTP Bank's HQ Group Reserve Committee has the right to request transfer of affected loans / portfolios to stage 2 which is approved in coordination between OTP Bank Nyrt and management of Group/Bank,
- In case it is determined in the post-controls of approved loans that there was no adequate credit capabilities, the exposure can be considered as increased credit risk, which is why it is classified in Stage 2.

A financial asset is default (Stage 3) if following conditions for allocation of exposure into default are met:

- objective criterion: consecutive DPD 90+ with material credit obligation;
- probability criterion: the analysis of the probability that the obligor getting unable to pay its credit obligations in full (criteria of “unlikely to pay”, i.e. UTP);
- distressed restructuring and forborne exposure classified as NPL where the existence of UTP criteria is identified, or there is a significant NPV loss (1%) compared to the original cash flows subsequent to the restructuring measure;
- all placements of a client whose at least one placement is classified in Stage 3 (if placements in Stage 3 are in the status of default due to objective criteria, and their balance sheet exposure exceeds 20% of the total balance sheet exposure of the client, then all other placements are in Stage 3);
- the new exposure of the obligor has to be qualified as default if obligor's previously defaulted exposure has been sold or written off.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Loss allowance of financial assets (continued)

Purchased or originated credit impaired asset (POCI) assessment

Purchased or originated credit impaired asset is credit impaired at initial recognition.
At every reporting date, the Group/Bank recognizes cumulative change in lifetime expected credit losses as loss allowance gain or loss in profit and loss account. If credit loss for POCI asset decreases after initial recognition, Group/Bank recognizes loss allowance gain. If credit loss for POCI asset increases after initial recognition, Group/Bank recognizes loss allowance loss.

Loss allowance of financial asset measured at fair value through other comprehensive income

At each reporting date, the Group/Bank reassesses all financial instruments in the scope of impairment to determine if objective evidence of impairment exists. Expected credit loss definition per each stage, significant increase in credit risk identification and expected credit loss calculation methodology is identical to rules implemented for portfolio of financial assets measured at amortised cost.

Loss allowance of financial assets reclassified from off-balance sheet records

In the ordinary course of business, the Group/Bank assumes contingent liabilities related to guarantees, letters of credit and undrawn loan commitments. Contingent liabilities are subject to the calculation of expected credit losses in accordance with the requirement of IFRS 9. When these assets become payable, they are reclassified to assets carried at amortized cost and the calculation of expected credit losses, identification of significant credit risk and loss allowance is carried out according to the rules for assets carried at amortized cost.

Loss allowance of financial assets not covered by IFRS 16 and IFRS 15

All financial assets within the scope of IFRS 15 (assets) and IFRS 16 (leases), which are not subject to impairment under IFRS 16 and IFRS 15, are subject to impairment according to IFRS 9 requirements.

1.13. Derivative financial instruments

The Group/Bank uses derivative financial instruments to hedge economically its exposure to foreign exchange and interest rate risks arising from its operational, financing and investing activities.
In accordance with its treasury policy, the Group/Bank does not hold or issue derivative financial instruments for speculative trading purposes. Derivative financial instruments are classified within financial instruments that are carried at fair value through profit or loss as financial instruments held for trading or as derivative financial instruments that are preferred for the risk management purposes.
Derivative financial instruments, including foreign exchange contracts, currency forward agreements and cross-currency swaps, are recognised initially in the statement of financial position and subsequently re-measured at their fair value. The fair values are obtained from quoted market prices or discounted cash flow models as appropriate. All derivative financial instruments are recognized as assets if their fair value is positive, i.e. as liabilities if their fair value is negative in the position Net (losses)/gains from valuation of financial assets measured through profit or loss (Note 5).

(All amounts are expressed in millions of EUR)

1. ACCOUNTING POLICIES (CONTINUED)

1.14. Heding accounting

The Group/Bank uses hedge accounting to manage the interest rate risk in the banking book.
The Group/Bank applies fair value hedge accounting at the level of a group of financial assets and hedge accounting for individual financial assets with a fixed yield. The group of financial assets as a hedged item is associated with portfolio of housing loans with a fixed interest rate denominated in euros. Individual financial assets as a hedged item are government bonds with a fixed coupon denominated in euros.
The fair value hedging instrument is a derivative financial instrument - interest rate swap agreement.
At the inception of a hedge relationship, the Group/Bank formally designates and documents the hedge relationship to which the Group/Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group/Bank will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged items fair value or cash flows attributable to the hedged risk. The Group/Bank assesses the fulfillment of hedge effectiveness requirements on a monthly basis in order to determine the effectiveness of the hedging relationship between the hedged item and the hedging instrument.

1.15. Tangible and intangible assets

Tangible and intangible assets are stated at cost less accumulated depreciation/amortisation and impairment loss, if any. Land and assets under development are not depreciated.
Depreciation and amortisation are provided for all assets, except for land and assets under construction, under the straight line method at rates estimated to write down the cost of each asset to its residual value over the estimated useful life, which is as follows:

	2023	**2022**
Tangible assets		
Buildings	33-40 years	33-40 years
Computers	4-5 years	4-5 years
Furniture and equipment	2.5-10 years	2.5-10 years
Motor vehicles	4-5 years	4-5 years
Intangible assets		
Investment in leased assets	according to the years of rent	according to the years of rent
Software	3-5 years	3-5 years
Contracts with customers	5 years	5 years

The Group/Bank depreciates buildings for which the value cannot be divided into components at a uniform rate, because it is not possible to estimate the value of each individual component.
The residual value of the asset, the depreciation method and estimated useful lives are reviewed at each reporting date and adjusted if necessary. Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to the recoverable amount.
Gains and losses on the sale of property and equipment are determined as the difference between the amount charged and the carrying amount and are included in the statement of profit or loss. In the carrying amount of property and equipment the Group/Bank includes the cost of replacing the part of an item when such cost arises if it is probable that the Group/Bank will have future economic benefits contained in that item and if the purchase value of such item can be reliably estimated. All other repair and maintenance costs are recognized as incurred.

1. ACCOUNTING POLICIES (CONTINUED)

1.16. Impairment of tangible and intangible assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested for impairment at least annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are not yet available for use are assessed at each reporting date. Impairment losses are recognised whenever the carrying amount of an asset exceeds the asset's recoverable amount. Impairment losses are recognised in the statement of comprehensive income. An impairment loss is recognized in all cases where the carrying amount of an asset is greater than its recoverable amount.
The recoverable amount of property and equipment and of intangible assets is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is 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 an impairment loss are reviewed for possible reversal of the loss at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

1.17. Investment property

Investments into property are carried at cost less accumulated depreciation and impairment losses. These investments include those investments held for the purpose of earning rent or increasing their market value, but not those held for sale. Investments are depreciated on a straight-line basis at prescribed rates, which write off the acquisition cost over the estimated useful life. The useful life and the residual value are checked and adjusted as necessary at each reporting date. Transfers to and from real estate investments are made when a change of property occurs, which is manifested upon termination or commencement of use by the owner. Investments are derecognized upon disposal or upon final retirement or when no future benefits are expected from disposal. Gains or losses on withdrawal or disposal are recognized in the profit and loss account in the period of withdrawal or disposal.

1.18. Non-current assets held for sale

Assets that are expected to be offset primarily by sale rather than continued use are classified as held for sale. The following conditions must be fulfilled:
the property must be available for sale in its existing condition; its sale must be highly probable; as expected and planned sale must occur within one year from the date of classification.
Prior to being classified as held for sale, assets are measured in accordance with the accounting policies of the Group/Bank, after which they are measured at the lower of cost or fair value less costs to sell, whichever is lower. Non-current assets classified as held for sale are not depreciated. At the time of reclassification, when a change of intention or when the conditions required by IFRS 5 are no longer met, the Group/Bank does not restate the comparative information in the Statement of financial position. In the case of reclassification, the valuation is adjusted in accordance with the relevant standards, as if no reclassification had taken place.

1.19. Investment in subsidiaries

Subsidiaries are entities controlled by the Group. Investments in subsidiaries are carried at cost decrease for any impairment losses in the Bank's financial statements.

1.20. Current accounts and deposits from banks and customers

Current accounts and deposits are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest method.
The definition of the calculation of expected credit losses for each stage, the identification of significant credit risk, and the manner of determining the loss allowance for expected credit losses are consistent with the rules for the portfolio of financial assets carried at amortized cost.

1. ACCOUNTING POLICIES (CONTINUED)

1.21. Other financial liabilities

Other financial liabilities include other borrowed funds (interest-bearing loans) that are initially recognized at fair value, decreased for the relating transaction costs incurred. Subsequent measurement is carried at amortized cost and any difference between the proceeds (decreased for transaction costs) and the amount payable on maturity is recognized in the income statement over the loan period using the effective interest method.
Other financial liabilities include all financial liabilities that are not held for trading or are not predetermined to be stated at fair value through profit or loss. Other financial liabilities include liabilities to other banks, liabilities to customers and other borrowed funds.

1.22. Provisions

The Group/Bank recognises a provision when it has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. The Management Board determines the adequacy of the provision based by analysing individual items, past loss experience, considering the current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors at the reporting date. Provisions are discounted to present value where the effect is material.
Restructuring provision are recognized if the Group/Bank has made formal restructuring plan and if initiation of the plan or publishing their main features among those affected with the plan has initiated reasonable expectation that restructuring will be performed. Only direct restructuring costs are included in determining the amount of restructuring provisions, and these are costs that are necessarily related to the restructuring but are not related to the entity's current operations.

1.23. Off-balance sheet commitments

In the ordinary course of business, the Group/Bank enters into credit related commitments which are recorded in off-balance-sheet records and primarily include guarantees, letters of credit and

undrawn loan commitments and global lines, potential liabilities for factoring operations and potential liabilities for leasing operations. Such financial commitments are included in the Group/Bank's statement of financial position if and when they become payable.
The definition of the calculation of expected credit losses for each stage, the identification of significant credit risk, and the manner of determining the impairment are consistent with the rules for the portfolio of financial assets that are carried at amortized cost. In the aggregate method, the Group/Bank uses an internal IFRS 9 model to calculate expected credit losses using PD (probability of default), LGD (loss given default) and EAD (exposure at default); 100% credit conversion factor applies to off-balance sheet contingent liabilities) impairment parameters. Please see Note 1.12 for more details.

1.24. Asset managed on behalf of third parties

The Group/Bank manages assets on the behalf of corporate entities and individuals. The mentioned assets do not form part of the assets of the Group/Bank and are therefore excluded from the financial position report. More details are shown in Note 37. The Group/Bank recognizes fees for such services as income when earned and reports it under Other operating income (Note 6).

1.25. Share capital

Share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in Croatian euros.
Dividends are recognised as a liability in the period in which they are declared.

1.26. Retained earnings

Any profit for the year that is not allocated to dividends and reserves are kept as retained earnings.

(All amounts are expressed in millions of EUR)

1. ACCOUNTING POLICIES (CONTINUED)

1.27. Reclassification of comparative periods

In 2023, the Group/Bank carried out reclassifications in its financial statements in accordance with the policies of OTP Bank Nyrt.:
- reclassification of Liabilities for received payments of founding shares on escrow accounts from Other Liabilities to Liabilities to committee members
- reclassification within the note Financial instruments not measured at fair value:
  - ➢ Loans and receivables from banks - from Level 3 to Level 1
  - ➢ Liabilities to other banks – Demand deposits from Level 3 to Level 1; Time deposits from Level 3 to Level 2
  - ➢ Other borrowed funds – from level 3 to level 2

The reclassifications carried out have no impact on the profit and loss account.

Group

	Note	Report for 2022	Reclassification	Revised report for 2022
Other liabilities	27	63.4	(13.1)	50.3
Liabilities to clients	24	5,977.2	13.1	5,990.3
Financial instruments not measured at fair value - Loans and receivables from banks - Level 1	38	-	18.5	18.5
Financial instruments not measured at fair value - Loans and receivables from banks - Level 3	38	18.5	(18.5)	-
Financial instruments not measured at fair value - Liabilities to other banks - Level 1	38	-	32.5	32.5
Financial instruments not measured at fair value - Liabilities to other banks - Level 2	38	-	126.8	126.8
Financial instruments not measured at fair value - Liabilities to other banks - Level 3	38	159.3	(159.3)	-
Financial instruments not measured at fair value - Other borrowed funds - Level 2	38	-	775.1	775.1
Financial instruments not measured at fair value - Other borrowed funds - Level 3	38	775.1	(775.1)	-
		6,993.5	**-**	**6,993.5**

(All amounts are expressed in millions of EUR)

1. ACCOUNTING POLICIES (CONTINUED)

1.27. Reclassification of comparative periods (continued)

Bank

	Note	Report for 2022	Reclassification	Revised report for 2022
Other liabilities	27	54.0	(13.1)	40.9
Liabilities to clients	24	6,000.8	13.1	6,013.9
Financial instruments not measured at fair value - Loans and receivables from banks - Level 1	38	-	18.5	18.5
Financial instruments not measured at fair value - Loans and receivables from banks - Level 3	38	18.5	(18.5)	-
Financial instruments not measured at fair value - Liabilities to other banks - Level 1	38	-	32.5	32.5
Financial instruments not measured at fair value - Liabilities to other banks - Level 2	38	-	126.8	126.8
Financial instruments not measured at fair value - Liabilities to other banks - Level 3	38	159.3	(159.3)	-
Financial instruments not measured at fair value - Other borrowed funds - Level 2	38	-	380.5	380.5
Financial instruments not measured at fair value - Other borrowed funds - Level 3	38	380.5	(380.5)	-
		6,613.1	**-**	**6,613.1**

2. ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group/Bank makes certain judgments and estimates about uncertain events, including estimates and judgments concerning the future. Such accounting estimates and judgments are regularly reviewed and are based on past experience and other factors, such as the reasonably expected course of future events under given circumstances, but which nevertheless represent sources of uncertainty. The estimation of impairment losses in the Group/Bank's credit risk portfolio represents the most significant source of estimation uncertainty. The risk as well as other key sources of estimation uncertainty with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Loss allowance for expected credit losses on financial assets that is subject to impairment, including requirements in accordance with the Decision on the classification of exposures into risk categories and the method of determining credit losses (OG 114/2017 and 110/2018) and IFRS 9

Group/Bank continuously monitors credit worthiness of its customers. In accordance with regulation, impairment of on-balance and off-balance exposures to credit risk is assessed at least quarterly.

Expected credit losses are recognized as a decrease of the net book value of: current accounts with banks (presented in Note 11), loans and receivables from banks and other customers (presented in Notes 12 and 14), impairment for financial assets measured at amortised cost (presented in Note 16), receivables from other financial assets measured at amortized cost (presented in Note 21), impairment losses for assets measured at fair value through other comprehensive income (presented in Note 15). Loss allowance for risks and costs resulting from potential liabilities, loan commitments, mostly in form of granted unused credit lines, guarantees, letters of credit and unused credit card limits (presented in Note 29) are recognized as a provision (presented in Note 26).

The estimate of expected credit losses represents the best estimate of the risk of default and expected credit losses (ECL) on financial assets, and all off-balance sheet exposures, on the reporting date, and as a part of this, the fair value estimation of collateral in real estate is the main source of estimation uncertainty. This and other key sources of estimation uncertainty have a significant risk of causing possible significant adjustments to the carrying amounts of assets and liabilities in the next financial year.

Expected credit loss is present value of difference between contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive. For lifetime expected credit losses, an entity shall estimate the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses are a portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

For calculation of expected credit losses Group/Bank uses internal model in accordance with IFRS 9 applying PD (probability of default), LGD (loss given default) and EAD (exposure at default) as impairment parameters. Risk parameters also depend on macroeconomic scenarios. Expected loss (EL) is calculated separately for each scenario and final expected loss (EL) assessment is weighted average of expected loss in cases of multiple scenarios. Model calculation is performed monthly- Basic assumption in the model is credit segmentation based on client type (sovereign, banks, corporate, retail). These parameters for calculating expected credit losses are usually estimated once a year.

In November 2023, the parameters were adjusted due to new economic trends on the domestic and international market in 2023. Based on the above, the previously expected GDP growth for 2024 was reduced, which resulted in PL growth.

When determining expected credit losses that are known to exist on reporting date, but that are not separately identified, Group/Bank uses internal model in accordance with IFRS 9.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Taxation
The Group/Bank determines its tax liabilities in accordance with the tax legislation of the Republic of Croatia. Tax returns are subject to the approval of the Tax Administration, which may perform subsequent tax audits of taxpayers' records. The tax calculation and estimates are presented in Note 10.

Litigation and restructuring costs
The Bank makes provisions for litigation and restructuring costs in accordance with IAS 37. Provisions are recognized when the Group/Bank has a present obligation as a result of past events and for which the Group/Bank is aware that they have been incurred, and if it is probable that an outflow of resources containing economic benefits will be required to settle the liabilities and if the amount of the liabilities can be measured reliably. Provisions are reduced only for those expenses for which provisions are initially recognized. If an outflow of economic benefits to settle the obligation is no longer probable, provisions are reversed.
When forming provisions for litigation, the Group/Bank also takes into account all the criteria laid down in the Decision of the Croatian National Bank on the obligation to make provisions for litigation conducted against a credit institution. The amount of such formed provisions does not deviate from the amount estimated in accordance with IAS 37.
In the ordinary course of business, several lawsuits and complaints have been filed against the Group/Bank, the outcome of which is uncertain.
According to the Management's estimate, the provisions formed are sufficient to cover the costs of active litigation and restructuring costs.
Estimates for litigation, restructuring costs and provisions for disputes related to loans in Swiss francs are presented in note 26 Provisions for liabilities and charges.

Impairment of non-financial assets
The residual value, the depreciation method and the useful life of an assets are reviewed at least at each financial year-end and adjusted if appropriate. The net carrying amount of a non-financial asset is reduced to its recoverable amount if the asset's net carrying amount is greater than its estimated recoverable amount.
For details see accounting policies Notes 1.16 to 1.19.

Impairment of investments in subsidiaries
Once a year, the Bank reviews investments in subsidiaries in order to determine possible impairment.
The Bank applies adequate methods in testing the impairment of investments in subsidiaries. Supported by the valuations performed, the carrying value of investments in subsidiaries is recoverable.

Fair value measurement
The fair values of quoted securities are based on current closing bid prices. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reason, the fair value cannot be reliably measured by market price, the Group/Bank determines the fair value using valuation techniques. These include the use of prices achieved in recent arm's length transactions between knowledgeable and willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate.
The fair value of non-traded derivatives is estimated at the amount that the Group/Bank would receive or pay to terminate the contract at the statement of financial position date, taking into account current market conditions and the current creditworthiness of the counterparties. For details please accounting policies Note 1.11 Financial instruments.
The fair value of investment property is measured using appraisals performed by an external independent appraiser.

(All amounts are expressed in millions of EUR)

3. NET INTEREST INCOME

	Group 2023	Group 2022	Bank 2023	Bank 2022
Interest income				
Retail loans	124.8	118.0	120.0	114.5
Corporate loans	91.4	50.8	74.4	39.4
Cash reserves and amounts due from other banks	152.0	18.3	152.0	18.3
Debt securities	14.2	11.5	14.2	11.5
	382.4	**198.6**	**360.6**	**183.7**
Interest expenses				
Other borrowed funds	34.7	6.8	22.7	4.3
Other borrowed funds owed to banks	0.8	0.5	0.8	0.5
Current accounts and retail deposits	2.0	0.8	2.0	0.8
Current accounts and corporate deposits	6.6	0.5	6.6	0.5
Interest expenses IFRS 16	0.3	0.2	0.4	0.3
	44.4	**8.8**	**32.5**	**6.4**

The Group's interest income for 2023 amounts to EUR 8.7 million (2022: EUR 10.6 million) and the Bank's interest income for 2023 amounts to EUR 8.4 million (2022: EUR 10.6 million), which refer to the interest income charged on the assets which were previously impaired as Stage 3.
Deferred interest loan origination fees are recognized in interest income as an adjustment to the effective interest income. The total amount of these fees in the Group's interest income in 2023 amounts to EUR 6.4 million (2022: EUR 5.8 million) and in the Bank's interest income in 2023 amounts to EUR 5.4 million (2022: EUR 4.9 million).
Penalty interest calculated on loans and receivables from customers is shown in other operating income (Note 6).
Interest income is recognized as a point in time in accordance with IFRS 15.

4. NET FEE AND COMMISSION INCOME

a) Net fee and commission income – analysis by source

	Group 2023	Group 2022	Bank 2023.	Bank 2022
Fee and commission income				
Retail customers	37.7	36.8	37.6	36.7
Corporate customers	38.9	32.8	37.0	31.2
Banks	16.0	13.5	16.2	13.6
	92.6	**83.1**	**90.8**	**81.5**
Fee and commission expense				
Banks	17.3	12.5	17.3	12.6
Corporate customers	7.6	7.4	7.9	7.5
	24.9	**19.9**	**25.2**	**20.1**

(All amounts are expressed in millions of EUR)

4. NET FEE AND COMMISSION INCOME (CONTINUED)

b) Net fee and commission income – analysis by fee type

		Group		Bank
	2023	2022	2023	2022
Fee and commission income				
Domestic payment transaction related fees and commissions	23.2	19.4	23.2	19.4
Card-related fees and commissions	16.1	13.8	16.1	13.8
Package fees charged to individuals	14.9	14.7	14.9	14.7
Merchant fees for card business	14.8	12.3	14.8	12.3
Asset management fees	4.2	3.5	2.9	2.6
Loan-related fees and commissions	3.7	3.0	3.4	3.0
Account maintenance fees	2.9	3.2	2.9	3.2
Fees for other services related to client accounts	2.8	2.8	2.8	2.8
Guarantee-related fees and commissions	2.5	2.3	2.5	2.3
Sale of insurance policies	2.2	2.1	2.2	2.1
Foreign payment transaction related fees and commissions	1.8	2.3	1.8	2.3
Brokerage and consultancy service fees	1.5	1.2	1.5	1.2
Exchange office business – commission	0.1	0.3	0.1	0.3
Other fees and commissions received	1.9	2.2	1.7	1.5
	92.6	**83.1**	**90.8**	**81.5**
Fee and commission expense				
Card-related fees and commissions	16.0	12.2	16.0	12.2
Domestic payment transaction related fees and commissions	5.3	4.1	5.3	4.1
Asset management fees	0.8	0.7	1.1	0.8
Foreign payment transaction related fees and commissions	0.6	1.1	0.6	1.1
Other fees and commissions paid	2.2	1.8	2.2	1.9
	24.9	**19.9**	**25.2**	**20.1**

Fee income is recognized in accordance with IFRS 15 and is recognized at the point in time.

(All amounts are expressed in millions of EUR)

5. NET GAINS / (LOSS) FROM TRADING AND VALUATION OF FINANCIAL INSTRUMENTS

a) Net (losses)/gains from trading and valuation of financial instruments at fair value through profit or loss

		Group		Bank
	2023	**2022**	**2023**	**2022**
Net (loss)/gain on derivative financial assets	(160.7)	(12.7)	(160.7)	(12.7)
Net (loss)/gain on financial asset at fair value through profit or loss	4.3	(1.0)	4.3	(0.9)
	(156.4)	**(13.7)**	**(156.4)**	**(13.6)**

Financial assets that are measured through profit or loss, and to which these net (losses)/gains relate, are presented in Note 13.

b) Net (losses) from trading and valuation of financial instruments at fair value through other comprehensive income

		Group		Bank
	2023	**2022**	**2023**	**2022**
Realised (loss) on securities at fair value through other comprehensive income	-	0.9	-	(0,9)
	-	**0.9**	**-**	**(0,9)**

Financial assets measured through other comprehensive income, to which these net (loss) relate, are included in Note 15. The amount of EUR 0.9 million from 2022 refers to the adjustment on the basis of realized securities acquired during the acquisition of the former Splitska banka d.d.

c) Net gains/(losses) from trading and converting monetary assets and liabilities

		Group		Bank
	2023	**2022**	**2023**	**2022**
Net gain from currency sale and purchase	8.8	22.5	8.8	23.0
Net (loss) from conversion of monetary assets and liabilities denominated in foreign currencies and foreign currency clause	57.4	(6.2)	57.4	(3.8)
	66.2	**16.3**	**66.2**	**19.2**

d) Net gains on financial assets at amortized cost

		Group		Bank
	2023	**2022**	**2023**	**2022**
Net gain from the sale of non-financial assets at amortized cost	-	0.1	-	0.1
	-	**0.1**	**-**	**0.1**

(All amounts are expressed in millions of EUR)

6. OTHER OPERATING INCOME

		Group		Bank
	2023	**2022**	**2023**	**2022**
Operating leasing	7.2	9.4	-	-
Sale of real estate and equipment	4.2	0.4	3.3	0.1
Leases	1.7	1.4	0.5	0.5
Collection of written-off receivables from previous years	1.2	0.4	1.2	0.4
Default interest on loans and receivables from customers	0.5	0.4	0.4	0.3
Reverse of accrued costs	0.5	0.2	0.3	0.3
Income from real estate appraisals	0.4	0.4	-	-
Inventory income	0.3	0.1	0.3	0.1
Sale of foreclosed property	0.2	0.7	-	-
Amounts recovered through court actions	0.2	0.3	0.2	0.3
Dividends received	0.2	0.1	1.2	0.7
Collected costs of court fees	0.1	0.1	0.1	-
Income from the reversal of the value adjustment of assets	-	0.3	-	-
Other income	1.4	0.7	0.3	0.1
	18.1	**14.9**	**7.8**	**2.8**

Revenues from rents are mostly related to revenues from properties rental which are used by the Group, and whose insignificant part is leased, in amount of EUR 1.1 million (2022: EUR 1.0 million) while the rest is related to revenues from properties which are fully leased as well as revenues from rent which are paid by telecoms for lease of premises at the top of buildings for their antennas and other communication devices.

Revenues from rents are mostly related to revenues from properties rental which are used by the Bank, and whose insignificant part is leased, as well as revenues from rent which are paid by telecoms for lease of premises at the top of buildings for their antennas and other communication devices in amount of EUR 0.3 million (2022: EUR 0.3 million) while the rest of EUR 0.2 million (2022: EUR 0.2 million) is related to revenues from properties which are fully leased.

Gains from the sale of property and equipment relate to the sale of the building with the associated land (2022: the sale of the building with the associated land, ATMs and vehicles) are provided in Note 22.

(All amounts are expressed in millions of EUR)

7. OTHER OPERATING EXPENSES

		Group		Bank
	2023	**2022**	**2023**	**2022**
Professional services and cost of material	37.9	36.5	34.9	34.2
Administrative expenses	6.8	5.2	6.5	4.9
Marketing expenses	6.4	4.7	6.0	4.5
Savings deposit insurance premiums	2.6	2.7	2.6	2.7
Supervision fee	1.6	0.8	1.6	0.8
Other taxes and contributions	1.1	0.8	1.0	0.8
Remediation contribution	-	1.1	-	1.1
Receivables write-off	-	0.1	-	-
Other costs	0.8	0.9	0.4	0.3
	57.2	**52.8**	**53.0**	**49.3**

Of the total costs of professional services and materials, EUR 2.5 million is related to the costs of introducing the euro as the domicile currency for the Group and EUR 2.3 million for the Bank.

In 2023, the external auditor provided services as follows: audit of quarterly and annual financial statements, audit of the reporting package to OTP Bank Nyrt Hungary, other agreed procedures to verify compliance with financial, accounting or regulatory matters, statutory engagement, assessment of compliance of general information system controls and other services. In accordance with EU Regulation 537/2014, services provided during the year are services that are allowed. The cost (with included VAT) of mentioned services amounts to EUR 0.6 million for 2023 for Group (2022: EUR 0.6 million) and EUR 0.5 million for the Bank (2022: 0.5 million). The costs of auditing are shown under the position Professional services and cost of materials.

7a DEPRECIATION AND AMORTISATION EXPENSE

		Group		Bank
	2023	**2022**	**2023**	**2022**
Depreciation of tangible assets (Note 18)	14.5	15.2	7.9	8.0
Assets classified under IFRS 16 (Note 18a)	4.3	4.2	5.2	5.0
Depreciation of investment property (Note 19)	0.6	0.7	0.3	0.2
Amortisation of intangible assets (Note 20)	5.0	6.3	4.8	6.1
	24.4	**26.4**	**18.2**	**19.3**

(All amounts are expressed in millions of EUR)

8. PERSONNEL EXPENSES

	Group 2023	Group 2022	Bank 2023	Bank 2022
Gross salaries	56.0	51.0	51.1	46.2
- net salaries	*40.1*	*36.9*	36.8	*33.6*
- taxes, surtaxes and contributions	*15.9*	*14.1*	14.3	*12.6*
Contributions on salaries	8.4	7.7	7.8	7.0
Accrued expenses for bonuses and other employee expenses	7.0	4.9	6.2	4.5
Other employee expenses	3.4	4.6	3.0	4.2
	74.8	**68.2**	**68.1**	**61.9**

The Group had 2,590 employees (2022: 2,563) while the Bank had 2,402 employees (2022: 2,375) at year-end. This information includes all employees who have concluded an Employment Contract with the Group/Bank as at 31 December 2023.

9. NET GAINS / (LOSSES) FROM LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES AND PROVISION

		Group 2023	Group 2022	Bank 2023	Bank 2022
Decreases/(Increases) of expected credit loss of current accounts with banks	11	0.3	0.5	0.3	0.5
(Increases) of expected credit losses of loans and receivables from banks	12	0.1	(0.1)	0.1	(0.1)
Decreases of expected credit loss of loans and receivables from customers	14	(0.3)	17.4	(1.9)	13.4
Decreases/(Increases) of expected credit loss of financial assets measured at amortized cost	16	(0.6)	0.6	(0.6)	0.5
Decreases/(increases) of expected credit loss of investments measured through other comprehensive income	15	0.7	0.3	0.7	0.3
(Increases) of expected credit loss of other asset	21	(0.4)	(0.8)	(0.4)	(0.9)
(Increases) of litigation provisions	26	(3.8)	(10.4)	(3.8)	(10.1)
(Increases) of provisions on other basis	26	(0.9)	-	(0.9)	-
(Increases)/decreases of expected credit loss of contingent liabilities and commitments	29	(1.1)	(0.3)	(1.1)	(0.3)
		(6.0)	**7.2**	**(7.6)**	**3.3**

From the total loss allowance for expected credit losses, total gain/loss classified by Stages amounts to:

- The Group – on Stage 1 and Stage 2 loss in the amount of EUR 13.3 million (2022: loss of EUR 15.6 million), on Stage 3 gain in amount of EUR 12.0 million (2022: gain of EUR 33.2 million).
- The Bank - on Stage 1 and Stage 2 loss in the amount of EUR 13.6 million (2022: loss of EUR 16.6 million), on Stage 3 gain in amount of EUR 10,7 million (2022: gain of EUR 30.0 million).

(All amounts are expressed in millions of EUR)

9. NET GAINS / (LOSSES) FROM LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES AND PROVISION (CONTINUED)

In accordance with the Decision of the HNB, in the event of default and when the assessment of future cash flows is based on the value of adequate security instruments, and appropriate legal actions have not been taken for the purpose of collection of claims through the realization of security instruments, the Bank classifies such exposures in the risk subcategory B-1 or worse subcategory and carries out a corresponding impairment in the amount of at least 15% of the exposure. If appropriate legal actions have not been taken to collect claims by implementing adequate security instruments within one year from the date of default of a debtor, a reduction in value of at least 25% of the exposure is made. This condition does not apply in cases where there is no legal basis for initiating legal actions. Regardless of the legal actions taken for the purpose of collection of claims through the realization of the security instrument, if no collection occurs two years from the date of non-fulfillment of the debtor's obligations, the Bank will classify unpaid exposures until the date of their collection into risk subcategory B-1 or a worse subcategory and, taking taking into account the probability of collection, carry out a reduction in the value of at least 30% of the receivables based on the principal, and every 180 days increase it by an additional 5% of the receivables based on the principal. Quantitative effect of the overlay described above in 2023 amounts to EUR 1.49 million for the Bank/Group (2022: EUR 0.6 million).

10. TAXATION

(a) Income tax expense recognised in profit or loss

		Group		Bank
	2023	**2022**	**2023**	**2022**
Current income tax	30.9	24.0	29.8	23.3
Net deferred tax (credit)/charge	(0.1)	-	(0.2)	(1.6)
Extra income tax	-	7.7	-	7.7
	30.8	**31.7**	**29.6**	**29.4**

Global Minimum Corporate Tax

The global minimum tax legislation has been enacted, or substantively enacted, in certain jurisdictions the OTP Group operates, generally in the EU Member States. The legislation will be effective for the Group’s financial year beginning 1 January 2024 and introduces a minimum rate of effective taxation of 15%.
The OTP Group is in scope of the enacted or substantively enacted legislation including its constituent entities resident in Croatia, thus, among them, OTP banka d.d. and its related comapnies in respect of financial year beginning 1 January 2024. The global minimum tax legislation (Pillar Two) has been adopted in Croatia in the Global Minimum Tax Act.

From an accounting perspective, it is unclear if the global minimum rules create additional temporary differences, whether to remeasure deferred taxes for the global minimum tax rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, IAS 12 ‘Income taxes’ has been amended to introduce a mandatory temporary exception to the requirements of IAS 12. Under the mandatory temporary exception, a company does not recognize or disclose information about deferred tax assets and liabilities related to the global minimum tax rules. The Group applied the temporary exception for the year ended 31 December 2023.

The Bank together with the constituent entities resident in Croatia has performed an assessment of its potential exposure to the top-up tax under the global minimum tax rules (the parent company prepared the calculation based on the data provided by the Group OTP bank in Croatia). The assessment is based on the most recent information available regarding the financial performance of the constituent entities in Croatia. Based on the assessment, potential exposure to top-up tax has not been identified in respect of the profits earned by the constituent entities resident in Croatia, because had the global minimum tax legislation been effective for the current year the expected global minimum tax effective tax rate would have exceeded 15%. Considering that no significant changes to the operation of the Bank and other members of the Group in Croatia are expected for the financial year starting on 1 January 2024, it is reasonable to assume that no top-up tax liability will occur in respect of that year.

(All amounts are expressed in millions of EUR)

10. TAXATION (CONTINUED)

(b) Reconciliation of the accounting profit and income tax expense at the tax rate of 18%

		Group		**Bank**
	2023	**2022**	**2023**	**2022**
Profit before tax	171.2	129.5	164.4	**119.1**
Tax at the statutory rate of 18%	30.8	**23.5**	**29.6**	**21.4**
Non-taxable income, net of expenses not recognised for tax purposes	0.5	1.1	0.5	0.9
Expenses not tax deductible until realization	5.7	5.8	5.7	5.8
Utilisation of expenses from previous years that were not tax deductible	(6.1)	(6.4)	(6.0)	(4.8)
Current income tax	**30.9**	**24.0**	**29.8**	**23.3**
Deferred tax on expenses not tax deductible until realization	(5.7)	(5.8)	(5.7)	(5.8)
Deferred tax on utilisation of expenses from previous years that were not tax deductible	6.1	6.4	6.0	4.7
Deferred tax at fair value from integration with Splitska banka	(0.5)	(0.6)	(0.5)	(0.5)
Deferred tax	**(0.1)**	**-**	**(0.2)**	**(1.6)**
Current year income tax recognised in profit and loss	**30.8**	**24.0**	**29.6**	**21.7**
Extra income tax	**-**	**7.7**	**-**	**7.7**
Effective tax rate - current income tax	**18.0%**	**18,5%**	**18.0%**	**18,2%**
Effective tax rate - extra income tax	**-**	**24,5%**	**-**	**24,7%**

Group's current tax liability amounts to EUR 30.9 million (2022: EUR 31.7 million) and advances have been paid in the amount of EUR 20.4 million (2022: EUR 13.1 million and the overpayment from 2021 in the amount of EUR 0.8 million was used), whereby the income tax liability as at 31 December 2022 amounts to EUR 10.5 million (2022: EUR 17.8 million).

Bank's current tax liability amounts to EUR 29.8 million (2022: EUR 31.0 million) and advances have been paid in the amount of EUR 19.0 million (2022: EUR 12.2 million and the overpayment from 2021 in the amount of EUR 0.8 million was used), whereby the income tax liability as at 31 December 2023 amounts to EUR 10.8 million (2022: EUR 18.1 million).

In accordance with the Act on Extra Income Tax (NN 151/2022), in 2022. the Bank was extra income tax taxpayer. Extra tax was calculated at the rate of 33% on the determined tax base, which was positive difference between the taxable profit of the tax period and the average of taxable profit of previous tax periods (from 2018 to 2021) increased by 20%. Stated Law was in force only for year 2022.

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(All amounts are expressed in millions of EUR)

10. TAXATION (CONTINUED)

(c) Movement in deferred tax assets and liabilities

Group

	Unrealised losses from financial assets measured at fair value through profit or loss	Provisions for long-term liabilities in accordance with IAS 37 and 19	Provisions for current liabilities	Deferred loan origination fees	Unrealised gains/(losses) through OCI	Unrealized gains / (losses) at fair value from integration with Splitska banka	Other	Total
Balance at 31 December 2022	**4.2**	**5.5**	**1.2**	**1.5**	**1.9**	**(1.1)**	**1.5**	**14.7**
Through profit or loss	0.9	(1.8)	0.5	0.1	-	0.6	(0.2)	0.1
Through other comprehensive income	-	-	-	-	(2.1)	-	-	(2.1)
Balance at 31 December 2023	**5.1**	**3.7**	**1.7**	**1.6**	**(0.2)**	**(0.5)**	**1.3**	**12.7**

	Unrealised losses from financial assets measured at fair value through profit or loss	Provisions for long-term liabilities in accordance with IAS 37 and 19	Provisions for current liabilities	Deferred loan origination fees	Unrealised gains/(losses) through OCI	Unrealized gains / (losses) at fair value from integration with Splitska banka	Other	Total
Balance at 31 December 2021	**1.7**	**5.2**	**3.2**	**1.6**	**(3.9)**	**(1.6)**	**2.7**	**8.9**
Through profit or loss	2.5	0.3	(2.0)	(0.1)	-	0.5	(1.2)	-
Through other comprehensive income	-	-	-	-	5.8	-	-	5.8
Balance at 31 December 2022	**4.2**	**5.5**	**1.2**	**1.5**	**1.9**	**(1.1)**	**1.5**	**14.7**

Other consists of deferred tax assets in the amount of EUR 0.4 million (2022: EUR 0.4 million) based on impairment of investments in subsidiaries and EUR 0.1 million (2022: EUR 0.1 million) on the basis of costs according to IFRS 16 (difference between invoices from the lessors and accounting evidence of lease in accordance with IFRS 16) and EUR 0.8 million (2022: EUR 1.0 million) on the basis of impairment of receivables in the leasing company.

(All amounts are expressed in millions of EUR)

10. TAXATION (CONTINUED)

(c) Movement in deferred tax assets and liabilities (continued)

Bank

	Unrealised losses from financial assets measured at fair value through profit or loss	Provisions for long-term liabilities in accordance with IAS 37 and 19	Provisions for current liabilities	Deferred loan origination fees	Unrealised gains/(losses) through OCI	Unrealized gains / (losses) at fair value from integration with Splitska banka	Other	Total
Balance at 31 December 2022	**4.2**	**5.5**	**1.0**	**0.9**	**2.0**	**(1.1)**	**0.5**	**13**
Through profit or loss	0.9	(1.8)	0.5	-	-	0.6	-	0.2
Through other comprehensive income					(2.1)			(2.1)
Balance at 31 December 2023	**5.1**	**3.7**	**1.5**	**0.9**	**(0.1)**	**(0.5)**	**0.5**	**11.1**

	Unrealised losses from financial assets measured at fair value through profit or loss	Provisions for long-term liabilities in accordance with IAS 37 and 19	Provisions for current liabilities	Deferred loan origination fees	Unrealised gains/(losses) through OCI	Unrealized gains / (losses) at fair value from integration with Splitska banka	Other	Total
Balance at 31 December 2021	**1.7**	**5.2**	**2.7**	**0.9**	**(3.8)**	**(1.6)**	**0.5**	**5.6**
Through profit or loss	2.5	0.3	(1.7)	-	-	0.5	-	1.6
Through other comprehensive income	-	-	-	-	5.8	-	-	5.8
Balance at 31 December 2022	**4.2**	**5.5**	**1**	**0.9**	**2**	**(1.1)**	**0.5**	**13.0**

Other consists of deferred tax assets in the amount of EUR 0.4 million (2022: EUR 0.4 million) based on impairment of investments in subsidiaries and EUR 0.1 million (2022: EUR 0.1 million) on the basis of costs according to IFRS 16 (difference between invoices from the lessors and accounting evidence of lease in accordance with IFRS 16).

(All amounts are expressed in millions of EUR)

11. CASH, CURRENT ACCOUNTS WITH BANKS AND BALANCES WITH CROATIAN NATIONAL BANK

		Group		Bank
	2023	**2022**	**2023**	**2022**
Cash in hand	187.7	230.8	187.7	230.8
Current account balance	65.3	1,179.5	65.3	1,179.5
FX settlement account with the CNB	-	1.3	-	1.3
Current accounts with foreign banks	16.6	42.6	16.6	42.6
Current accounts with domestic banks	2.6	0.3	2.6	0.3
Deposit with the CNB	1,335.3	-	1,335.3	-
Assets included in cash and cash equivalents (Note 30)	**1,607.5**	**1,454.5**	**1,607.5**	**1,454.5**
Collateral deposit for pre- supply EUR	-	180.2	-	180.2
	1,607.5	**1,634.7**	**1,607.5**	**1,634.7**
Impairment on expected credit losses	-	(0.3)	-	(0.3)
	1,607.5	**1,634.4**	**1,607.5**	**1,634.4**

In December 2022, the obligation of banks to set mandatory reserves in a special account with the Croatian National Bank was abolished due to the obligation to harmonize the regulations of the Republic of Croatia with the regulations applied in the euro zone, in accordance with the regulations of the European Central Bank. Accordingly, the Croatian National Bank transferred all the required reserve funds that were in the special account to the Bank's regular transaction (giro) account.
In accordance with the Agreement between the Bank and the Croatian National Bank on pre-supply of euros, the Bank had obligations to set a collateral deposit in the pre-supply amount increased by 10%. During January and February 2023, the Croatian National Bank used collateral deposit in amount of EUR 163,9 million for the pre-supply, while the remaining part of the deposit of EUR 16.3 million was returned to the Bank for liquidity purposes.

Due to the nature of the receivables, on assets with the CNB Bank does not allocate impairment on expected credit loss since expected credit loss is insignificant.

(All amounts are expressed in millions of EUR)

11. CASH, CURRENT ACCOUNTS WITH BANKS AND BALANCES WITH CROATIAN NATIONAL BANK (CONTINUED)

Group

2023
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**1,634.7**	**-**	**-**	**-**	**1,634.7**
Net (decrease)	(27.2)	-	-	-	(27.2)
Balance at 31 December 2023	**1,607.5**	**-**	**-**	**-**	**1,607.5**

Movement in provisions for impairment:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.3**	**-**	**-**	**-**	**0.3**
Net (decrease)	(0.3)	-	-	-	(0.3)
Balance at 31 December 2023	-	-	-	-	-

2022
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**1,240.6**	**-**	**-**	**-**	**1,240.6**
Net increase	397.0	-	-	-	397.0
Other adjustments	(2.9)	-	-	-	(2.9)
Balance at 31 December 2022	**1,634.7**	**-**	**-**	**-**	**1,634.7**

Movement in provisions for impairment:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**0.8**	**-**	**-**	**-**	**0.8**
Net (decrease)	(0.5)	-	-	-	(0.5)
Balance at 31 December 2022	**0.3**	**-**	**-**	**-**	**0.3**

(All amounts are expressed in millions of EUR)

11. CASH, CURRENT ACCOUNTS WITH BANKS AND BALANCES WITH CROATIAN NATIONAL BANK (CONTINUED)

Bank

2023
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	1.634,7	-	-	-	1.634,7
Net (decrease)	(27.2)	-	-	-	(27.2)
Balance at 31 December 2023	**1,607.5**	**-**	**-**	**-**	**1,607.5**

Movement in provisions for impairment:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.3**	**-**	**-**	**-**	**0.3**
Net (decrease)	(0.3)	-	-	-	(0.3)
Balance at 31 December 2023	**-**	**-**	**-**	**-**	**-**

2022
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**1,240.6**	**-**	**-**	**-**	**1,240.6**
Net increase	397.0	-	-	-	397.0
Other adjustments	(2.9)	-	-	-	(2.9)
Balance at 31 December 2022	**1,634.7**	**-**	**-**	**-**	**1,634.7**

Movement in provisions for impairment:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**0.8**	**-**	**-**	**-**	**0.8**
Net (decrease)	(0.5)	-	-	-	(0.5)
Balance at 31 December 2022	**0.3**	**-**	**-**	**-**	**0.3**

(All amounts are expressed in millions of EUR)

12. LOANS AND RECEIVABLES FROM BANKS

		Group		Bank
	2023	**2022**	**2023**	**2022**
Short-term placements with other banks	-	18.6	-	18.6
Loss allowance for expected credit losses	-	(0.1)	-	(0.1)
	-	**18.5**	**-**	**18.5**

Loans and receivables from other banks are measured at amortised cost.

Group

2023
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**18.6**	**-**	**-**	**-**	**18.6**
Net (decrease)	(18.6)	-	-	-	(18.6)
Balance at 31 December 2023	**-**	**-**	**-**	**-**	**-**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.1**	**-**	**-**	**-**	**0.1**
Net (decrease)	(0.1)	-	-	-	(0.1)
Balance at 31 December 2023	**-**	**-**	**-**	**-**	**-**

2022
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**4.7**	**-**	**-**	**-**	**4.7**
Net increase	13.9	-	-	-	13.9
Balance at 31 December 2022	**18.6**	**-**	**-**	**-**	**18.6**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**-**	**-**	**-**	-	-
Net increase	0.1	-	-	-	0.1
Balance at 31 December 2022	**0.1**	**-**	**-**	**-**	**0.1**

(All amounts are expressed in millions of EUR)

12. LOANS AND RECEIVABLES FROM BANKS (CONTINUED)

Bank

2023

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**18.6**	**-**	**-**	**-**	**18.6**
Net (decrease)	(18.6)	-	-	-	(18.6)
Balance at 31 December 2023	**-**	**-**	**-**	**-**	**-**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.1**	**-**	**-**	**-**	**0.1**
Net (decrease)	(0.1)	-	-	-	(0.1)
Balance at 31 December 2023	**-**	**-**	**-**	**-**	**-**

2022

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**4.7**	**-**	**-**	**-**	**4.7**
Net increase	13.9	-	-	-	13.9
Balance at 31 December 2022	**18.6**	**-**	**-**	**-**	**18.6**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**-**	**-**	**-**	-	-
Net increase	0.1	-	-	-	0.1
Balance at 31 December 2022	**0.1**	**-**	**-**	**-**	**0.1**

(All amounts are expressed in millions of EUR)

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Bank
	2023	**2022**	**2023**	**2022**
Financial assets				
Units in open-end investment funds managed by related party	18.3	20.5	18.1	16.9
Derivative financial assets	23.5	24.2	23.5	24.2
VISA International Series C preferred stock	3.0	2.4	3.0	2.4
	44.8	**47.1**	**44.6**	**43.5**
Financial liabilities				
Derivative financial liabilities	31.6	26.3	31.6	26.3
	31.6	**26.3**	**31.6**	**26.3**

Visa Inc. was obliged to partially convert the preferred share of Visa International Series C into Visa tradeable shares. In this context, on 29 July 2022, VISA Inc reduced the conversion factor for Visa Series C preferred shares from 6,824 to 3,645, while each holder of a share of preferred stock will receive a number of shares of Series A preferred stock equal to the applicable conversion adjustment divided by 100. The Bank classified the Series A preferred stock as Financial assets at fair value through other comprehensive income (Note 15).

Group

		2023			2022	
	Asset	**Liabilities**	**Contractual amount**	**Asset**	**Liabilities**	**Contractual amount**
Derivative financial instruments held for trading						
FX Swap and Forwards	4.9	4.4	757.4	5.2	7.6	663.2
Interest rate swap	17.6	17.6	433.5	19.0	18.5	165.3
Derivative financial instruments – fair value hedge						
Interest rate swap	1.0	9.5	180.2	-	-	-
Derivative financial instruments used to hedge cash flow						
Option	-	0.1	0.1	-	0.2	0.1
	23.5	**31.6**	**1,371.2**	**24.2**	**26.3**	**828.6**

(All amounts are expressed in millions of EUR)

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Bank

	2023			**2022**		
	Asset	**Liabilities**	**Contractual amount**	**Asset**	**Liabilities**	**Contractual amount**
Derivative financial instruments held for trading						
FX Swap and Forwards	4.9	4.4	757.4	5.2	7.6	663.2
Interest rate swap	17.6	17.6	433.5	19.0	18.5	165.3
Derivative financial instruments – fair value hedge						
Interest rate swap	1.0	9.5	180.2	-	-	-
Derivative financial instruments used to hedge cash flow						
Option	-	0.1	0.1	-	0.2	0.1
	23.5	**31.6**	**1,371.2**	**24.2**	**26.3**	**828.6**

Derivative financial instruments held for trading allow the Bank and its clients to transfer, modify or reduce the currency and / or interest rate risk. In addition to standard currency derivative financial instruments (primarily forwards) used to manage currency risk, the Bank also contracts interest rate swaps to minimize the risk of interest rate fluctuations. All derivative financial instruments have been agreed on the OTC market.

Hedge accounting

Prior to application of hedge accounting, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged items fair value or cash flows attributable to the hedged risk.

The Bank applies the hedge accounting to manage the interest rate risk in the banking book related to fixed income financial assets. During 2023, the Bank started applying fair value hedge accounting at the level of a group of financial assets and hedge accounting for individual financial assets with a fixed yield in accordance with internal limits and interest rate risk management procedures in the bank's book.

Individual financial assets as a hedged item are government bonds with a fixed coupon denominated in euros.The group of financial assets as a hedged item is associated with portfolio of housing loans with a fixed interest rate denominated in euros. The fair value hedging instrument is a derivative financial instrument - interest rate swap agreement.

(All amounts are expressed in millions of EUR)

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Hedge accounting (continued)

The economic relationship between the hedged item and the hedging instrument is defined by the approximate matching of the following conditions:
- nominal amount and currency of the hedged item and hedging instrument,
- the maturity date of the contract of the hedged item and hedging instrument,
- dates of interest inflows and outflows for the hedged item and hedging instrument,
- the date of repayment and amortization of the nominal value of the hedged item and hedging instrument.

The Bank establishes hedge ratios by aligning the fair value of the fixed-rate loan or bond and the fair value of the interest rate swap designated as a hedging instrument and their fair value sensitivity. When hedging individual items of financial assets, the amount of hedged items is equal to the amount of hedging instruments. In the case of protection of a group of financial assets, the Bank uses internal models based on historical data to estimate potential early loan repayments and forced collection in case of default by the debtor, and projects the amount of the protected item within the entire portfolio to be protected.

Fair value hedge accounting protects the Bank only and exclusively from the risk of changes in market interest rates. During the economic life of hedge accounting, the Bank conducts hedge efficiency tests on a monthly basis based on a pre-documented and defined procedure. The hedging efficiency test is carried out by scenario analysis of the relationship between the value of the hedged item and the hedging instrument in the event of a change in interest rates. The priority of hedging effectiveness, along with the quantitative ratio of value changes based on scenario analysis, is the opposite economic effect of a change in the value of the hedged item and a change in the value of the hedging instrument on the account of the Bank's profit or loss. By analyzing the effectiveness of hedging, the Bank assesses, on the basis of internally defined documents and procedures, the acceptable ineffectiveness of hedging resulting from the impossibility of perfect matching of cash flows from hedged items and hedging instruments, and to a lesser and materially insignificant extent, differences in the application of interest calculation conventions. If the economic effectiveness of the hedge is absent or the hedge is not materially significant at the level of the individual item and the related hedge instrument, hedge accounting ceases and unrealized effects are recognized in the Bank's profit or loss account.

Given that only the Bank within the OTP Group applies hedge accounting, the tables below show data only for the Bank for the year 2023, which is the first year in which the Bank applies hedge accounting.

Derivative financial assets held for hedge accounting - notional amounts

	Bank 2023
Interest rate	
- swap	180.2
Total	**180.2**

Derivative financial assets held for hedge accounting - positive and negative fair value

	Bank 2023
Positive fair value	
- Interest rate swap	0.3
Total positive fair value	**0.3**
Negative fair value	
- Interest rate swap	9.0
Total negative fair value	**9.0**

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Hedge accounting (continued)

Derivative financial assets held for hedge accounting - residual life of notional amounts

Bank

2023

	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swap	-	-	180.2	180.2
Average fixed interest rate	-	-	2.99	2.99
Total	**-**	**-**	**180.2**	**180.2**

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Hedge accounting (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2023 were as follows:

Bank

	Carrying amount						
	Nominal amount	**Positive fair value**	**Negative fair value**	**Line item in the statement of financial position where the hedging instrument is included**	**Changes in fair value used for calculating hedge ineffectiveness**	**Ineffectiveness recognised in profit or loss**	**Line item in profit or loss that includes hedge ineffectiveness**
Interest rate swap - Hedge of financial assets measured at amortised cost	180.2	1.0	9.5	Financial assets and liabilities measured at fair value through profit or loss	(8.5)	0.1	Net gains/(losses) from the valuation of financial assets measured through profit or loss

13. FINANCIAL ASSET AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Hedge accounting (continued)

The amounts relating to items designated as hedged items at 31 December 2023 were as follows:

Bank

	Nominal amount		The accumulated amount of the fair value hedge adjustments included in the hedged item				
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Line item in the statement of financial position where the hedged item is include**	**Changes in value used for calculating hedge ineffectiveness**	**Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedged gains and losses**
Loans and receivables from customers	50.6	-	3.3	-		3.3	-
Debt securities at amortized cost	133.4	-	6.1	-		6.1	-

(All amounts are expressed in millions of EUR)

14. LOANS AND RECEIVABLES FROM CUSTOMERS

Structure by type of product

		Group		Bank
	2023	**2022**	**2023**	**2022**
Local-currency denominated				
Retail customers	3,293.4	2,942.2	3,196.9	2,856.0
Corporate customers	2,767.3	2,719.6	2,400.5	2,429.7
Currency clase denominated				
Retail customers	7.3	8.7	7.3	8.7
Corporate customers	2.7	2.7	2.7	2.7
Total gross loans and receivables	**6,070.7**	**5,673.2**	**5,607.4**	**5,297.1**
The accumulated fair value adjustment amount of the hedged item in the fair value hedge	3.3	-	3.3	-
Loss allowance for expected credit losses	(283.8)	(284.9)	(278.7)	(278.1)
	5,790.2	**5,388.3**	**5,332.0**	**5,019.0**

From 1 January 2023, the Republic of Croatia introduced the euro as its domicile currency. For comparison, net loans and receivables from clients nominated in kuna and euros, including loans with a currency clause related to the euro exchange rate for 2022, are presented under "Local-currency denominated".

The amount of retail loans and claims nominated in kuna and in the currency clause related to the euro exchange rate in 2022 amounted to EUR 1,395.0 million for the Group and EUR 1,393.1 million for the Bank, while those nominated in euros amounted to EUR 1,547.2 million for the Group and EUR 1,462.9 million for the Bank.
The amount of corporate loans and claims nominated in kuna and in the currency clause related to euro exchange rate in 2022 amounted to EUR 974.5 million for the Group and EUR 967.7 million for the Bank, while those nominated in euros amounted to EUR 1,745.1 million for the Group and EUR 1,462.0 million for the Bank.

Currency clause nominees include currency clause loans linked to the exchange rate of the Swiss franc (CHF) and the US dollar (USD). Repayments of the principal and interest of these loans are determined in foreign currency, and payment is made in the euro equivalent at the exchange rate on the day of payment.

Deferred income from loan origination fees included in gross loans and receivables for the Group amounts to EUR 5.9 (2022: EUR 5.2 million), while for the Bank it amounts to EUR 4.2 million (2022: EUR 4.0 million).

The Group/Bank applies fair value hedge accounting for a portfolio of housing loans with a fixed interest rate denominated in euros. As at 31 December 2023, the book value of loans as hedged items amounted to EUR 50.6 million (2022: EUR 0.0 million). Further details in Note 13.

(All amounts are expressed in millions of EUR)

14. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

2023

Group

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 31 December 2022	**4,728.0**	**656.5**	**243.1**	**45.6**	**5,673.2**
Net new approvals / (derecognition)	470.8	(41.8)	(25.0)	(4.7)	399.3
Transfer to Stage 1	236.2	(231.4)	(4.8)	-	-
Transfer to Stage 2	(366.5)	383.5	(17.0)	-	-
Transfer to Stage 3	(9.9)	(22.8)	32.7	-	-
Sale of receivables*	-	-	(1.1)	-	(1.1)
Written off	-	-	(0.1)	(0.6)	(0.7)
Balance as at 31 December 2023	**5,058.6**	**744.0**	**227.8**	**40.3**	**6,070.7**

**The amounts are shown in the gross amount of the sale on the date of payment of the purchase price.*

Group

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**25.9**	**48**	**175**	**36**	**284.9**
Net new approvals / (derecognition)	(5.6)	15.3	(6.3)	(3.9)	(0.5)
Transfer to Stage 1	10.6	(9.1)	(1.5)	-	-
Transfer to Stage 2	(2.1)	7.7	(5.6)	-	-
Transfer to Stage 3	(0.1)	(2.8)	2.9	-	-
Exchange differences	-	-	0.4	-	0.4
Increase due to change of parameters	0.2	(1.9)	2.5	-	0.8
Sale of receivables*	-	-	(1.1)	-	(1.1)
Written off	-	-	(0.1)	(0.6)	(0.7)
Balance at 31 December 2023	**28.9**	**57.2**	**166.2**	**31.5**	**283.8**

** Amounts are shown in gross sales amount on the date of payment of the purchase price*

2022

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	3,929.0	590.9	340.7	67.8	4,928.4
Net new approvals / (derecognition)	811.5	15.9	(41.5)	(18.6)	767.3
Transfer to Stage 1	153.6	(146.8)	(6.8)	-	-
Transfer to Stage 2	(155.1)	218.7	(63.6)	-	-
Transfer to Stage 3	(11.0)	(22.2)	33.2	-	-
Sale of receivables*	-	-	(9.3)	(2.3)	(11.6)
Written off	-	-	(9.6)	(1.3)	(10.9)
Balance at 31 December 2022	**4,728.0**	**656.5**	**243.1**	**45.6**	**5,673.2**

**The amounts are shown in the gross amount of the sale on the date of payment of the purchase price.*

(All amounts are expressed in millions of EUR)

14. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**21.8**	**34.6**	**208.0**	**59.8**	**324.2**
Net new approvals / (derecognition)	(6.4)	(2.5)	5.6	(20.3)	(23.6)
Transfer to Stage 1	10.2	(8.3)	(1.9)	-	-
Transfer to Stage 2	(0.8)	23.8	(23.0)	-	-
Transfer to Stage 3	(0.1)	(2.8)	2.9	-	-
Exchange differences	-	-	0.4	-	0.4
Increase due to change of parameters	1.2	3.2	1.4	-	5.8
Sale of receivables*	-	-	(8.8)	(2.2)	(11.0)
Written off	-	-	(9.6)	(1.3)	(10.9)
Balance at 31 December 2022	**25.9**	**48.0**	**175.0**	**36.0**	**284.9**

** Amounts are shown in gross sales amount on the date of payment of the purchase price*

Bank

2023

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 31 December 2022	**4,434.5**	**587.1**	**229.9**	**45.6**	**5,297.1**
Net new approvals / (derecognition)	377.3	(40.9)	(19.7)	(4.7)	312.0
Transfer to Stage 1	210.2	(206.9)	(3.3)	-	-
Transfer to Stage 2	(355.9)	372.3	(16.4)	-	-
Transfer to Stage 3	(8.6)	(21.7)	30.3	-	-
Sale of receivables*	-	-	(1.1)	-	(1.1)
Written off	-	-	-	(0.6)	(0.6)
Balance as at 31 December 2023	**4,657.5**	**689.9**	**219.7**	**40.3**	**5,607.4**

**The amounts are shown in the gross amount of the sale on the date of payment of the purchase price.*

(All amounts are expressed in millions of EUR)

14. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**24.8**	**46.6**	**170.7**	**36**	**278.1**
Net new approvals / (derecognition)	(5.0)	15.5	(5.5)	(3.9)	1.1
Transfer to Stage 1	9.8	(8.6)	(1.2)	-	-
Transfer to Stage 2	(2.1)	7.5	(5.4)	-	-
Transfer to Stage 3	(0.1)	(2.8)	2.9	-	-
Exchange differences			0.4	-	0.4
Increase due to change of parameters	0.2	(1.9)	2.5	-	0.8
Sale of receivables*	-	-	(1.1)	-	(1.1)
Written off	-	-	-	(0.6)	(0.6)
Balance at 31 December 2023	**27.6**	**56.3**	**163.3**	**31.5**	**278.7**

** Amounts are shown in gross sales amount on the date of payment of the purchase price*

2022

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**3,717.6**	**500.4**	**313.7**	**67.8**	**4,599.5**
Net new approvals / (derecognition)	748.7	21.9	(32.9)	(18.6)	719.1
Transfer to Stage 1	102.1	(99.7)	(2.4)	-	-
Transfer to Stage 2	(123.7)	185.7	(62.0)	-	-
Transfer to Stage 3	(10.2)	(21.2)	31.4	-	-
Sale of receivables*	-	-	(9.3)	(2.3)	(11.6)
Written off	-	-	(8.6)	(1.3)	(9.9)
Balance at 31 December 2022	**4,434.5**	**587.1**	**229.9**	**45.6**	**5,297.1**

**The amounts are shown in the gross amount of the sale on the date of payment of the purchase price.*

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**20.8**	**32.2**	**199.6**	**59.9**	**312.5**
Net new approvals / (derecognition)	(4.6)	(2.1)	7.4	(20.3)	(19.6)
Transfer to Stage 1	8.2	(7.1)	(1.1)	-	-
Transfer to Stage 2	(0.7)	23.2	(22.5)	-	-
Transfer to Stage 3	(0.1)	(2.8)	2.9	-	-
Exchange differences	-	-	0.4	-	0.4
Increase due to change of parameters	1.2	3.2	1.4	-	5.8
Sale of receivables*	-	-	(8.8)	(2.3)	(11.1)
Written off	-	-	(8.6)	(1.3)	(9.9)
Balance at 31 December 2022	**24.8**	**46.6**	**170.7**	**36.0**	**278.1**

** Amounts are shown in gross sales amount on the date of payment of the purchase price*

(All amounts are expressed in millions of EUR)

14. LOANS AND RECEIVABLES FROM CUSTOMERS (CONTINUED)

Concentration of loans and receivables from customers by industry:

		Group		**Bank**
	2023	**2022**	**2023**	**2022**
Wholesale and retail trade, repair of motor vehicles and motorcycles	425.4	357.3	358.6	310.7
Manufacturing industries	411.8	389.0	383.5	366.7
Construction	375.7	335.9	327.7	293.9
Electricity, gas, steam and air conditioning supply	334.7	299.7	333.5	298.6
Public administration and defence, mandatory social security	205.7	349.2	205.1	348.4
Accommodation and food service activities	200.4	191.3	189.8	183.2
Transport and storage	164.6	190.5	115.0	146.9
Administrative and support service activities	136.9	110.8	22.6	24.0
Professional, scientific and technical activities	113.4	95.7	93.1	82.0
Agriculture, forestry and fisheries	98.6	105.1	94.1	100.7
Information and communication	77.5	97.8	71.7	92.4
Real estate activities	63.6	56.4	62.1	51.5
Water supply; wastewater disposal; waste management and environmental remediation activities	59.8	60.4	53.5	53.0
Financial and insurance activities	37.7	25.6	36.4	30.7
Health and social work activities	23.4	29.6	21.5	27.7
Other services	14.4	14.1	11.5	11.0
Mining and quarrying	9.1	1.3	8.1	0.1
Education	8.7	4.4	8.1	3.6
Arts, entertainment and recreation	8.6	7.9	7.3	7.0
Activities of extraterritorial organizations	-	0.3	-	0.3
Total corporate loans	**2,770.0**	**2,722.3**	**2.403,2**	**2,432.4**
Retail customers	**3,300.7**	**2,950.9**	**3.204,2**	**2,864.7**
	6,070.7	**5,673.2**	**5.607,4**	**5,297.1**
The accumulated fair value adjustment amount of the hedged item in the fair value hedge	3.3	-	3.3	-
Loss allowance for expected credit losses	(283.8)	(284.9)	(278.7)	(278.1)
	5,790.2	**5,388.3**	**5,332.0**	**5,019.0**

Industry sectors are defined according to the structure of the FINREP report.

(All amounts are expressed in millions of EUR)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		Group		Bank
	2023	**2022**	**2023**	**2022**
Equity securities	18.3	15.3	18.3	15.3
Debt securities	616.1	606.0	616.1	606.0
	634.4	**621.3**	**634.4**	**621.3**

(a) Equity securities

		Group		Bank
	2023	**2022**	**2023**	**2022**
Listed	17.7	14.8	17.7	14.8
Unlisted	0.6	0.5	0.6	0.5
	18.3	**15.3**	**18.3**	**15.3**

Overview of the Bank's investments in equity securities with a breakdown of listed and unlisted securities on 31 December 2023 and 2022 is given below.

Company name	Type of investment	Listed/unlisted
VISA International (Series A)	Preferential share	listed
VISA International (Series C)	Preferential share	listed
Zagrebačka burza d.d.	Ordinary share	listed
Hrvatski nogometni klub Hajduk Split š.d.d.	Ordinary share	unlisted
Hrvatski registar obveza po kreditima d.o.o.	Investment in ltd.	unlisted
Istarska autocesta d.o.o.	Investment in ltd.	unlisted
Središnje klirinško depozitarno društvo d.d.	Ordinary share	unlisted
SWIFT-Fortis Bank	Preferential share	unlisted

This note includes equity securities that are not held for trading nor are acquired through acquisitions to which IFRS 3 applies. In accordance with OTP Bank Nyrt policies, they are held at fair value through other comprehensive income – the option of fair value through other comprehensive income.
Securities are devided on listed and unlisted. This type of assets is valued through an internal model for calculating the fair value of unlisted equity securities that are not listed on the financial market and for which there is no market or published price. Given the portfolio that the Bank has and the motive for its presence in the Bank's balance sheet, the most appropriate valuation method (internal model) is the residual income method.
Residual income is recognized as net income less opportunity costs incurred, in this case, by owning a stake in a particular economic entity. From the position of the economic entity (the company) it is the residual, part of the income after the calculation of the cost of capital of the company.
Other listed equity securities for which fair value can be measured reliably are held at fair value through other comprehensive income – the option of fair value through other comprehensive income. The equity shares valuation method is explained in Note 38.
The impact of changes in fair value through other comprehensive income is disclosed in Note 28.

The Bank received dividends of EUR 0.2 million from VISA International in 2023 (2022: EUR 0.1 million). The equity ownership in VISA International is listed.
For other equity securities presented in Note 15, the Bank did not receive a dividend in 2022 and 2023.

(All amounts are expressed in millions of EUR)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Debt securities

		Group		Bank
	2023	**2022**	**2023**	**2022**
Bonds of the Republic of Croatia	269.3	350.0	269.3	350.0
Foreign government bonds	47.1	68.9	47.1	68.9
Total listed securities	**316.4**	**418.9**	**316.4**	**418.9**
Treasury bills of the National Bank of Hungary	299.7	187.1	299.7	187.1
Total unlisted securities	**299.7**	**187.1**	**299.7**	**187.1**
	616.1	**606.0**	**616.1**	**606.0**

The Bank classifies debt securities that it intends to hold for collection or sale, and which have met the requirements of the SPPI test, in financial assets measured at fair value through other comprehensive income. The SPPI test is performed on each individual instrument (securities).
In 2023 bonds of the Republic of Croatia include EUR bonds (in 2022 long-term HRK, currency and bonds in a currency clause). In 2023 and 2022 foreign government bonds include the long-term currency bonds of Hungary and Romania.

Group

2023
Movement of gross carrying amount of debt securities:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**606.0**	**-**	**-**	**-**	**606.0**
Net (derecognition)	10.1	-	-	-	10.1
Balance at 31 December 2023	**616.1**	**-**	**-**	**-**	**616.1**

Movement in loss allowance for expected credit losses through other capital reserves (Note 28):

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**1.3**	**-**	**-**	**-**	**1.3**
Net (decrease)	(1.4)	-	-	-	(1.4)
Increase due to parameter change	0.7	-	-	-	0.7
Balance at 31 December 2023	**0.6**	**-**	**-**	**-**	**0.6**

(All amounts are expressed in millions of EUR)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

2022

Movement of gross carrying amount of debt securities:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	774.0	-	-	-	774.0
Net (derecognition)	(166.2)	-	-	-	(166.2)
Other adjustmants	(1.8)	-	-	-	(1.8)
Balance at 31 December 2022	**606.0**	-	-	-	**606.0**

Movement in loss allowance for expected credit losses through other capital reserves (Note 28):

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	1,6	-	-	-	1,6
Net (decrease)	(0,6)	-	-	-	(0,6)
Increase due to parameter change	0,3	-	-	-	0,3
Balance at 31 December 2022	**1,3**	-	-	-	**1,3**

Bank

2023

Movement of gross carrying amount of debt securities:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**606.0**	-	-	-	**606.0**
Net new approvals	10.1	-	-	-	10.1
Balance at 31 December 2023	**616.1**	-	-	-	**616.1**

Movement in loss allowance for expected credit losses through other capital reserves (Note 28):

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**1.3**	-	-	-	**1.3**
Net (decrease)	(1.4)	-	-	-	(1.4)
Increase due to parameter change	0.7	-	-	-	0.7
Balance at 31 December 2023	**0.6**	-	-	-	**0.6**

(All amounts are expressed in millions of EUR)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

2022

Movement of gross carrying amount of debt securities:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	774.0	-	-	-	774.0
Net (derecognition)	(166.2)	-	-	-	(166.2)
Other adjustmants	(1.8)	-	-	-	(1.8)
Balance at 31 December 2022	**606.0**	-	-	-	**606.0**

Movement in loss allowance for expected credit losses through other capital reserves (Note 28):

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	1.6	-	-	-	1.6
Net (decrease)	(0.6)	-	-	-	(0.6)
Increase due to parameter change	0.3	-	-	-	0.3
Balance at 31 December 2022	**1.3**	-	-	-	**1.3**

16. FINANCIAL ASSETS MEASURED AT AMORTISED COST

		Group		Bank
	2023	**2022**	**2023**	**2022**
Bonds of the Republic of Croatia	192.7	72.8	192.7	72.8
Corporate Bonds	36.7	39.3	36.7	39.3
Foreign bond	8.3	-	8.3	-
Corporate bills of exchange	0.3	0.6	0.3	0.6
	238.0	**112.7**	**238.0**	**112.7**
The accumulated fair value adjustment amount of the hedged item in the fair value hedge	6.1		6.1	
Loss allowance for expected credit losses	(1.8)	(1.2)	(1.8)	(1.2)
	242.3	**111.5**	**242.3**	**111.5**

In financial assets measured at amortized cost, the Bank classifies debt securities that it intends to hold for collection, and which have met the requirements of the SPPI test.
The bonds of the Republic of Croatia in 2023 include long-term euro bonds (in 2022, long-term kuna and currency bonds).
In 2023 foreign bonds include long-term euro bonds of Slovakia.
Corporate bonds and bills of exchange in 2023 are denominated in euros (in 2022 in HRK).
The SPPI test is performed on each individual instrument (securities).
The Group/Bank applies fair value hedge accounting for government bonds with a fixed coupon denominated in euros. The book value of these bonds on 31 December 2023 amounted to EUR 133.4 million (2022: EUR 0.0 million). Further details in Note 13.

(All amounts are expressed in millions of EUR)

16. FINANCIAL ASSETS MEASURED AT AMORTISED COST (CONTINUED)

Group

2023
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**91.3**	**21.2**	**0.2**	**-**	**112.7**
Net new approvals	139.3	(7.9)	-	-	131.4
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	-	-	-
Balance at 31 December 2023	**230.6**	**13.3**	**0.2**	**-**	**244.1**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.5**	**0.6**	**0.1**	**-**	**1.2**
Net increase	-	0.6	-	-	0.6
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Decrease due to parameter change	-	-	-	-	-
Write off	-	-	-	-	-
Balance at 31 December 2023	**0.5**	**1.2**	**0.1**	**-**	**1.8**

2022
Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	28.2	20.2	0.1	-	48.5
Net new approvals	63.8	0.3	0.1	-	64.2
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(0.7)	0.7	-	-	-
Transfer to Stage 3	-	-	-	-	-
Balance at 31 December 2022	**91.3**	**21.2**	**0.2**	**-**	**112.7**

(All amounts are expressed in millions of EUR)

16. FINANCIAL ASSETS MEASURED AT AMORTISED COST (CONTINUED)

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	0.3	1.5	-	-	1.8
Net increase	0.1	-	0.1	-	0.2
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Decrease due to parameter change	-	(0.8)	-	-	(0.8)
Balance at 31 December 2022	**0.4**	**0.7**	**0.1**	**-**	**1.2**

Bank

2023

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**91.3**	**21.2**	**0.2**	**-**	**112.7**
Net new approvals	139.3	(7.9)	-	-	131.4
Transfer to Stage 1	**-**	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**	**-**
Write off	**-**	**-**	**-**	**-**	-
Balance at 31 December 2023	**230.6**	**13.3**	**0.2**	**-**	**244.1**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.5**	**0.6**	**0.1**	**-**	**1.2**
Net increase	-	0.6	-	-	0.6
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Decrease due to parameter change	-	-	-	-	-
Write off	-	-	-	-	-
Balance at 31 December 2023	**0.5**	**1.2**	**0.1**	**-**	**1.8**

(All amounts are expressed in millions of EUR)

16. FINANCIAL ASSETS MEASURED AT AMORTISED COST (CONTINUED)

2022

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	28.2	20.2	0.1	-	48.5
Net new approvals	63.8	0.3	0.1	-	64.2
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(0.7)	0.7	-	-	-
Transfer to Stage 3	-	-	-	-	-
Balance at 31 December 2022	**91.3**	**21.2**	**0.2**	**-**	**112.7**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	0.3	1.4	-	-	1.7
Net increase	0.2	-	0.1	-	0.3
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Decrease due to parameter change	-	(0.8)	-	-	(0.8)
Balance at 31 December 2022	**0.5**	**0.6**	**0.1**	**-**	**1.2**

(All amounts are expressed in millions of EUR)

17. INVESTMENT IN SUBSIDIARIES

Subsidiary	Headquarter	Ownership percentage	Industry	31/12/2023	31/12/2022
OTP Nekretnine d.o.o.	Zagreb	100%	Organization of project implementation for buildings	34.5	34,5
OTP Invest d.o.o.	Zagreb	81.7%	Fund management activities	0.7	0,7
Georg d.o.o.	Zagreb	76%	Business and other management consultancy activities	0.7	0,7
OTP Leasing d.d.	Zagreb	60%	Finance and operating lease	6.3	6,3
Total investment in subsidiaries:				**42.2**	**42.2**

OTP Nekretnine d.o.o. in 2023, generated a total revenue of EUR 4.8 million (2022: EUR 4.5 million) and net profit for the year in amount of EUR 0.9 million (2022: EUR 1.1. million).
Cresco d.o.o. (activity: Real estate business) is 100% owned by OTP Nekretnine d.o.o.
The investment cost of OTP Nekretnine d.o.o. to Cresco d.o.o. is EUR 2 thousand and the share of OTP Nekretnine in net assets is EUR 0.8 million (2022: EUR 1.2 million).
OTP Invest d.o.o. in 2023, generated a total revenue of EUR 1.5 million (2022: EUR 1.2 million), and a net profit in the amount of EUR 0.4 million (2022: net loss EUR 0.1 million).
OTP Leasing d.d. in 2023, generated a total revenue of EUR 20.0 million (2022: EUR 29.3 million), and a net income in amount of EUR 5.5 million (2022: EUR 7.2 million).
In 2023 Georg d.o.o. generated a total revenue of EUR 0.5 million (2022: EUR 0.7 million) and net profit in amount of EUR 0.1 million (2022: EUR 0.1 million).

In 2023, OTP Nekretnine received a dividend from Cresco d.o.o. in the amount of EUR 0.5 million (2022: EUR 0.5 million).

(All amounts are expressed in millions of EUR)

18. PROPERTY AND EQUIPMENT

Assets recognised in accordance with IAS 16

Group

	Land and building	Computers	Furniture and equipment	Motor vehicles	Asset under construction	Total
Cost						
Balance at 1 January 2022	81.0	27.5	26.5	51.6	4.2	190.8
Transfer from assets under construction	1.4	3.5	1.6	-	(6.5)	-
Increases	-	0.1	0.1	9.8	11.6	21.6
Reclassification in Investment property (Note 19)	(4.0)	-	-	-	-	(4.0)
Reclassification in Asset held fore sale (Note 22)	(0.1)	-	-	-	-	(0.1)
Transfer to inventory (Note 21)	-	-	-	(0.9)	-	(0.9)
Transfer to finance lease (Note 14)	-	-	-	(2.7)	-	(2.7)
Reclasification	-	1.1	(0.8)	(0.3)	-	-
Decrease due to sale	-	(0.7)	(0.6)	(14.7)	-	(16.0)
Decrease due to write-off	(1.3)	(2.3)	(1.3)	(1.3)	-	(6.2)
Balance at 31 December 2022	**77.0**	**29.2**	**25.5**	**41.5**	**9.3**	**182.5**
Balance at 1 January 2023	**77.0**	**29.2**	**25.5**	**41.5**	**9.3**	**182.5**
Reclassification	-	-	-	-	-	-
Transfer from assets under construction	2.2	6.6	2.2	-	(11.0)	0.0
Increases	-	-	0.1	11.6	10.7	22.4
Transfer to inventory (Note 21)	-	-	-	(1.1)	-	(1.1)
Transfer to finance lease (Note 14)	-	-	-	(1.3)	-	(1.3)
Reclassification from Investment property (Note 19)	0.1	-	-	-	-	0.1
Decrease due to sale	-	-	(0,1)	(12,0)	-	(12,1)
Decrease due to write-off	(0,2)	(1,4)	(1,4)	-	-	(3,0)
Balance at 31 December 2023	**79.1**	**34.4**	**26.3**	**38.7**	**9.0**	**187.5**
Value adjustment and impairment						
Balance at 1 January 2022	**40.1**	**20.3**	**21.5**	**19.6**	**-**	**101.5**
Depreciation expense for the current year	3.2	3.8	1.7	6.5	-	15.2
Impairment	-	-	(0.1)	(0.2)	-	(0.3)
Reclassification in Investment property (Note 19)	(3.7)	-	-	-	-	(3.7)
Transfer to inventory (Note 21)	-	-	-	(0.5)	-	(0.5)
Transfer to finance lease (Note 14)	-	-	-	(0.9)	-	(0.9)
Reclassification	-	0.9	(0.9)	-	-	-
Decrease due to sale	-	(0.6)	(0.4)	(8.0)	-	(9.0)
Decrease due to write-off	(1.3)	(2.3)	(1.2)	(1.3)	-	(6.1)
Balance at 31 December 2022	**38.3**	**22.1**	**20.6**	**15.2**	**-**	**96.2**
Balance at 1 January 2023	**38.3**	**22.1**	**20.6**	**15.2**	**-**	**96.2**
Reclassification	-	-	-	-	-	-
Depreciation expense for the current year	3.0	4.2	1.7	5.6	-	14.5
Impairment	-	-	-	0.1	-	0.1
Transfer to inventory (Note 21)	-	-	-	(0.6)	-	(0.6)
Transfer to finance lease (Note 14)	-	-	-	(0.6)	-	(0.6)
Decrease due to sale	-	-	-	(7.5)	-	(7.5)
Decrease due to write-off	(0.2)	(1.4)	(1.4)	-	-	(3.0)
Balance at 31 December 2023	**41.1**	**24.9**	**20.9**	**12.2**	**-**	**99.1**
Net carrying amount						
Balance at 31 December 2022	**38.7**	**7.1**	**4.9**	**26.3**	**9.3**	**86.3**
Balance at 31 December 2023	**38.0**	**9.5**	**5.4**	**26.5**	**9.0**	**88.4**

(All amounts are expressed in millions of EUR)

18. PROPERTY AND EQUIPMENT (CONTINUED)

Assets recognised in accordance with IAS 16 (continued)

Group (continued)
The Group did not pledge any property as collateral for borrowings.
The Group's real estate and equipment includes assets given in operating lease with a net book value of EUR 26.5 million (2022: EUR 26.3 million).
The total fair value of the land and building is EUR 64.0 million (2022: EUR 67.8 million). Fair value amounts are measured by independent up-to-date estimates by an external appraiser.

Bank

	Land and building	Computers	Furniture and equipment	Motor vehicles	Asset under construction	Total
Cost						
Balance at 1 January 2022	**57.5**	**26.8**	**25.5**	**0.9**	**4.0**	**114.7**
Reclasification	-	1.1	(0.8)	(0.3)	-	-
Transfer from assets under construction	1.3	3.4	1.6	-	(6.3)	-
Increases	-	-	-	-	11.5	11.5
Reclassification in Investment property (Note 19)	(3.9)	-	-	-	-	(3.9)
Reclassification in Asset held for sale (Note 22)	(0.1)	-	-	-	-	(0.1)
Decrease due to sale	-	(0.7)	(0.1)	-	-	(0.8)
Decrease due to write-off	(1.3)	(2.1)	(1.2)	-	-	(4.6)
Balance at 31 December 2022	**53.5**	**28.5**	**25.0**	**0.6**	**9.2**	**116.8**
Balance at 1 January 2023	**53.5**	**28.5**	**25.0**	**0.6**	**9.2**	**116.8**
Reclassification	-	-	-	-	-	-
Transfer from assets under construction	2.2	6.6	2.1	0.1	(11)	-
Increases	-	-	-	-	10.6	10.6
Reclassification to Investment property (Note 19)	-	-	-	-	-	-
Reclassification to Asset held for sale (Note 22)	-	-	-	-	-	-
Decrease due to sale	-	-	-	(0.1)	-	(0.1)
Decrease due to write-off	-	(1.4)	(1.4)	-	-	(2.8)
Balance at 31 December 2023	**55.7**	**33.7**	**25.7**	**0.6**	**8.8**	**124.5**
Value adjustment and impairment						
Balance at 1 January 2022	**33.9**	**19.9**	**20.7**	**0.5**	**-**	**75.0**
Reclassification	-	0.9	(0.9)	**-**	**-**	**-**
Depreciation expense for the current year	2.4	3.8	1.7	**0.1**	**-**	8
Impairment	-	-	-	-	-	**-**
Reclassification in Investment property (Note 19)	(3.9)	-	-	-	-	(3.9)
Decrease due to sale	-	(0.7)	(0.1)	-	-	(0.8)
Decrease due to write-off	(1.4)	(2.1)	(1.2)	**-**	**-**	(4.7)
Balance at 31 December 2022	**31.0**	**21.8**	**20.2**	**0.6**	**-**	**73.6**
Balance at 1 January 2023	**31.0**	**21.8**	**20.2**	**0.6**	**-**	**73.6**
Reclassification	-	-	-	-	-	-
Depreciation expense for the current year	2.1	4.1	1.6	0.1	-	7.9
Impairment	-	-	-	-	-	-
Reclassification to Investment property	-	-	-	-	-	-
Decrease due to sale	-	-	-	(0.1)	-	(0.1)
Decrease due to write-off	-	(1.4)	(1.3)	-	-	(2.7)
Balance at 31 December 2023	**33.1**	**24.5**	**20.5**	**0.6**	**0.0**	**78.7**
Net carrying amount						
Balance at 31 December 2022	**22.5**	**6.7**	**4.8**	**-**	**9.2**	**43.2**
Balance at 31 December 2023	**22.6**	**9.2**	**5.2**	**-**	**8.8**	**45.8**

(All amounts are expressed in millions of EUR)

18. PROPERTY AND EQUIPMENT (CONTINUED)

Assets recognised in accordance with IAS 16 (continued)

The Bank does not have assets given as collateral for loans.
The total fair value of real estate and equipment is EUR 48.4 (2022: EUR 50.6 million). Fair value amounts are measured by independent up-to-date estimates by an external appraiser.

18a ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH IFRS 16

Right-of-use assets

Group

	Land and buildings	Furniture and equipment	Motor vehicles and other	Total
Balance at 1 January 2022	**23.8**	**-**	**0.6**	**24.4**
New contracts	4.2	-	-	4.2
Contract modifications	(1.1)	-	-	(1.1)
Expired contracts	(2.4)	-	(0.1)	(2.5)
Balance at 31 December 2022	**24.5**	**-**	**0.5**	**25,0**
Balance at 1 January 2023	**24.5**	**-**	**0.5**	**25.0**
New contracts	4.3	-	0.2	4.5
Contract modifications	(0.7)	-	-	(0.7)
Expired contracts	(1.7)	-	(0.1)	(1.8)
Balance at 31 December 2023	**26.4**	**-**	**0.6**	**27.0**
Balance at 1 January 2022	**9.5**	**-**	**0.3**	**9.8**
Depreciation expense	4	-	0.1	4.1
Contract modifications	(0.8)	-	-	(0.8)
Expired contracts	(2.4)	-	(0.1)	(2.5)
Balance at 31 December 2022	**10.3**	**-**	**0.3**	**10.6**
Balance at 1 January 2023	**10.3**	**-**	**0.3**	**10.6**
Depreciation expense	4.2	-	0.1	4.3
Contract modifications	(1.5)	-	-	(1.5)
Expired contracts	(1.7)	-	(0.1)	(1.8)
Balance at 31 December 2023	**11.3**	**-**	**0.3**	**11.6**
Net carrying amount				
Balance at 31 December 2022	**14.2**	**-**	**0.2**	**14.4**
Balance at 31 December 2023	**15.1**	**-**	**0.3**	**15.4**

(All amounts are expressed in millions of EUR)

18a ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH IFRS 16 (CONTINUED)

Right-of-use assets (continued)

Bank

	Land and buildings	Furniture and equipment	Motor vehicles and other	Total
Balance at 1 January 2022	**34.2**	**-**	**0.8**	**35.0**
New contracts	4.1	-	0.2	4.3
Contract modifications	(1.0)	-	(0.1)	(1.1)
Expired contracts	(2.4)	-	-	(2.4)
Balance at 31 December 2022	**34.9**	**-**	**0.9**	**35.8**
Balance at 1 January 2023	**34.9**	**-**	**0.9**	**35.8**
New contracts	4.6	-	0.2	4.8
Contract modifications	(0.7)	-	(0.1)	(0.8)
Expired contracts	(1.7)	-	-	(1.7)
Balance at 31 December 2023	**37.1**	**-**	**1.0**	**38.1**
Balance at 1 January 2022	**11.8**	**-**	**0.3**	**12.1**
Depreciation expense	4.9	-	0.1	5.0
Contract modifications	(0.8)	-	-	(0.8)
Expired contracts	(2.4)	-	-	(2.4)
Balance at 31 December 2022	**13.5**	**-**	**0.4**	**13.9**
Balance at 1 January 2023	**13.5**	**-**	**0.4**	**13.9**
Depreciation expense	5.0	-	0.2	5.2
Contract modifications	(1.5)	-	(0.1)	(1.6)
Expired contracts	(1.7)	-	-	(1.7)
Balance at 31 December 2023	**15.3**	**-**	**0.5**	**15.8**
Net carrying amount				
Balance at 31 December 2022	**21.4**	**-**	**0.5**	**21.9**
Balance at 31 December 2023	**21.8**	**-**	**0.5**	**22.3**

The table below present an overview of expenses related to payments which are not included in the measurement of the lease liability in accordance with IFRS 16 (but are included and disclosed in Note 7 *Other operating expenses*, position *Professional services and material costs):*

		Group		Bank
	2023	**2022**	**2023**	**2022**
Short-term leases	0.1	0.1	0.1	0.1
Variable leases payments	0.1	0.1	0.1	0.1
Total	**0.2**	**0.2**	**0.2**	**0.2**

(All amounts are expressed in millions of EUR)

18a ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH IFRS 16 (CONTINUED)

Lease liabilities classified under IFRS 16

At 31 December 2023, lease liabilities of the Group amounts to EUR 15.8 million (2022: EUR 14.8 million) while lease liabilities of the Bank amounts to EUR 23.0 million (2022: EUR 22.6 million).

Lease liabilities IFRS 16 - residual maturity (undiscounted amount):

Group

31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Total lease liabilities	0.4	1.1	2.8	8.6	3.8	**16.7**

31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Total lease liabilities	0.4	1.1	2.6	8.1	3.2	**15.4**

Bank

31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Total lease liabilities	0.5	1.3	3.5	11.5	7.5	**24.3**

31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Total lease liabilities	0.4	1.3	3.3	10.9	7.7	**23.6**

(All amounts are expressed in millions of EUR)

19. INVESTMENT PROPERTY

Group

	Investment property
Cost	
Balance at 1 January 2022	**26.1**
Increase	0.2
Reclassification from property and equipment (Note 18)	4.0
Balance at 31 December 2022	**30.3**
Balance at 1 January 2023	30.3
Incerase	15.8
Reclassification from property under IAS 16	(0.1)
Reclassification from property under IFRS 5	(5.4)
Balance at 31 December 2023	**40.6**
Depreciation and impairment	
Balance at 1 January 2022	**7.3**
Reclassification from property and equipment (Note 18)	3.7
Depreciation expense for the current year	0.7
Balance at 31 December 2022	**11.7**
Balance at 1 January 2023	**11.7**
Reclassification from property under IFRS 5	(4.0)
Depreciation expense for the current year	0.6
Balance at 31 December 2023	**8.3**
Net carrying amount	
Balance at 31 December 2022	**18.6**
Balance at 31 December 2023	**32.3**

Investment property includes real estate not used by the Group for operational purposes, but assets intended for sale or lease. The Group shall reclassify the assets it intends to sell in accordance with IFRS 5 when all of the requirements prescribed by said IFRS are met. Assets intended for sale are presented in Note 22. The total fair value of investment property is EUR 39.2 million (2022: EUR 35.9 million). Fair value is measured by independent up-to-date assessments of external appraisers.

(All amounts are expressed in millions of EUR)

19. INVESTMENT PROPERTY (CONTINUED)

Bank

	Investment property
Cost	
Balance at 1 January 2022	**17.0**
Reclassification from property and equipment (Note 18)	3.9
Balance at 31 December 2022	**20.9**
Balance at 1 January 2023	20.9
Reclassification from assets held for sale (Note 22)	(5.4)
Balance at 31 December 2023	**15.5**
Depreciation and impairment	
Balance at 1 January 2022	**5.6**
Reclassification from property and equipment (Note 18)	3.9
Depreciation expense for the current year	0.2
Balance at 31 December 2022	**9.7**
Balance at 1 January 2023	**9.7**
Reclassification from assets held for sale (Note 22)	(4.0)
Depreciation expense for the current year	0.3
Balance at 31 December 2023	**6.0**
Net carrying amount	
Balance at 31 December 2022	**11.2**
Balance at 31 December 2023	**9.5**

Investment property includes real estate not used by the Bank for operational purposes, but assets intended for sale or lease. The Bank shall reclassify the assets it intends to sell in accordance with IFRS 5 when all of the requirements prescribed by said IFRS are met. The total fair value of investment property is EUR 16.2 million (2022: EUR 19.1 million). Fair value is measured by independent up-to-date assessments of external appraisers.

The fair value of investment property is measured using appraisals obtained from an independent external appraiser. Real estate that is no longer used for business purposes (due to closure of branches or closure of other business premises) is recognized by the Bank in accordance with IAS 40 and accordingly reclassified from assets that were recognized according to IAS 16.

(All amounts are expressed in millions of EUR)

20. INTANGIBLE ASSETS

Group

	Software	Contracts with clients	Asset under construction	Total
Cost				
Balance at 1 January 2022	51.3	37.6	1.8	90.7
Transfer from assets under construction	2.1	-	(2.1)	-
Increases	0.1	-	4.5	4.6
Decrease due to write-off	(1.9)	-	-	(1.9)
Balance at 31 December 2022	**51.6**	**37.6**	**4.2**	**93.4**
Balance at 1 January 2023	**51.6**	**37.6**	**4.2**	**93.4**
Transfer from assets under construction	4.4	-	(4.4)	-
Increases	0.2	-	7.9	8.1
Decrease due to write-off	(0.3)	-	-	(0.3)
Balance at 31 December 2023	**55.9**	**37.6**	**7.7**	**101.2**
Impairment and amortization				
Balance at 1 January 2022	**44.4**	**32.4**	**-**	**76.8**
Amortization expense for the current year	3.5	2.8	-	6.3
Decrease due to write-off	(1.9)	-	-	(1.9)
Balance at 31 December 2022	**46.0**	**35.2**	**-**	**81.2**
Balance at 1 January 2023	**46.0**	**35.2**	**-**	**81.2**
Amortization expense for the current year	3.1	1.9	-	5.0
Decrease due to write-off	(0.3)	-	-	(0.3)
Balance at 31 December 2023	**48.8**	**37.1**	**-**	**85.9**
Net carrying amount				
Balance at 31 December 2022	**5.6**	**2.4**	**4.2**	**12.2**
Balance at 31 December 2023	**7.1**	**0.5**	**7.7**	**15.3**

(All amounts are expressed in millions of EUR)

20. INTANGIBLE ASSETS (CONTINUED)

Bank

	Software	Contracts with clients	Asset under construction	Total
Cost				
Balance at 1 January 2022	**49.3**	**37.6**	**1.8**	**88.7**
Transfer from assets under construction	2.1	-	(2.1)	-
Increases	-	-	4.5	4.5
Decrease due to write-off	(1.5)	-	-	(1.5)
Balance at 31 December 2022	**49.9**	**37.6**	**4.2**	**91.7**
Balance at 1 January 2023	**49.9**	**37.6**	**4.2**	**91.7**
Transfer from assets under construction	4.3		(4.3)	-
Increases	-	-	7.8	7.8
Decrease due to write-off	(0.2)	-	-	(0.2)
Balance at 31 December 2023	**54.0**	**37.6**	**7.7**	**99.3**
Impairment and amortization				
Balance at 1 January 2022	**42.8**	**32.4**	**-**	**75.2**
Amortization expense for the current year	3.3	2.8	-	6.1
Decrease due to write-off	(1.5)	-	-	(1.5)
Balance at 31 December 2022	**44.6**	**35.2**	**-**	**79.8**
Balance at 1 January 2023	**44.6**	**35.2**	**-**	**79.8**
Amortization expense for the current year	2.9	1.9	-	4.8
Decrease due to write-off	(0.2)	-	-	(0.2)
Balance at 31 December 2023	**47.3**	**37.1**	**-**	**84.4**
Net carrying amount				
Balance at 31 December 2022	**5.3**	**2.4**	**4.2**	**11.9**
Balance at 31 December 2023	**6.7**	**0.5**	**7.7**	**14.9**

(All amounts are expressed in millions of EUR)

21. OTHER ASSETS

	Group		Bank	
	2023	**2022**	**2023**	**2022**
Other financial assets				
Receivables for advances given under financial leasing	12.4	4.0	-	-
Accounts receivable	11.6	12.5	10.8	8.1
Receivables for fees and commissions	9.3	12.2	9.2	8.3
Receivables for cash from FINA that was not deposited into the account	-	18.2	-	18.2
Receivables in respect of credit card operations	2.7	8.4	2.7	12.2
Operating lease receivables	2.0	1.8	-	-
Collateral deposits for derivative financial instruments	-	-	-	2.9
Other assets subject to impairment in accordance with IFRS 9	**38.0**	**57.1**	**22.7**	**49.7**
Loss allowance for expected credit losses:	(7.4)	(7.8)	(7.0)	(7.4)
Net other assets after impairment	**30.6**	**49.3**	**15.7**	**42.3**
Other non-financial assets				
Other	5.4	1.2	0.8	1.0
Prepaid expenses	4.4	2.9	2.2	2.2
Other non-financial assets (not subject to impairment in accordance with IFRS 9	**9.8**	**4.1**	**3.0**	**3.2**
	40.4	**53.4**	**18.7**	**45.5**

Group

2023

Movement in gross carrying amount:

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 31 December 2022	**48.9**	**0.2**	**8**	**-**	**57.1**
Net new approvals	(18.8)	0.1	0.4		(18.3)
Transfer to Stage 1	0.1	(0.1)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.8)	-	(0.8)
Balance at 31 December 2023	**30.2**	**0.2**	**7.6**	**-**	**38.0**

(All amounts are expressed in millions of EUR)

21. OTHER ASSETS (CONTINUED)

Movement in loss allowance for expected credit losses of other financial assets:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.2**	**-**	**7.6**	**-**	**7.8**
Net increase	0.3	-	0.1	-	0.4
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.8)	-	(0.8)
Balance at 31 December 2023	**0.5**	**-**	**6.9**	**-**	**7.4**

2022

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**23.3**	**0.5**	**7.6**	**-**	**31.4**
Net new approvals	25.2	-	1.0	-	26.2
Transfer to Stage 1	0.5	(0.4)	(0.1)	-	-
Transfer to Stage 2	(0.1)	0.1	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.5)	-	(0.5)
Balance at 31 December 2022	**48.9**	**0.2**	**8.0**	**-**	**57.1**

Movement in loss allowance for expected credit losses of other financial assets:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**0.1**	**-**	**7.4**	**-**	**7.5**
Net increase	-	-	0.8	-	0.8
Transfer to Stage 1	0.1	-	(0.1)	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.5)	-	(0.5)
Balance at 31 December 2022	**0.2**	**-**	**7.6**	**-**	**7.8**

(All amounts are expressed in millions of EUR)

21. OTHER ASSETS (CONTINUED)

Bank

2023

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**42.4**	**-**	**7.3**	**-**	**49.7**
Net new approvals	(26.3)	0.1			(26.2)
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.8)	-	(0.8)
Balance at 31 December 2023	**16.1**	**0.1**	**6.5**	**-**	**22.7**

Movement in loss allowance for expected credit losses of other financial assets:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2022	**0.2**	**-**	**7.2**	**-**	**7.4**
Net increase	0.3	-	0.1	-	0.4
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.8)	-	(0.8)
Balance at 31 December 2023	**0.5**	**-**	**6.5**	**-**	**7.0**

2022

Movement in gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	**14.5**	**-**	**6.8**	**-**	**21.3**
Net new approvals	27.8	-	1.0	-	28.8
Transfer to Stage 1	0.1	-	(0.1)	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.4)	-	(0.4)
Balance at 31 December 2022	**42.4**	**-**	**7.3**	**-**	**49.7**

(All amounts are expressed in millions of EUR)

21. OTHER ASSETS (CONTINUED)

Movement in loss allowance for expected credit losses of other financial assets:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 31 December 2021	0.1	-	6.8	-	6.9
Net increase	-	-	0.9	-	0.9
Transfer to Stage 1	0.1	-	(0.1)	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Write off	-	-	(0.4)	-	(0.4)
Balance at 31 December 2022	**0.2**	**-**	**7.2**	**-**	**7.4**

22. ASSETS HELD FOR SALE

When conditions for sale are met, the Group and the Bank reclassifies assets acquired in the course of collection to assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

	Group	Bank
Balance on 1 January 2022	**1.4**	**-**
Increase	0.1	-
Reclassification from Property and equipment (Note 18)	-	-
Sale of property	(0.9)	-
Balance on 31 December 2022	**0.6**	**-**
Balance on 1 January 2023	**0.6**	**-**
Increase	0.2	-
Reclassification from Investment in real estate (Note 19)	1.4	1.4
Sale of property	(1.4)	(1.3)
Balance on 31 December 2023	**0.8**	**0.1**
Net book value		
On 31 December 2022	**0.6**	**-**
On 31 December 2023	**0.8**	**0.1**

(All amounts are expressed in millions of EUR)

23. AMOUNTS DUE TO OTHER BANKS

		Group		Bank
	2023	**2022**	**2023**	**2022**
Demand deposits				
Local currency denominated	6.6	31.9	6.6	31.9
Foreign-currency denominated	0.6	0.6	0.6	0.6
Term deposits				
Local currency denominated	-	124.0	-	124.0
Foreign-currency denominated	12.8	2.8	12.8	2.8
	20.0	**159.3**	**20.0**	**159.3**

As of 1 January 2023 the Republic of Croatia introduced the euro as its domicile currency. For presentation of comparative periods, liabilities to other banks nominated in kuna and euros for 2022 are shown in the position "Local currency denominated ".
The amount of demand deposits nominated in kuna in 2023 amounted to EUR 12.5 million for the Group and the Bank, and EUR 19.4 million for those nominated in euros. The amount of term deposits nominated in kuna in 2022 amounted to EUR 0.0 million for the Group and the Bank, and EUR 124.0 million for those nominated in euros.

24. AMOUNTS DUE TO CUSTOMERS

		Group		Bank
	2023	**2022**	**2023**	**2022**
Retail customers				
Demand deposits				
Local currency denominated	3,188.5	3.117.3	3.188.5	3.117.3
Foreign-currency denominated	238.1	254.0	238.1	254.0
Term deposits				
Local currency denominated	740.2	704.5	740.2	704.5
Foreign-currency denominated	79.0	92.2	79.0	92.2
	4,245.8	**4.168.0**	**4.245.8**	**4.168.0**
Corporate customers				
Demand deposits				
Local currency denominated	1,399.7	1.727.5	1.408.0	1.751.1
Foreign-currency denominated	38.6	45.2	38.6	45.2
Term deposits				
Local currency denominated	307.6	35.6	307.6	35.6
Foreign-currency denominated	42.3	0.9	42.3	0.9
Liabilities for received payments of founding shares in escrow accounts	232.8	13.1	232.8	13.1
	2,021.0	**1.822.3**	**2.029.3**	**1.845.9**
	6,266.8	**5.990.3**	**6.275.1**	**6.013.9**

(All amounts are expressed in millions of EUR)

24. AMOUNTS DUE TO CUSTOMERS (CONTINUED)

As of 1 January 2023 the Republic of Croatia introduced the euro as its domicile currency. For presentation of comparative periods, liabilities to customers nominated in kuna and euros for 2022 are shown in the position "Local currency denominated".
The amount of demand deposits of the retail customers nominated in kuna in 2022 amounted to EUR 1,558.8 million for the Group and the Bank, and EUR 1,558.5 million for those nominated in euros. The amount of term deposits nominated in kuna in 2022 amounted to EUR 191.4 million for the Group and the Bank, and EUR 513.1 million for those nominated in euros.
The amount of demand deposits of corporate customers nominated in kuna in 2022 amounted to EUR 1,355.0 million for the Group and EUR 372.6 million for those nominated in euros, and EUR 1,378.5 million for the Bank and EUR 372.6 million for those nominated in euros. The amount of term deposits of corporate customers nominated in kuna in 2022 amounted to EUR 20.2 million for the Group and the Bank, and EUR 15.4 million for those nominated in euros.

25. OTHER BORROWED FUNDS

		Group		Bank
	2023	**2022**	**2023**	**2022**
OTP Bank Nyrt	476.0	306.4	476.0	306.4
OTP Financing Malta	415.2	366.3	-	-
HBOR(Croatian Bank for Reconstruction and Development)	107.7	69.5	74.8	61.9
Other local banks	17.1	1.9	-	-
Others	0.2	0.2	0.2	0.2
	1,016.2	**744.3**	**551.0**	**368.5**

Liabilities to OTP Bank Nyrt include funds borrowed for the purpose of maintaining the minimum Requirement for regulatory capital and liabilities (MREL) in accordance with EU regulations: MREL loan in the amount of EUR 414.8 million (2022: EUR 245.4 million) and subordinated loan in the amount of EUR 61.2 million (2022: EUR 60.9 million).
Liabilities to OTP Financing Malta include liabilities for the financing of leasing operations. Liabilities to the Croatian Bank for Reconstruction and Development (HBOR) include funds borrowed from HBOR are designated for approving loans to end-beneficiaries – corporate and retail customers – under the programmes supported by HBOR.
Other borrowed funds relates to the commitment to the Fund for financing employment growth in economically inadequately developed and highly migrant areas of the SFRY (former Yugoslavia) to finance employment growth in economically underdeveloped areas. The funds were intended for the establishment of private entities for the returnee from temporary work from the Federal Republic of Germany. These funds were transferred to banks, which were granted to individuals with the irrevocable guarantee of the Fund.

(All amounts are expressed in millions of EUR)

26. PROVISIONS FOR LIABILITIES AND CHARGES

		Group		Bank
	2023	**2022**	**2023**	**2022**
Litigation provision	47.4	49.7	46.9	49.2
Provision for severance and retention payments	1.7	4.1	1.6	4.1
Provision for unused vacations	1.6	2.0	1.5	1.9
Provisions for other liabilities	1.9	1.0	1.9	1.0
	52.6	**56.8**	**51.9**	**56.2**
Provisions for off-balance sheet items (Note 29)	11.3	10.2	11.3	10.2
	63.9	**67.0**	**63.2**	**66.4**

Litigation provision related to legal actions against the Group, i.e. where the Group is the defendant, amount to EUR 47.4 million (2022: EUR 49.7 million) and for the Banka amount to EUR 46.9 million (2022: EUR 49.2 million).
Provisions for litigation are calculated in accordance with IAS 37 (Note 1.22 and Note 2).
When forming provisions for litigation, the Bank also takes into account all criteria prescribed by the CNB's Decision on the obligation to make provisions for litigations conducted against a credit institution. The amount of such formed provisions does not deviate from the amount estimated in accordance with IAS 37.

Provisions for legal cases for loans in Swiss francs:

Provisions for legal cases regarding the CHF loans are presented within the litigation provisions and amount to EUR 27.9 million (2022: EUR 17.7 million).
In relation to CHF cases, the Group/Bank acts in a way that provisions for the sued unconverted cases are allocated according to the sued amount (VPS) upon receipt of the lawsuit, including legal penalty interest and costs in total amount.Forcourt cases for converted CHF loans, provisions are based on model that takes into consideration outcomes of individual cases, but also estimations that are based on total number of active cases, average total value of the lawsuit (including legal penalty interest and connected costs), share of lost cases in relation to all closed cases and percentage of payout in relation to total value of the case.
The provisions recognised in the financial statements are measured using all currently available information and historical data from up to now closed cases and represent the best estimate of the obligations in light of significant uncertainties related to their timing and amount.
In September 2019 the Supreme Court of the Republic of Croatia made a ruling, which to a large extent confirms the earlier ruling of the High Commercial Court of the Republic of Croatia dated June 2018 in the case of protection of collective interest and rights of the consumers who had taken loans with principals indexed to Swiss franc (Ruling No. Rev- 2221/2018- 11 of the Supreme Court of the Republic of Croatia, hereinafter referred to as “the Ruling”).
In February 2021 the Constitutional Court rejected the lawsuits of seven Croatian banks filed against the judgments of the Supreme Court of the Republic of Croatia and High Commercial Court of the Republic of Croatia in a collective dispute initiated by the Consumers Association over unfair provisions related to the Swiss francs.
In December 2022, the Supreme Court adopted a legal understanding that, in relation to converted loans, the Court confirms that the conversion has also carried out full restitution in relation to these clients, and that the consumer has the right to payment the associated default interest on overpaid amounts charged to it by the bank when calculating the loan conversion in accordance with Article 19.c of the Act on Consumer Credit calculated in accordance with Article 1115 of the Civil Obligations Act from the day of each individual payment to the day of the conversion. It is not clear from the last address of the the Supreme Court of the Republic of Croatia that the legal understanding is officially accepted and therefore binding, since the provisions of the Rules of Procedure determined that all decisions (including the legal understanding of December 2022) pass additional control of the Recognition Service.
On 14 June 2023, the statute of limitations began in relation to claims based on the currency clause in CHF, as a result of the lapse of a period of 5 years from the final judgment of the High Commercial Court (VTS) by which the currency clause in CHF was determined to be null and void.

(All amounts are expressed in millions of EUR)

26. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Provisions for legal cases for loans in Swiss francs (continued):.

Possible liabilities of the Group/Bank arising from the decisions of competent courts related to the existing individual consumer claims are considered contingent liabilities.
In accordance with the provisions of paragraph 92 of IAS 37, additional information on contingent liabilities has not been disclosed as their disclosure may seriously prejudge the outcome of the aforementioned legal proceedings and the Group/Bank's position in them.

Group

	Litigation provision	Provision for severance and retention payments	Provision for unused vacations	Provisions for other liabilities	Total
Balance at 31 December 2022	**49.7**	**4.1**	**2**	**1**	**56.8**
Paid out	(6.1)	(2.4)	-	-	(8.5)
Net charge to statement of profit or loss (Note 8 and 9)	3.8	-	(0.4)	0.9	4.3
Net charge to other comprehensive income (Note 28)	-	-	-	-	-
Balance at 31 December 2023	**47.4**	**1.7**	**1.6**	**1.9**	**52.6**

	Litigation provision	Provision for severance and retention payments	Provision for unused vacations	Provisions for other liabilities	Total
Balance at 31 December 2021	**43.7**	**7.3**	**1.5**	**1.0**	**53.5**
Paid out	(4.4)	(3.0)		-	(7.4)
Net charge to statement of profit or loss (Note 8 and 9)	10.4	-	0.5	-	10.9
Net charge to other comprehensive income (Note 28)	-	(0.2)	-	-	(0.2)
Balance at 31 December 2022	**49.7**	**4.1**	**2.0**	**1.0**	**56.8**

Provisions for severance and retention payments in the amount of EUR 1.7 million (2022: EUR 4.1 million) include provisions for:
- liabilities for employees based on restructuring – EUR 0.2 million (2022: EUR 2.8 million)
- liabilities for severance and jubilee awards – EUR 1.5 million (2022: EUR 1.3 million)

The cost of provisions in the amount of EUR 0.2 million were formed in accordance with IAS 37 on the basis of the restructuring plan which includes a detailed list of employees included in the plan, expenses to be incurred for each employee and implementation date. Provisions will be used during 2024 until the final completion of the restructuring process. The Group regularly, on a annual basis, monitors the plan implementation and, in accordance with the current situation, defines the future use of the provided amount.

(All amounts are expressed in millions of EUR)

26. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Bank

	Litigation provision	Provision for severance and retention payments	Provision for unused vacations	Provisions for other liabilities	Total
Balance at 31 December 2022	**49.2**	**4.1**	**1.9**	**1.0**	**56.2**
Paid out	(6.1)	(2.5)	-		(8.6)
Net charge to statement of profit or loss (Note 8 and 9)	3.8	-	(0.4)	0.9	4.3
Net charge to other comprehensive income (Note 28)	-	-	-	-	-
Balance at 31 December 2023	**46.9**	**1.6**	**1.5**	**1.9**	**51.9**

	Litigation provision	Provision for severance and retention payments	Provision for unused vacations	Provisions for other liabilities	Total
Balance at 31 December 2021	**43.5**	**7.1**	**1.3**	**1.0**	**52.9**
Paid out	(4.4)	(2.8)	-	-	(7.2)
Net charge to statement of profit or loss (Note 8 and 9)	10.1	-	0.6	-	10.7
Net charge to other comprehensive income (Note 28)	-	(0.2)	-	-	(0.2)
Balance at 31 December 2022	**49.2**	**4.1**	**1.9**	**1.0**	**56.2**

Provisions for severance and retention payments in the amount of EUR 1.6 million (2022: EUR 4.1 million) include provisions for:
- liabilities for employees based on restructuring – EUR 0.2 million (2022: EUR 2.8 million)
- liabilities for severance and jubilee awards – EUR 1.4 million (2022: EUR 1.3 million)

The cost of provisions in the amount of EUR 0.2 million were formed in accordance with IAS 37 on the basis of the restructuring plan which includes a detailed list of employees included in the plan, expenses to be incurred for each employee and implementation date. Provisions will be used during 2024 until the final completion of the restructuring process. The Bank regularly, on a annual basis, monitors the plan implementation and, in accordance with the current situation, defines the future use of the provided amount.

(All amounts are expressed in millions of EUR)

27. OTHER LIABILITIES

		Group		Bank
	2023	**2022**	**2023**	**2022**
Liabilities in respect of credit card operations	18.8	10.5	18.8	10.4
Accrued expenses – uninvoiced	15.0	8.6	14.6	8.2
Accrued expenses for bonuses and other employee benefits	9.4	9	8.1	7.4
Salaries and contributions payable	5.3	4.8	4.9	4.4
Liabilities towards the Croatian Deposit Insurance Agency for the costs of deposit insurance	-	2.7	-	2.7
Funds in the calculation	6.8	2.9	5.8	2.2
Accrued expenses for saving deposits insurance	1.9	1.7	1.9	1.7
Obligations to clients for unallocated cash	1.1	1.1	1.1	1.1
Value added tax liability	2.8	2.3	1.4	0.7
Obligations to the CNB for sold EUR coins in pre-supply	-	0.5	-	0.5
Liabilities towards suppliers	3.8	0.9	1.9	0.3
Advances received	5.8	2.8	0.2	0.1
Liabilities for fees	1.4	0.1	1.4	0.1
Accrued income	1.3	1.5	0.1	-
Other liabilities	0.5	0.9	0.5	1.1
	73.9	**50.3**	**60.7**	**40.9**

(All amounts are expressed in millions of EUR)

28. SHAREHOLDERS' EQUITY AND RESERVES

SHARE CAPITAL

As of 31 December 2022 the share capital of the Group consisted of 19,968,774 ordinary shares (2022: 19,968,774 ordinary shares), with a nominal value of EUR 27.00 each, which represents EUR 539,156,898.00 of equity capital of the Bank (2022: EUR 530,062,353.18). All ordinary shares provide equal rights and carry one vote per share.

Pursuant to the Law on the introduction of the euro as the official currency in the Republic of Croatia (OG 57/22, 88/2022), the Bank converted the share capital in the amount of HRK 3,993,754,800.00 into EUR 530,062,353.18 at a fixed conversion rate of 7.53450. The nominal value of the share at the fixed conversion rate was EUR 26.54 (twenty-six euros and fifty-four cents).
According to the provisions of the Law on Amendments to the Companies Act (OG 114/2022), the Bank was obliged to express the nominal amount of the share as a whole number, and by the Decision of the General Assembly from 31 March 2023, the Bank increased its share capital to the amount of EUR 539,156,898.00 by transferring the amount of EUR 9,094,544.82 from the Bank's retained earnings to share capital, and in accordance with the respective increase, the nominal value of each share is EUR 27.00 (twenty-seven euros).
The share capital increase was registered in the Court Register on 11 April 2023 (decision number Tt-23/2656-2).

In 2023 the Group / Bank has paid dividend for 2022 in amount of EUR 75.0 million (2022: EUR 39.8 milion). During 2023, the Bank received dividends from the subsidiary OTP Nekretnine d.o.o. in the amount of EUR 1.0 million. During 2022, the Bank received dividends from the subsidiary OTP Nekretnine d.o.o. in the amount of EUR 0.4 million and from Georg d.o.o. in the amount of EUR 0.1 million.

SHARE PREMIUM

The premium on issued shares consists of premiums arising from the issuance of new ordinary shares from previous years in the amount of EUR 22.2 million and from the premiums arising from the purchase of own ordinary shares from previous years in the amount of EUR 0.5 million.

RESERVES

		Group		Bank
	2023	**2022**	**2023**	**2022**
Statutory reserves	40.6	40.6	40.6	40.6
Legal reserves	26.9	26.5	26.9	26.5
Fair value reserves	0.8	(8.3)	0.8	(8.3)
Other reserves	0.4	0.4	0.4	0.4
	68.7	**59.2**	**68.7**	**59.2**

The legal reserve has been formed in accordance with Croatian law, which requires 5% of the profit for the year to be transferred to this reserve until it reaches 5% of the issued share capital. The legal reserve, in the amount of up to 5% of the issued share capital, can be utilised to cover current and prior year losses. In addition, in accordance with the Bank’s Statute, an additional reserve equivalent to the legal reserve has been created in an amount of up to 5% of the share capital for the purpose of covering impairment losses and for the same purposes as the legal reserve. Changes in other reserves are reflected in the Statement of changes in shareholders’ equity.
The Bank's other reserves refer to collected funds for bonds of the Republic of Croatia (Big Bonds from 2004).

(All amounts are expressed in millions of EUR)

28. SHAREHOLDERS' EQUITY AND RESERVES (CONTINUED)

Fair value reserves

		Group		Bank
	2023	**2022**	**2023**	**2022**
Reserve for measuring fair value of financial asset at fair value through other comprehensive income – equity securities	9.6	7.2	9.6	7.2
Reserve for measuring fair value of financial asset at fair value through other comprehensive income – debt securities	(9.6)	(17.0)	(9.6)	(17.0)
Expected credit losses on financial asset at fair value through other comprehensive income (Note 15)	0.6	1.3	0.6	1.3
Actuarial gains on provisions for severance pay (Note 28)	0.2	0.2	0.2	0.2
Total fair value reserves:	**0.8**	**(8.3)**	**0.8**	**(8.3)**

Fair value reserve comprises unrealized gains and losses from the change in the fair value of financial assets through other comprehensive income.

Movement in the fair value reserves is as following:

Equity securities

		Group		Bank
	2023	**2022**	**2023**	**2022**
Balance as of 1 January	7.2	5.0	7.2	5.0
Increase in reserves	2.9	2.7	2.9	2.7
Tax	(0.5)	(0.5)	(0.5)	(0.5)
Balance as of 31 December of the current year	**9.6**	**7.2**	**9.6**	**7.2**

Debt securities

		Group		Bank
	2023	**2022**	**2023**	**2022**
Balance as of 1 January	(17.0)	12.1	(17.0)	12.1
(Decrease) in reserves	9.0	(35.4)	9.0	(35.4)
Tax	(1.6)	6.3	(1.6)	6.3
Balance as of 31 December of the current year	**(9.6)**	**(17.0)**	**(9.6)**	**(17.0)**

Retained earnings

Retained earnings refer to the cumulative gains of the Group/Bank retained in previous years adjusted for the dividend paid in 2023. In 2023 the Bank has paid dividend in amount EUR 75 milion. Movement of retained earnings is presented in Statement of changes in shareholders' equity.

(All amounts are expressed in millions of EUR)

29. CONTINGENT LIABILITIES AND COMMITMENTS

		Group		Bank
	2023	**2022**	**2023**	**2022**
Guarantees	390.2	316.0	390.4	316.2
Letters of credit	7.6	15.6	7.6	15.6
Approved unused facilities and global lines	1,322.7	1,228.1	1.398.1	1,249.2
Factoring	67.2	76.1	67.2	76.1
Binding letters of intent	4.0	-	4.0	-
Contingent and assumed liabilities under leasing operations	15.7	4.3	-	-
	1,807.4	**1,640.1**	**1.867.3**	**1,657.1**
Provisions for loss allowance for contingent liabilities and commitments	(11.3)	(10.2)	(11.3)	(10.2)
	1,796.1	**1,629.9**	**1.856.0**	**1,646.9**

Group

2023
Movement of gross carrying amount:

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as of 31 December 2022	**1,555.3**	**68.6**	**16.1**	**0.1**	**1,640.1**
Net new approvals / (derecognition)	167.3	-	-	-	**167.3**
Transfer to Stage 1	3.5	(0.7)	(2.8)	-	**-**
Transfer to Stage 2	(5.8)	5.8	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Balance as of 31 December 2023	**1,720.3**	**73.7**	**13.3**	**0.1**	**1,807.4**

Movement in loss allowance for expected credit losses:

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as of 31 December 2022	**5.9**	**2.0**	**2.3**	**-**	**10.2**
Net new approvals / (derecognition)	1.9	0.1	(0.2)	-	1.8
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
(Decrease) due to change of risk parameters	(0.6)	(0.1)	-	-	(0.7)
Balance as of 31 December 2023	**7.2**	**2.0**	**2.1**	**-**	**11.3**

(All amounts are expressed in millions of EUR)

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

2022

Movement of gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 31 December 2021	**1,519.1**	**78.1**	**4.6**	**0.1**	**1,601.9**
Net new approvals / (derecognition)	54.0	(17.5)	5.3	-	41.8
Transfer to Stage 1	12.6	(12.5)	(0.1)	-	-
Transfer to Stage 2	(26.4)	28.4	(2.0)	-	-
Transfer to Stage 3	(0.5)	(7.7)	8.2	-	-
Other adjustments	(3.5)	(0.2)	0.1	-	(3.6)
Balance as of 31 December 2022	**1,555.3**	**68.6**	**16.1**	**0.1**	**1,640.1**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 31 December 2021	**6.8**	**1.7**	**1.4**	**-**	**9.9**
Net new approvals / (derecognition)	(0.3)	(0.1)	1.3	-	0.9
Transfer to Stage 1	0.5	(0.4)	(0.1)	-	-
Transfer to Stage 2	(0.3)	0.7	(0.4)	-	-
Transfer to Stage 3	-	(0.1)	0.1	-	-
Increase/ (decrease) due to change of risk parameters	(0.8)	0.2	-	-	(0.6)
Balance as of 31 December 2022	**5.9**	**2.0**	**2.3**	**-**	**10.2**

Bank

2023
Movement of gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 31 December 2022	**1,572.5**	**68.5**	**16.0**	**0.1**	**1,657.1**
Net new approvals / (derecognition)	245.1	(26.3)	(8.6)	-	210.2
Transfer to Stage 1	3.5	(0.7)	(2.8)	-	-
Transfer to Stage 2	(5.8)	5.8	-	-	-
Transfer to Stage 3	-	-	-	-	-
Balance as of 31 December 2023	**1,815.3**	**47.3**	**4.6**	**0.1**	**1,867.3**

(All amounts are expressed in millions of EUR)

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 31 December 2022	**5.9**	**2.0**	**2.3**	**-**	**10.2**
Net new approvals / (derecognition)	1.9	0.1	(0.2)	-	1.8
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
(Decrease) due to change of risk parameters	(0.6)	(0.1)	-	-	(0.7)
Balance as of 31 December 2023	**7.2**	**2.0**	**2.1**	**-**	**11.3**

2022

Movement of gross carrying amount:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 31 December 2021	**1,526.9**	**78.0**	**4.7**	**0.1**	**1,609.7**
Net new approvals / (derecognition)	63.4	(17.5)	5.3	-	51.2
Transfer to Stage 1	12.6	(12.5)	(0.1)	-	-
Transfer to Stage 2	(26.4)	28.4	(2.0)	-	-
Transfer to Stage 3	(0.5)	(7.7)	8.2	-	-
Other adjustments	(3.5)	(0.2)	(0.1)	-	(3.8)
Balance as of 31 December 2022	**1,572.5**	**68.5**	**16.0**	**0.1**	**1,657.1**

Movement in loss allowance for expected credit losses:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as of 31 December 2021	**6.8**	**1.7**	**1.4**	**-**	**9.9**
Net new approvals / (derecognition)	(0.3)	(0.1)	1.3	-	0.9
Transfer to Stage 1	0.5	(0.4)	(0.1)	-	-
Transfer to Stage 2	(0.3)	0.7	(0.4)	-	-
Transfer to Stage 3	-	(0.1)	0.1	-	-
Increase/(decrease) due to change of risk parameters	(0.8)	0.2	-	-	(0.6)
Balance as of 31 December 2022	**5.9**	**2.0**	**2.3**	**-**	**10.2**

(All amounts are expressed in millions of EUR)

30. CASH AND CASH EQUIVALENTS

For the purposes of cash flow statements, cash and cash equivalent comprise the following balances with original maturities of up to 90 days:

		Group		Bank
	2023	**2022**	**2023**	**2022**
Cash and balances with Croatian National Bank (Note 11)	1,607.5	1,454.5	1,607.5	1,454.5
Loans and receivables from banks (Note 12)	-	16.9	-	16.9
	1,607.5	**1,471.4**	**1,607.5**	**1,471.4**

Changes in liabilities arising from financing activities:

Group

2023

	Lease liabilities IFRS 16	**Other borrowed funds**
Opening balance	14.8	744.3
Cash flow	(4.3)	265.8
Non-monetary items:		
Interest	-	6.0
Exchange differences	-	0.1
Increase in liabilities	5.2	-
Closing balance	**15.7**	**1,016.2**

2022

	Lease liabilities IFRS 16	**Other borrowed funds**
Opening balance	14.8	511.3
Cash flow	(4.0)	231.5
Non-monetary items:		
Interest	-	1.7
Exchange differences	-	1.1
Increase in liabilities	4.0	-
Other adjustments	-	(1.3)
Closing balance	**14.8**	**744.3**

(All amounts are expressed in millions of EUR)

30. CASH AND CASH EQUIVALENTS (CONTINUED)

Bank

2023

	Lease liabilities IFRS 16	Other borrowed funds
Opening balance	22.6	368.5
Cash flow	(5.2)	177.7
Non-monetary items:		
Interest	-	4.7
Exchange differences	-	0.1
Increase in liabilities	5.6	-
Closing balance	**23.0**	**551.0**

2022

	Lease liabilities IFRS 16	Other borrowed funds
Opening balance	23.4	180.3
Cash flow	(4.9)	187.0
Non-monetary items:		
Interest	-	1.5
Exchange differences	-	0.1
Increase in liabilities	4.2	-
Other adjustments	(0.1)	(0.4)
Closing balance	**22.6**	**368.5**

31. CAPITAL RISK MANAGEMENT

The Croatian National Bank ("the CNB"), as the Group's / Bank's principal regulator, determines and supervises the capital requirements of the Bank as a whole. The amount of capital allocated to individual operations is based primarily on regulatory requirements. The allocation of capital to specific activities is performed independent of individuals in charge of those activities. Although the maximisation of return on the risk-weighted capital is the key basis used in determining the allocation of capital to the Group's / Bank's individual activities, it is not the only basis in the decision-making process. Synergies with other activities, availability of the Management Board and other resources, as well as the alignment of the activities with the Group's / Bank's long-term strategic goals are also considered. The directors review the Group's / Bank's capital management and allocation policies regularly.
The capital adequacy ratio is determined as the ratio of the regulatory capital to the risk-weighted assets, risk exposures to position risks, settlement / delivery risk, risk for credit adjustment valuation, foreign exchange risk and operational risk.

The Group's regulatory capital amounts to EUR 934.42 million (2022: EUR 924.4 millions) and is composed of the Common Equity Tier capital and additional capital. Additional capital amounts to EUR 60.0 million (2022: EUR 60.0 million). The capital adequacy ratio on consolidation level is 18.29% (2022: 18.41%).
The Bank's regulatory capital amounts to EUR 915.94 million (2022: EUR 927.4 millions) and is composed of the Common Equity Tier capital and additional capital. Additional capital amounts to EUR 60.0 million (2022: EUR 60 million). The capital adequacy ratio of the Bank is 18.45% (2022: 19.89%).

During 2023, the Group / Bank met and complied with all of the regulatory requirements defining the maintenance of a sufficient level of capital to cover all risks and required capital buffers. The Group / Bank confirmed its strong and stable capital position.

In accordance with Article 92 of Regulation (EU) No. 575/2013, the prescribed minimum capital ratios are the following:

- ✓ ordinary share capital rate in the amount of 4.5% of total risk exposure,
- ✓ share capital rate in the amount of 6% of total risk exposure,
- ✓ total capital rate in the amount of 8% of total risk exposure.

In addition to the minimum capital rates, the Group is on a consolidated basis, and the Bank is on an individual basis, in accordance with Articles 117, 118 and 130 of the Credit Institutions Act and Articles 129, 130 and 133 of the Directive 2013/36/EU, also obliged to comply with the following protective layers of ordinary share capital:

- ✓ a buffer for capital safeguarding in the amount of 2.5% of total risk exposure,
- ✓ a buffer for structural systemic risk in the amount of 1.5% of total risk exposure,
- ✓ a buffer for other systemic important institutions in the amount of 1.5% of the total risk exposure,
- ✓ an institution-specific countercyclical capital buffer in the amount of 1.0% of the total risk exposure,

Credit institutions are required to maintain an institution-specific countercyclical capital buffer equivalent to their total exposure amount calculated in accordance with Article 92 (3) of Regulation (EU) No. 575/2013, multiplied by the weighted average of the countercyclical buffer rates calculated in accordance with Article 140 of the Directive 2013/36/EU. Based on an analytical assessment of the evolution of systemic risks of a cyclical nature, the CNB has determined that the rate of the countercyclical capital buffer is 1%.

Based on the CNB Decision, the Bank has been identified as Other Systemically Important Credit Institution (OSI Credit Institution) on a consolidated and individual basis. Consequently, the Bank is also obliged to maintain a buffer rate for the OSI Credit Institution amounting to 1.5% of the total amount of risk exposure in the form of ordinary share capital on an individual basis. However, as the Bank's parent credit institution is regarded as an OSI Credit Institution which is the EU's parent credit institution and to which the buffer layer for the OSI Credit Institution is applied on a consolidated basis, and the buffer rate that the Bank must maintain is 1.5%. The stated buffer rate for the Bank is the sum of the buffer rate applied to the group on a consolidated basis (0.5%) and 1% of the total amount of risk exposure.

The Group's / Bank's regulatory capital and capital rate have been calculated in accordance with the requirements of the European Banking Authority (hereinafter: EBA) and the national discretion of the CNB and are presented in the table below.

(All amounts are expressed in millions of EUR)

31. CAPITAL RISK MANAGEMENT (CONTINUED)

Capital

		Group		**Bank**
	2023	**2022**	**2023**	**2022**
Share capital	539.2	530.1	539.2	530.1
Share premium	22.7	22.7	22.7	22.7
Retained earnings (excluding profit for the year)	242.5	252.6	224.6	234.1
Other reserves	67.9	67.5	67.9	67.5
Transitional adjustments to ordinary share capital*	18.7	35.7	18.7	35.7
Accumulated other comprehensive income	0.7	(8.5)	0.7	(8.5)
Deductions under EBA requirements*	(17.3)	(15.1)	(17.8)	(14.2)
Common Equity Tier 1 capital *	**874.4**	**885.0**	**855.9**	**867.4**
Core capital*	**874.4**	**885.0**	**855.9**	**867.4**
Regulatory capital*	**934.4**	**945.0**	**915.9**	**927.4**
Risk-weighted assets and other risk components*	**5,109.5**	**5,020.8**	**4,693.4**	**4,662.0**
Common Equity Tier 1 capital ratio*	**17.11%**	17.63%	**18.23%**	18.61%
Core capital ratio*	**17.11%**	17.63%	**18.23%**	18.61%
Total capital ratio*	**18.29%**	18.82%	**19.52%**	19.89%

** data for 2023 are unaudited, and for 2022 audited*

(All amounts are expressed in millions of EUR)

32. CREDIT RISK

The Group / Bank is exposed to credit risk, which is the risk that the counterparty will not be able to settle in full the amounts owed as they fall due. The Group / Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or a group of borrowers and industry segments. The Group / Bank monitors the risks and reviews them on an annual or more frequent basis. The exposure to credit risk for all assets is limited by the carrying amount of each asset reported in the statement of financial position. The exposure to credit risk of derivative financial instruments which relate to foreign currencies is equal to the sum of the positive current market value of the underlying contract and the potential exposure to the counterparty risk. Additionally, the Group / Bank is exposed to credit risk on off-balance-sheet items, which include undrawn commitments to extend credit, issued guarantees and letters of credit.
The Group / Bank manages its exposure to credit risk by regularly analysing the ability of the borrowers and potential borrowers to repay interest and principal and by revising the credit limits, where necessary, or obtaining collateral, corporate or personal guarantees.
In 2022 after a one-year regular repayment of the placement, there was a reclassification from Stage 3 to Stage 2 in the case of credit placements that were in moratorium. The above resulted in a significant reduction of expected credit losses, especially in the housing loan portfolio.

Group

	Note	**31/12/2023**		**31/12/2022**	
		Gross exposure	**Net exposure**	**Gross exposure**	**Net exposure**
ASSETS					
Cash and balances with the Croatian National Bank	11	1,419.7	1,419.7	1,403.9	1,403.6
Loans and receivables from banks	12	-	-	18.6	18.5
Financial assets at fair value through profit or loss	13	23.5	23.5	24.2	24.2
Loans and receivables from customers	14	6,073.9	5,790.2	5,673.2	5,388.3
Debt securities at fair value through other comprehensive income	15b	616.1	616.1	606.0	606.0
Financial assets measured at amortized cost	16	244.1	242.3	112.7	111.5
Other financial assets	21	38.0	30.6	57.1	49.3
		8,415.3	**8,122.4**	**7,895.7**	**7,601.4**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

Bank

	Note	31/12/2023		31/12/2022	
		Gross exposure	**Net exposure**	**Gross exposure**	**Net exposure**
ASSETS					
Cash and balances with the Croatian National Bank	11	1,419.7	1,419.7	1,403.9	1,403.6
Loans and receivables from banks	12	-	-	18.6	18.5
Financial assets at fair value through profit or loss	13	23.5	23.5	24.2	24.2
Loans and receivables from customers	14	5,607.4	5,332.0	5,297.1	5,019.0
Debt securities at fair value through other comprehensive income	15b	616.1	616.1	606.0	606.0
Financial assets measured at amortized cost	16	244.1	242.3	112.7	111.5
Other financial assets	21	22.7	15.7	49.7	42.3
		7,933.5	**7,649.3**	**7,512.2**	**7,225.1**

Credit risk exposure in net of loss allowance is gross exposure for expected credit losses, without taking into account pledges and other collateral instruments.

The (gross) credit risk exposure for contingent liabilities and commitments (Note 29) is as follows:

		Group		**Bank**
	2023	**2022**	**2023**	**2022**
Guarantees and letters of credit	397.8	331.6	398.0	331.8
Approved unused facilities and other liabilities	1,393.9	1,304.2	1,469.3	1,325.3
Contingent liabilities and commitments for leasing transactions	15.7	4.3	-	-
	1,807.4	**1,640.1**	**1,867.3**	**1,657.1**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

An overview of macroeconomic factors:

Variable	ECL-scenario	Weight	2023	2024	2025	2026	2027	Long-term rate
GDP	Forecast	20%	2.7%	2.9%	3.7%	3.7%	3.4%	2.4%
	Mild stress	60%	2.7%	2.1%	3.0%	3.0%	2.9%	2.4%
	Severe stress	20%	2.7%	-4.4%	-0.4%	2.0%	2.1%	2.4%
Export	Forecast	20%	4.6%	4.9%	6.3%	6.4%	5.8%	4.0%
	Mild stress	60%	4.6%	3.6%	5.1%	5.1%	4.9%	4.0%
	Severe stress	20%	4.6%	-7.5%	-0.6%	3.4%	3.5%	4.0%
Consumption	Forecast	20%	2.4%	2.7%	3.6%	3.6%	3.4%	2.2%
	Mild stress	60%	2.4%	1.9%	2.8%	2.9%	2.8%	2.2%
	Severe stress	20%	2.4%	-4.7%	-1.3%	1.8%	1.9%	2.2%
Investment	Forecast	20%	4.9%	4.0%	6.0%	6.6%	6.1%	3.1%
	Mild stress	60%	4.9%	2.7%	4.0%	4.7%	4.5%	3.1%
	Severe stress	20%	4.9%	-7.1%	-9.0%	1.5%	2.2%	3.1%
Real estate prices (nominal)	Forecast	20%	8.3%	3.3%	4.6%	5.1%	5.0%	2.8%
	Mild stress	60%	8.3%	2.7%	3.3%	3.9%	3.8%	2.8%
	Severe stress	20%	8.3%	-1.8%	-5.4%	0.1%	2.2%	2.8%
Employment	Forecast	20%	4.3%	1.1%	1.5%	2.0%	1.9%	0.6%
	Mild stress	60%	4.3%	0.7%	0.7%	1.2%	1.2%	0.6%
	Severe stress	20%	4.3%	-2.1%	-3.7%	--1.8%	0.2%	0.6%
Unemployment (change of rate)	Forecast	20%	-14.5%	-12.1%	-14.2%	-15.1%	-14.9%	-11.2%
	Mild stress	60%	-14.5%	-11.1%	-12.0%	-13.0%	-13.0%	-11.2%
	Severe stress	20%	-14.5%	-2.3%	8.8%	-7.5%	-10.1%	-11.2%
Wages (nominal)	Forecast	20%	5.8%	3.5%	4.0%	4.1%	4.1%	3.4%
	Mild stress	60%	5.8%	3.4%	3.5%	3.8%	3.8%	3.4%
	Severe stress	20%	5.8%	2.7%	-0.4%	3.1%	3.3%	3.4%

For the calculation of expected credit losses under the aggregate method, the Group / Bank uses an internal model in accordance with IFRS 9 using PL (probability of default), LGL (loss given default) and EAD (risk exposure) parameters for impairment. Risk parameters also depend on macroeconomic scenarios. The expected loss (EL) is calculated separately for each scenario and the final estimate of the expected loss (EL) is a weighted average of the expected loss in case of different scenarios.
When formulating the scenario, GDP and 7 other macroeconomic variables are used, such as exports, consumption, investments, employment, changes in the average salary, real estate prices. 5 scenarios are formed (1-3 – not stressful; 4-5 – stressful) where the first three are based on the model; the other two are technical scenarios resulting from the forecast made by the OTP Research Centre. Each variable is projected for the next 3 to 5 years, which is not long enough to project the expected credit loss (EL) of long-term loans, so a long-term rate was created for this purpose.

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

The table below includes Stage 2 and 3 assets that were transferred to forborne status during the period:

	Group		Bank	
	2023	2022	2023	2022
Total principal	7.5	48.6	7.5	48.2
ECL	2.4	13.8	2.4	13.7

The table of movements inside forborne portfolio:

Group:

	31/12/2023		31/12/2022	
	Principal exposure	ECL	Principal exposure	ECL
Facilities that have cured since modification (transfer from Stage 3 to Stage 2)	10,8	1,3	58,8	7,3
Reverted to Stage 3	2,1	0,8	1,1	0,5

Bank

	31/12/2023		31/12/2022	
	Principal exposure	ECL	Principal exposure	ECL
Facilities that have cured since modification (transfer from Stage 3 to Stage 2)	10.5	1.3	58.5	7.3
Reverted to Stage 3	2.1	0.8	1.1	0.5

The following tables provide a summary of forborne assets:

31/12/2023

Group

Portfolio	Forborne Stock			ECL				
	Performing principal	Non-performing principal	Total principal	Stage 2	Stage 3	Total forborne	Forbearance ratio	Coverage
Corporate	39.9	38.8	78.7	9.2	26.3	35.5	2.5%	45.1%
MSE	0.8	1.6	2.4	0	1.3	1.3	0.7%	54.2%
Retail Consumer	17.0	19.6	36.6	3.7	12.7	16.4	2.5%	44.8%
Retail Housing	35.6	4.6	40.2	2.8	2.0	4.7	2.5%	11.7%
Total	**93.3**	**64.6**	**157.8**	**15.7**	**42.4**	**58.0**	**2.4%**	**36.8%**

Bank

Portfolio	Forborne Stock			ECL				
	Performing principal	Non-performing principal	Total principal	Stage 2	Stage 3	Total forborne	Forbearance ratio	Coverage
Corporate	39.9	36.7	76.6	9.2	25.5	34.7	2.7%	45.3%
MSE	0.3	1.0	1.3	0	1.0	1.0	0.7%	74.1%
Retail Consumer	17.0	19.6	36.6	3.7	12.7	16.4	2.6%	44.9%
Retail Housing	35.6	4.6	40.2	2.8	2.0	4.8	2.5%	11.8%
Total	**92.8**	**61.9**	**154.7**	**15.7**	**41.2**	**56.9**	**2.6%**	**36.8%**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

The following tables provide a summary of forborne assets (continued):

31/12/2022

Group

Portfolio	Forborne Stock			ECL				
	Performing principal	Non-performing principal	Total principal	Stage 2	Stage 3	Total forborne	Forbearance ratio	Coverage
Corporate	47.1	54.4	101.5	9.7	32.5	42.2	3.9%	41.6%
MSE	1.5	2.5	4.0	-	1.7	1.7	1.5%	42.5%
Retail Consumer	24.8	21.5	46.3	5.3	13.9	19.2	3.4%	41.5%
Retail Housing	39.7	5.6	45.3	3.8	2.7	6.5	3.2%	14.3%
Total	113.1	84.0	197.1	18.8	50.8	69.6	**3.5%**	**35.3%**

Bank

Portfolio	Forborne Stock			ECL				
	Performing principal	Non-performing principal	Total principal	Stage 2	Stage 3	Total forborne	Forbearance ratio	Coverage
Corporate	46.1	51.5	97.6	9.6	31.4	41.0	4.10%	42.00%
MSE	0.9	1.3	2.2	-	1.2	1.2	1.50%	52.90%
Retail Consumer	24.8	21.5	46.3	5.3	13.9	19.2	3.60%	41.50%
Retail Housing	39.7	5.6	45.3	3.8	2.7	6.5	3.20%	14.40%
Total	111.5	79.9	191.4	18.7	49.2	67.9	**3.60%**	**35.50%**

32. CREDIT RISK (CONTINUED)

Collateral and other forms of credit risk insurance

The Group / Bank in its internal policies defines conditions under which certain collaterals, which serve to reduce credit risk, are acceptable, and methods of their initial and subsequent regular valuation.
The basic types of acceptable collaterals that are accepted with value are:

- for corporate lending: cash, state guarantees, bank guarantees, real estate, movable property, transfers of state claims, insurance policies.
- for lending to private persons: cash, real estate, insurance policies.

The Group / Bank also accepts corporate guarantees and interests in corporations that are accepted with value only under certain conditions and letters of comfort from parent companies for loans granted to subsidiaries, shares in companies and operational security instruments such as debentures and bills of exchange, which are not accepted with value.

As of 31 December 2023, the total value of collateral held by the Group as collateral for loans and advances and contingent liabilities and commitments amounts to EUR 6,744.3 million (2022: EUR 6,089.5 million).
Total allocated value of collaterals as of 31 December 2023 amounts to EUR 3,758.0 million (2022: EUR 3,277.9 million).
As of 31 December 2023, the total value of collateral held by the Bank as collateral for loans and advances and contingent liabilities and commitments amounts to EUR 6,256 million (2022: EUR 5,682,3 million).
Total allocated value of collaterals as of 31 December 2023 amounts to EUR 3,269.7 million (2022: EUR 2,870.7 million).
The tables below present maximum exposure to credit risk by category of financial assets, total market value of collateral allocated, the remaining collateral available (to the extent to which the total market value of the collateral is greater than the exposure to which it refers) and the maximum exposure after deducting the allocated collateral value.

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

Group

2023

	Maximum credit risk exposure (gross exposure)	Total allocated market value of collateral	Deposits	Real estate	Guarantees	Object of financial leasing	Other	Maximum exposure after deducting the market value of collateral	Available collateral value (above gross exposure)
Cash and balances with the Croatian National Bank	1,419.7	-	-	-	-	-	-	1,419.7	-
Loans and receivables from banks	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	23.5	-	-	-	-	-	-	23.5	-
Loans and receivables from customers	6,073.9	3,426.2	16.4	2,409.2	449.5	488.3	62.8	2,647.7	2,892.9
Financial assets that are valued through other comprehensive income	616.1	-	-	-	-	-	-	616.1	-
Financial assets measured at amortized cost	244.1	-	-	-	-	-	-	244.1	-
Other financial assets	38.0	-	-	-	-	-	-	38.0	-
Total credit risk exposure of balance sheet items	**8,415.3**	**3,426.2**	**16.4**	**2,409.2**	**449.5**	**488.3**	**62.8**	**4,989.1**	**2,892.9**
Guarantees and letters of credit	397.8	130.7	72.9	55.9	-	-	1.9	267.1	80.9
Approved unused facilities and global lines	1,409.6	201.1	1.6	69.2	123.3	-	7.0	1,208.5	12.0
Total credit risk exposure of off-balance sheet items	**1,807.4**	**331.8**	**74.5**	**125.1**	**123.3**	**-**	**8.9**	**1,475.6**	**92.9**
Total credit risk exposure	**10,222.7**	**3,758.0**	**90.9**	**2,534.3**	**572.8**	**488.3**	**71.7**	**6,464.7**	**2,985.8**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

2022

	Maximum credit risk exposure (gross exposure)	Total allocated market value of collateral	Deposits	Real estate	Guarantees	Object of financial leasing	Other	Maximum exposure after deducting the market value of collateral	Available collateral value (above gross exposure)
Cash and balances with the Croatian National Bank	1,403.9	-	-	-	-	-	-	1,403.9	-
Loans and receivables from banks	18.6	-	-	-	-	-	-	18.6	-
Financial assets at fair value through profit or loss	24.2	-	-	-	-	-	-	24.2	-
Loans and receivables from customers	5,673.2	3,142.5	18.1	2,234.0	445.3	407.2	37.9	2,530.7	2,707.0
Financial assets that are valued through other comprehensive income	606.0	-	-	-	-	-	-	606.0	-
Financial assets measured at amortized cost	112.7	-	-	-	-	-	-	112.7	-
Other financial assets	57.1	-	-	-	-	-	-	57.1	-
Total credit risk exposure of balance sheet items	**7,895.7**	**3,142.5**	**18.1**	**2,234.0**	**445.3**	**407.2**	**37.9**	**2**	**2,707.0**
Guarantees and letters of credit	331.7	68.1	3.5	63.4	-	-	1.2	263.6	88.0
Approved unused facilities and global lines	1,308.4	67.3	1.2	36.9	28.0	-	1.2	1,241.1	16.6
Total credit risk exposure of off-balance sheet items	**1,640.1**	**135.4**	**4.7**	**100.3**	**28.0**	**-**	**2.4**	**1,504.7**	**104.6**
Total credit risk exposure	**9,535.8**	**3,277.9**	**22.8**	**2,334.3**	**473.3**	**407.2**	**40.3**	**6,257.9**	**2,811.6**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

Bank

2023	Maximum credit risk exposure (gross exposure)	Total allocated market value of collateral	Deposits	Real estate	Guarantees	Other	Maximum exposure after deducting the market value of collateral	Available collateral value (above gross exposure)
Cash and balances with the Croatian National Bank	1,419.7	-	-	-	-	-	1,419.7	-
Loans and receivables from banks	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	23.5	-	-	-	-	-	23.5	-
Loans and receivables from customers	5,607.4	2,937.9	16.4	2,409.2	449.5	62.8	2,669.5	2,892.9
Financial assets that are valued through other comprehensive income	616.1	-	-	-	-	-	616.1	-
Financial assets measured at amortized cost	244.1	-	-	-	-	-	244.1	-
Other financial assets	22.7	-	-	-	-	-	22.7	-
Total credit risk exposure of balance sheet items	**7,933.5**	**2,937.9**	**16.4**	**2,409.2**	**449.5**	**62.8**	**4,995.6**	**2,892.9**
Guarantees and letters of credit	398.0	130.7	72.9	55.9	-	1.9	267.3	80.9
Approved unused facilities and global lines	1,469.3	201.1	1.6	69.2	123.3	7.0	1.268.2	12.0
Total credit risk exposure of off-balance sheet items	**1,867.3**	**331.8**	**74.5**	**125.1**	**123.3**	**8.9**	**1,535.5**	**92.9**
Total credit risk exposure	**9,800.8**	**3,269.7**	**90.9**	**2,534.3**	**572.8**	**71.7**	**6,531.1**	**2,985.8**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

2022

	Maximum credit risk exposure (gross exposure)	Total allocated market value of collateral	Deposits	Real estate	Guarantees	Other	Maximum exposure after deducting the market value of collateral	Available collateral value (above gross exposure)
Cash and balances with the Croatian National Bank	1,403.9	-	-	-	-	-	1,403.9	-
Loans and receivables from banks	18.6	-	-	-	-	-	18.6	-
Financial assets at fair value through profit or loss	24.2	-	-	-	-	-	24.2	-
Loans and receivables from customers	5,297.1	2,735.3	18.1	2,234.0	445.3	37.9	2,561.8	2,707.0
Financial assets that are valued through other comprehensive income	606.0	-	-	-	-	-	606.0	-
Financial assets measured at amortized cost	112.7	-	-	-	-	-	112.7	-
Other financial assets	49.7	-	-	-	-	-	49.7	-
Total credit risk exposure of balance sheet items	**7,512.2**	**2,735.3**	**18.1**	**2,234.0**	**445.3**	**37.9**	**4,776.9**	**2,707.0**
Guarantees and letters of credit	331.9	68.1	3.5	63.4	-	1.2	263.8	88.0
Approved unused facilities and global lines	1.325.2	67.3	1.2	36.9	28.0	1.2	1,257.9	16.6
Total credit risk exposure of off-balance sheet items	**1,657.1**	**135.4**	**4.7**	**100.3**	**28.0**	**2.4**	**1,521.7**	**104.6**
Total credit risk exposure	**9,169.3**	**2,870.7**	**22.8**	**2,334.3**	**473.3**	**40.3**	**6,298.6**	**2,811.6**

32. CREDIT RISK (CONTINUED)

Allocated value of collaterals for balance sheet and off-balance sheet asset items is presented as the market value net of previous liabilities without applying haircut, in such a way that it is spread up to the maximum amount of exposure of an individual placement. If the value of the collateral at the level of placement is greater than the total exposure of the placement, the excess, that is, the value of the collateral above the gross exposure is summarized (all types of collateral) in a separate column - Available collateral value (above gross exposure). If a single placement is covered by multiple types of collateral with a value, and one type of collateral is sufficient to cover the entire gross exposure of the placement, the allocated value of that single collateral is shown, and the value of other collateral in that placement is shown in the item above the gross exposure amount. The allocation priority by type of collateral is determined as follows:

- Deposits
- Real estate
- Guarantees
- Other

Deposits
A deposit (term deposit or blocked amount in the Bank's transaction account) as a collateral is a special type of pledged assets from which the Group / Bank is entitled to settle their claims in the event of the debtor defaulting, whereby the Group / Bank shall collect their debt directly, without the enforcement procedure. If the deposit does not meet all the necessary conditions, the financial pledge can be seized through court proceedings or in other (out-of-court) procedures, which are not deemed as direct collection. When the liability ceases to exist, the control over the deposit shall be restored to the debtor or the collateral issuer.

Real estate
Real estate taken as collateral by the Group / Bank may be residential or non-residential. Residential real estate: real estate (share in property) for residential purposes entered or to be entered in the real estate register as residential houses or apartments, together with associated land, provided that the relevant building permit is issued or, in case of simple structures, only an official certificate of construction, which is or will be occupied or rented by the owner. All other real estate belongs to the category of non-residential real estate. Real estate can only be pledged by mortgaging. The mortgage can be entered in the land registers for the real estate as a whole or in case of real estate in regulated co-ownership parts for the entire portion belonging to a co-owner.
When granting standard housing loans, particular emphasis is placed on limiting production based on the LTV (Loan to value) indicator, which represents the ratio between the exposure and the market value of the mortgaged real estate. Eligible LTVs can be up to 100%, where a maximum of 45% of total placements can be with an LTV ratio of over 80%, only for the best locations in Croatia that are determined based on the economic strength statistics, tourism potential and real estate sales in individual cities and municipalities. In addition, production is limited to 5% of loans with an LTV of more than 90% and 2% of loans with an LTV of more than 95%.
Furthermore, it is also important to note that the value of real estate in the pledged portfolio is regularly monitored and updated in the collateral system on basis of statistics data for all types of real estate where application is possible such as apartments, family houses, apartments, offices, shops, etc. OTP real estate experts checks the value for other types of real estate where the application of statistical data is not possible. When applying statistics, the value correction can only be performed to lower, never to higher.
Loans with a foreign currency clause can only be approved for loans with LTV rates of up to 90%, except for clients with a currency of receipt equivalent to the loan currency.
Furthermore, since they are non-purpose, mortgage loans have additional restrictions on the amount, term and LTV indicator of maximum up to 62.5% (exceptionally up to 80%, but only for the premium segment of clients) on the best locations (Prime 1 and 2), and a maximum of 43.5% (exceptionally up to 62.5% as 'overrride') on Non prime locations and a maximum of 40% (without exceptions) on Sub prime locations.

Guarantees

The Group/Bank accepts the following guarantees to secure its claims, each of which may be absolute (unconditional) or contingent (conditional):

- ✓ Bank guarantee/confirmed letter of credit
- ✓ Company guarantee
- ✓ Personal guarantee (guarantors)/joint guarantee (co-debt).
- ✓ Special forms of guarantee
  - Guarantee by the Croatian Agency for SMEs, Innovations and Investments (HAMAG)
  - Guarantee by the Government of the Republic of Croatia and the Croatian National Bank

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

Guarantees (continued)

- Guarantee by OECD member states, their central banks
- Guarantee of local self-government units of the Republic of Croatia
- Guarantee by HBOR (including insurance policy) and international development banks.

The guarantee must, as a rule, be unconditional and irrevocable (written guarantee statement/guarantee agreement, with “on first demand” and “no objection” clauses, without additional conditions). An exception is the HAMAG guarantee, where conditional guarantees, up to the amount of the guarantee, also have collateral value.

Object of financial leasing
The object financed by financial leasing is also considered as collateral, which arises from the fact that the Group (leasing company) is the owner of the leasing object during the entire contractual relationship. This fact arises from the definition of leasing prescribed by IFRS 16 "Leases", and from the definition of "Leasing activities" prescribed by the Leasing Act (Article 4, paragraph 2) according to which the leasing business is a legal transaction in which, based on a purchase agreement with the vendor, the lessor acquires the right to ownership of the leased asset and assigns a right to the lessee to temporarily use the leased asset, for a specified fee.

Other
The Group / Bank also accepts the following types of collateral for its claims:

- ✓ machines
- ✓ equipment
- ✓ personal and commercial vehicles
- ✓ stocks
- ✓ airplanes
- ✓ naval vessels, floating and stationary coastal structures, yachts and boats, inland navigation vessels
- ✓ other movable property (patents, trademarks, and similar)
- ✓ securities
- ✓ cessions

With these types of collateral, particular attention is paid to checking whether the pledger owns the lien or not. With the exception of floating objects and civil aircraft whose ownership is recorded in official registers, the lienor must in any case provide credible proof of the origin of the lien (original invoice, customs documents, supporting documents, comparison of the markings on these documents with the marking on the property, etc.).

Concentration of assets and liabilities relating to a group of related parties - Republic of Croatia

			Group		Bank
		2023	2022	2023	2022
Current account with the Croatian National Bank	12	65.3	1.180.8	65.3	1,180.8
Deposits with the Croatian National Bank	12	1,335.3	180.2	1,335.3	180.2
Bonds of the Ministry of Finance	16	269.3	350.0	269.3	350.0
Bonds of the Ministry of Finance	17	198.8	72.9	198.8	72.9
Loans and receivables from customers	15	710.0	869.1	709.1	868.5
Total asset:		**2,578.7**	**2,653.0**	**2,577.8**	**2,652.4**
Other borrowed funds	26	**107.8**	71.5	**74.9**	62.0
Total liabilities:		**107.8**	**71.5**	**74.9**	**62.0**

(All amounts are expressed in millions of EUR)

32. CREDIT RISK (CONTINUED)

Concentration of assets and liabilities* with respect to territorial division

Group

As at 31 December 2023	Croatia	Hungary	Other	Total
Assets	7,529.7	354.4	49.4	7,933.5
Contingent liabilities	1,782.0	1.7	12.4	1,796.1
	9,311.7	**356.1**	**61.8**	**9,729.6**

As at 31 December 2022	Croatia	Hungary	Other	Total
Assets	7,248.9	283.1	69.4	7,601.4
Contingent liabilities	1,618.5	3.7	7.7	1,629.9
	8,867.4	**286.8**	**77.1**	**9,231.3**

Bank

As at 31 December 2023	Croatia	Hungary	Other	Total
Assets	7,245.5	354.4	49.4	7,649.3
Contingent liabilities	1,841.9	1.7	12.4	1,856.0
	9,087.4	**356.1**	**61.8**	**9,505.3**

As at 31 December 2022	Croatia	Hungary	Other	Total
Assets	6,872.4	283.3	69.4	7,225.1
Contingent liabilities	1,635.5	3.7	7.7	1,646.9
	8,507.9	**287.0**	**77.1**	**8,872.0**

*includes net exposure (gross exposure net of loss allowance for expected credit loss)

33. MARKET RISK

MARKET RISK IN TRADING BOOK

Market risk is the effect of external influences on the value of positions in the Group's / Bank's portfolio due to changes in prices or fluctuations in the financial markets. Market risk, by that definition, consists of:

- Currency risk
- Interest rate risk and
- Price risk

The basic objective of market risk management in the Trading Book is to make profit by taking advantage of fluctuations in exchange rates and interest rates, which means limiting losses that may result from their adverse fluctuations so as not to endanger the profitability and operation of the Bank.

The market risks in the Trading Book to which the Bank is exposed are managed by an organizational unit named Treasury Department which has the status of an active Treasury and thus can leave open positions in the Trading Book, which are the result of the banking activity itself, and further engage in speculative trading in order to realize a positive financial result.

The products included in the Trading Book are as follows:
- FX spot
- FX forward
- FX swap
- Money market transactions (loans and deposits)
- Bonds (Republic of Croatia)
- Interest rate swaps (IRS)
- Repo orders

The Market Risk Department is responsible for daily monitoring and reporting of market risk exposures in the Trading Book, control of all positions for which there is market risk exposure and compliance with the limits adopted by the Management Board, at the proposal of the Assets and Liabilities Committee of OTP Bank Nyrt. The limits are revised and approved on an annual basis, the amount of which is determined by the Bank's business policy and market conditions, as well as by the policy of the OTP Bank Nyrt as a whole.

The Asset and Liability Management Department is responsible for managing the Bank's remaining foreign exchange position, which is the difference between the Bank's total foreign exchange position and the open foreign exchange positions of the Treasury Department. Due to the fact that, in accordance with the internal rules, the Asset and Liability Management Department has no limit for foreign currency risk exposure, the subject position is closed daily.

Value at Risk (VaR)

VaR is an estimate of the maximum amount that a portfolio, with a defined level of confidence and for a defined period, can lose from its value.
VaR is calculated for a holding period of one day and with a confidence level of 99%, using a historical simulation method based on a 252-day observation period.
Defining the VaR limit provides a risk measurement tool designed to limit potential losses of the Bank and in case of turbulent market conditions in a way that encourages closing of positions amid increased market uncertainty.

From 2020 due to the change in the structure of the limit, the calculated VaR values for FI (Fixed Income) and MM (Money Market) desk are monitored separately.
Based on the Bank's business decision, due to changes in circumstances and conditions on the financial markets, open positions on the FI and MM *desks* in the Trading Book were not approved for 2023, while the FX desk limits were significantly reduced compared to previous business years.

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

Value at Risk (VaR) (continued)

Fluctuations of VaR indicator

	Minimum	Average	Maximum	End of year
2023				
Interest rate risk	0.00	0.00	0.00	0.00
FI	0.00	0.00	0.00	0.00
MM	0.00	0.00	0.00	0.00
Currency risk	0.00	0.00	0.00	0.00
Total VaR	0.00	0.00	0.00	0.00
2022				
Interest rate risk				
FI	0.00	0.01	0.12	0.00
MM	0.00	0.00	0.00	0.00
Currency risk	0.00	0.01	0.14	0.00
Total VaR	**0.00**	**0.04**	**0.28**	**0.00**

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

FOREIGN EXCHANGE (FX) RISK IN TRADING BOOK

FX risk is the risk that arises from changes in the exchange rate and causes fluctuations in a particular financial instrument and is continuously monitored through an open FX position (daily and intra-daily) in each currency managed by the organizational unit of the Treasury Department. Exposure to the FX risk or open FX position is the difference between assets and liabilities expressed in foreign currency or linked to the foreign currency. Open FX position can be long or short, depending on whether the FX risk exposure is greater on asset (long position) or liabilities (short position).

The Bank's internal rules set the maximum allowed open position in individual currencies and open FX position limit on global level. Position limit is maximum allowed exposure of individual position that can be held or traded. Net open position is sum of individual open positions (difference between long and short position), while gross position is absolute sum of individual open positions.

Fluctuations of open foreign exchange position by major currencies (in EUR million)

	Minimum	Average	Maximum	End of year
2023				
USD	0.0	0.0	0.0	0.0
CHF	0.0	0.0	0.0	0.0
GBP	0.0	0.0	0.0	0.0
Global foreign exchange position	0.0	0.0	0.0	0.0
2022				
USD	0.0	0.0	0.5	0.0
CHF	0.0	0.0	0.1	0.0
GBP	0.0	0.0	0.1	0.0
Global foreign exchange position	0.0	5.3	30.7	0.0
2022				
EUR	0.0	5.2	30.3	0.0
USD	0.0	0.0	0.5	0.0
CHF	0.0	0.0	0.1	0.0
Global foreign exchange position	0.0	5.3	30.7	0.0

Taking into account the transition to the euro as the domicile currency from 1 January 2023, the Bank has taken a more conservative position regarding the exposure of the foreign currency position in the trading book, and at the end of 2022 there is no open foreign currency position. Based on the Bank's business decision, significantly lower FX position limits were approved for the year 2023, while the EUR open position had the largest share in the global foreign exchange position until 2023. The Asset and Liability Management Department is responsible for managing the Bank's remaining foreign exchange position, which is the difference between the Bank's total foreign exchange position and the Treasury Department's open foreign exchange position. Due to the fact that in accordance with internal rules, Asset and Liability Management Department has no limit for foreign currency risk exposure, the subject position is closed daily.

The currency structure of total assets and liabilities of the Group / Bank is shown in the tables below.

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)
TOTAL FOREIGN EXCHANGE (FX) RISK

Group

	EUR**	USD*	HUF*	CHF*	Other currencies*	Total
As at 31 December 2023						
Assets						
Cash and balances with the Croatian National Bank	1,580.3	3.9	0.4	5.4	17.5	1,607.5
Financial assets at fair value through profit or loss	41.8	3.0	-	-	-	44.8
Loans and receivables from customers	5,785.5	4.0	-	0.70	-	5,790.2
Equity securities at fair value through other comprehensive income	0.9	17.4	-	-	-	18.3
Debt securities at fair value through other comprehensive income	284.2	32.1	299.8	-	-	616.1
Financial assets measured at amortized cost	242.3	-	-	-	-	242.3
Property and equipment	88.4	-	-	-	-	88.4
Right-of-use assets	15.4	-	-	-	-	15.4
Investment property	32.3	-	-	-	-	32.3
Intangible assets	15.3	-	-	-	-	15.3
Goodwill	0.6	-	-	-	-	0.6
Deferred tax assets	12.7	-	-	-	-	12.7
Other assets	40.4	-	-	-	-	40.4
Assets held for sale	0.8	-	-	-	-	0.8
Total assets	**8,140.9**	**60.4**	**300.2**	**6.1**	**17.5**	**8,525.1**
Liabilities						
Amounts due to other banks	6.7	11.1	-	0.5	1.7	20.0
Amounts due to customers	5,868.8	298.6	0.8	46.2	52.4	6,266.8
Other borrowed funds	1,016.1	0.1	-	-	-	1,016.2
Financial liabilities at fair value through profit or loss	31.6	-	-	-	-	31.6
Provisions for liabilities and charges	63.2	0.7	-	-	-	63.9
Income tax liability	10.5	-	-	-	-	10.5
Lease liabilities classified under IFRS 16	15.8	-	-	-	-	15.8
Other liabilities	70.8	3.1	-	-	-	73.9
Total liabilities	**7,083.5**	**313.6**	**0.8**	**46.7**	**54.1**	**7,498.7**
Net foreign exchange position	**1,057.4**	**(253.2)**	**299.4**	**(40.6)**	**(36.6)**	**1,026.4**

* currency clause in the stated currency is included

The open balance foreign currency position is completely closed with FX derivative instruments that do not carry interest rate risk, therefore no sensitivity calculations are required.

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

TOTAL FOREIGN EXCHANGE (FX) RISK (CONTINUED)

	EUR**	USD*	HUF*	CHF*	Other currencies*	Total
As at 31 December 2022						
Assets						
Cash and balances with the Croatian National Bank	1,611.2	8.2	2.6	3.6	8.8	1,634.4
Loans and receivables from banks	-	18.5	-	-	-	18.5
Financial assets at fair value through profit or loss	44.7	2.4	-	-	-	47.1
Loans and receivables from customers	5,382.2	5.0	-	1.1	-	5,388.3
Equity securities at fair value through other comprehensive income	0.9	14.4	-	-	-	15.3
Debt securities at fair value through other comprehensive income	364.9	54.0	187.1	-	-	606.0
Financial assets measured at amortized cost	111.5	-	-	-	-	111.5
Property and equipment	86.3	-	-	-	-	86.3
Right-of-use assets	14.4	-	-	-	-	14.4
Investment property	18.6	-	-	-	-	18.6
Intangible assets	12.2	-	-	-	-	12.2
Goodwill	0.6	-	-	-	-	0.6
Deferred tax assets	14.7	-	-	-	-	14.7
Other assets	53.4	-	-	-	-	53.4
Assets held for sale	0.6	-	-	-	-	0.6
Total assets	**7,716.2**	**102.5**	**189.7**	**4.7**	**8.8**	**8,021.9**
Liabilities						
Amounts due to other banks	155.9	2.9	-	0.5	-	159.3
Amounts due to customers	5,598.0	293.6	2.8	44.6	51.3	5,990.3
Other borrowed funds	744.2	0.1			-	744.3
Financial liabilities at fair value through profit or loss	26.3	-	-	-	-	26.3
Provisions for liabilities and charges	67	-	-	-	-	67
Income tax liability	17.8	-	-	-	-	17.8
Lease liabilities classified under IFRS 16	14.8	-	-	-	-	14.8
Other liabilities	50.2	0.1	-	-	-	50.3
Total liabilities	**6,674.2**	**296.7**	**2.8**	**45.1**	**51.3**	**7,070.1**
Net foreign exchange position	**1,042.0**	**(194.2)**	**186.9**	**(40.4)**	**(42.5)**	**951.8**

* currency clause in the stated currency is included
**As of 1 January 2023, the Republic of Croatia introduced the euro as the domicile currency, so position EUR for the year 2022 inlcude HRK, EUR and the EUR currency clause
The open balance foreign currency position is completely closed with FX derivative instruments that do not carry interest rate risk, therefore no sensitivity calculations are required.

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

TOTAL FOREIGN EXCHANGE (FX) RISK (CONTINUED)

Bank

	EUR*	USD*	HUF*	CHF*	Other currencies*	Total
As at 31 December 2023						
Assets						
Cash and balances with the Croatian National Bank	1.580,3	3,9	0,4	5,4	17,5	1.607,5
Financial assets at fair value through profit or loss	41,6	3,0	-	-	-	44,6
Loans and receivables from customers	5.327,3	4,0	-	0,7	-	5.332,0
Equity securities at fair value through other comprehensive income	0,9	17,4	-	-	-	18,3
Debt securities at fair value through other comprehensive income	284,2	32,1	299,8	-	-	616,1
Financial assets measured at amortized cost	242,3	-	-	-	-	242,3
Investment in subsidiaries	42,2	-	-	-	-	42,2
Property and equipment	45,8	-	-	-	-	45,8
Right-of-use assets	22,3	-	-	-	-	22,3
Investment property	9,5	-	-	-	-	9,5
Intangible assets	14,9	-	-	-	-	14,9
Deferred tax assets	11,1	-	-	-	-	11,1
Other assets	18,7	-	-	-	-	18,7
Assets held for sale	0,1	-	-	-	-	0,1
Total assets	**7.641,2**	**60,4**	**300,2**	**6,1**	**17,5**	**8.025,4**
Liabilities						
Amounts due to other banks	6,7	11,1	-	0,5	1,7	20,0
Amounts due to customers	5.877,1	298,6	0,8	46,2	52,4	6.275,1
Other borrowed funds	550,9	0,1	-	-	-	551,0
Financial liabilities at fair value through profit or loss	31,6	-	-	-	-	31,6
Provisions for liabilities and charges	62,5	0,7	-	-	-	63,2
Income tax liability	10,8	-	-	-	-	10,8
Lease liabilities classified under IFRS 16	23,0	-	-	-	-	23,0
Other liabilities	57,6	3,1	-	-	-	60,7
Total liabilities	**6.620,2**	**313,6**	**0,8**	**46,7**	**54,1**	**7.035,4**
Net foreign exchange position	**1.021,0**	**(253,2)**	**299,4**	**(40,6)**	**(36,6)**	**990,0**

* currency clause in the stated currency is included

The open balance foreign currency position is completely closed with FX derivative instruments that do not carry interest rate risk, therefore no sensitivity calculations are required.

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

TOTAL FOREIGN EXCHANGE (FX) RISK (CONTINUED)

	EUR**	USD*	HUF*	CHF*	Other currencies *	Total
As at 31 December 2022.						
Assets						
Cash and balances with the Croatian National Bank	1.611,2	8,2	2,6	3,6	8,8	1.634,4
Loans and receivables from banks	-	18,5	-	-	-	18,5
Financial assets at fair value through profit or loss	41,1	2,4	-	-	-	43,5
Loans and receivables from customers	5.012,8	5,1	-	1,1	-	5.019,0
Equity securities at fair value through other comprehensive income	0,9	14,4			-	15,3
Debt securities at fair value through other comprehensive income	364,9	54	187,1	-	-	606
Financial assets measured at amortized cost	111,5	-			-	111,5
Investment in subsidiaries	42,2	-			-	42,2
Property and equipment	43,2	-			-	43,2
Right-of-use assets	21,9	-			-	21,9
Investment property	11,2	-			-	11,2
Intangible assets	11,9	-			-	11,9
Deferred tax assets	13,0	-			-	13,0
Other assets	45,5	-			-	45,5
Total assets	**7.331,3**	**102,6**	**189,7**	**4,7**	**8,8**	**7.637,1**
Liabilities						
Amounts due to other banks	155,9	2,9	-	0,5	-	159,3
Amounts due to customers	5.621,6	293,6	2,8	44,6	51,3	6.013,9
Other borrowed funds	368,3	0,2	-	-	-	368,5
Financial liabilities at fair value through profit or loss	26,3	-	-	-	-	26,3
Provisions for liabilities and charges	66,4	-	-	-	-	66,4
Income tax liability	18,1	-	-	-	-	18,1
Lease liabilities classified under IFRS 16	22,6	-	-	-	-	22,6
Other liabilities	40,8	0,1	-	-	-	40,9
Total liabilities	**6.320,0**	**296,8**	**2,8**	**45,1**	**51,3**	**6.716,0**
Net foreign exchange position	**1.011,3**	**(194,2)**	**186,9**	**(40,4)**	**(42,5)**	**921,1**

* currency clause in the stated currency is included

**As of 1 January 2023, the Republic of Croatia introduced the euro as the domicile currency, so position EUR for the year 2022 inlcude HRK, EUR and the EUR currency clause.

The open balance foreign currency position is completely closed with FX derivative instruments that do not carry interest rate risk, therefore no sensitivity calculations are required.

33. MARKET RISK (CONTINUED)

MARKET RISK MANAGEMENT - GROUP

Since the Bank's subsidiaries that are part of the consolidation (Group) independently manage market risks, below is an overview of market risk management policies for the subsidiary. Group members are exposed to interest rate risk, currency risk and price risk.

OTP LEASING D.D.

Interest rate risk
The marginal mismatch is determined in individual time periods and is expressed as a percentage and cumulatively for a period of up to one year, in such a way that the mismatch is related to total assets sensitive to changes in interest rates for each type of interest and in total for all balance sheet items sensitive to changes in interest rates.
Interest rate risk management is complemented by monitoring the sensitivity of future net interest income to changes in weighted average variable interest rates on overdue variable and finance lease receivables with variable interest rates and interest-bearing loans with variable interest rates by one percentage point. An increase in average weighted variable interest rates by one percentage point would result in a decrease in net interest income in the amount of EUR 108 thousand (2022: EUR 171 thousand).

In 2023, the company started the project of introducing the euro in accordance with the National Plan for the Changeover from the Croatian Kuna to the Euro and with the Act on Introduction of the Euro as the Official Currency in Croatia.
With the decision of the Council of the European Union on the introduction of the euro as the official currency in the Republic of Croatia, this structural risk is maximally excluded as a possible impact on the Company's operations, given that the Company's exposure to the Swiss franc (CHF) is not materially significant.

OTP INVEST d.o.o.

Interest rate risk
Given that the Company has relatively small interest-bearing liabilities, the Management Board considers that the exposure to interest expenses is not significant.

Currency risk
At the balance sheet date, the Company was not exposed to significant currency risk.

Price risk
The Company was not significantly exposed to price risk at the balance sheet date.

Other subsidiaries that enter into consolidation due to their size and structure of assets and liabilities are not significantly exposed to any of the above market risks.

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

INTEREST RATE RISK IN TRADING BOOK

Interest rate risk is the risk of changes in the fair value of a financial instrument due to changes in market interest rates.The Bank is allowed to trade / hold only those interest rate risk instruments for which there is valid approval of the Management Board, at the proposal of the Asset and Liability Management Committee of OTP Bank Nyrt, and if there are valid and sufficient limits.
Interest rate risk limits limit the Treasury's exposure to bonds, interest rate swaps (IRSs), Forward rate agreements (FRAs), repo deals and other derivative transactions containing interest rate risk.
Risk is measured by calculating the change in the net present value of the portfolio in the event of a shift in the reference interest rate curve by 1 basis point and is limited by the BPV (Basis Point Value) limits.
The tables below show the sensitivity to change in interest rate where the increase in the net present value of all future cash flows is shown as a positive number and a decrease as a negative number.
In 2020, in order to better monitor interest rate risk by type of transaction, the limit structure was changed and BPV values were monitored and calculated separately (below is the view for MM and FI desk). Considering the market conditions in which the growth of interest rates is present, at the end of 2022 the Bank minimized the interest risk in the Trading Book while in 2023 the limits and exposures are insignificant.

Overview of sensitivity to changes in interest rates of 1 basis point per currency (in EUR thousand)

MM desk 31/12/2023	**1W-1Y**	**1Y-10Y**	**10y-15Y**	**Total**
EUR	0,00	0,00	0,00	0,00
Other	0,00	0,00	0,00	0,00
Total	0,00	0,00	0,00	0,00

FI desk 31/12/2023	**1W-1Y**	**1Y-10Y**	**10y-15Y**	**Total**
EUR	0,00	0,00	0,00	0,00
Other	0,00	0,00	0,00	0,00
Total	0,00	0,00	0,00	0,00

MM desk 31/12/2022	**1W-1Y**	**1Y-10Y**	**10y-15Y**	**Total**
EUR	0,01	0,00	0,00	0,01
USD	0,00	0,00	0,00	0,00
Other	0,01	0,00	0,00	0,01
Total	0,01	**0,00**	**0,00**	0,01

FI desk 31/12/2022	**1W-1Y**	**1Y-10Y**	**10y-15Y**	**Total**
EUR	0.00	0.00	0.00	0.00
USD	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**

33. MARKET RISK (CONTINUED)

INTEREST RATE RISK IN BANKING BOOK

Interest rate sensitivity of assets and liabilities

Interest rate risk represents the exposure of Group / Bank to unexpected or unfavourable fluctuations of market interest rates in the future. Interest rate risk has an impact both on the profit and loss account and on future cash flows and the market value of the Group's / Bank's assets, liabilities and off-balance sheet instruments.
The purpose of interest rate risk management is to protect the Group / Bank from unacceptably high interest rate risk exposure, but acceptable exposure to interest rate risk is defined by the amount of individual limits that the Group / Bank establishes through the ratio of the amount of potential loss and regulatory capital, as well as based on the ability and desire of the Group/ Bank to take interest rate risk.

The establishment of an adequate interest rate risk management process is the individual responsibility of each member of the Group, while consolidated interest rate risk management is the responsibility of OTP bank Nyrt Hungary.
OTP banka d.d., as the largest member of the Group in Croatia, separately manages the interest rate risk arising from the trading book items from the interest rate risk arising from the following transactions included in the banking book:

- commercial business (loans and deposits from clients);
- own account transactions (which include instruments of financial assets measured at fair value through other comprehensive income and a portfolio of financial assets measured at amortized cost);
- interbank transactions;
- derivative financial instruments concluded for the purpose of banking book (e.g. interest rate swaps);
- other transactions that affect the interest rate risk in the banking book.

The management of interest rate risk arising from items in the banking book is the responsibility of the Asset and Liability Management Department, which is part of the Bank's Financial Sector.

The methods used to measure interest rate risk exposure are as follows:

- Net interest income (NII)
  The evolution of net interest income is modelled over a particular time horizon (1 year in case of ICAAP) considering at least the interest rate shock scenarios predefined by EBA (described in later paragraphs), assuming a going-concern perspective and constant balance sheet. The effects of both automatic and behavioural options are taken into account.
  In calculation of the total impact on NII up to 1 year, the positive effects are weighted by 50%. The Bank also considers changes in the market value of instruments, depending on the accounting treatment, shown in the income statement or directly in equity (e.g. through other comprehensive income).
- Economic value of equity (EVE)
  The present value of equity, and the change in the present value of equity between the base scenario and the interest rate shock scenarios are determined on the basis of transaction level cash flows discounted by the risk-free yield curve for each currency. Cash flows of on- and off- interest bearing assets (with the exclusion of non-performing loans) and liabilities are projected without commercial margin. Contractual repricing characteristics are modified according to the behavioural assumptions, taking into account the restriction on the average duration of retail, corporate and municipal non-maturing deposits being a maximum of 5 years.
  When calculating the total impact on EVE, the positive effects are weighted by 50%. For each currency, the lower limit of the post-shock interest rate is applied, depending on the maturity, starting from –100 basis points for current maturities. This lower limit increases by 5 basis points per year and eventually reaches 0% for maturities of 20 years and over.

The Group / Bank is required to apply six interest rate shock scenarios to cover parallel and non-parallel gap risks to the economic value of equity (EVE):

1. Parallel up
2. Parallel down
3. Steepener (short rates down and long rates up)
4. Flattener (short rates up and long rates down)
5. Short rates up
6. Short rates down

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

INTEREST RATE RISK IN BANKING BOOK (CONTINUED)

Interest rate risk management as required by the Croatian National Bank

In accordance with the Decision on Supervisory Reports of Credit Institutions, the Assets and Liabilities Management Department prepares the following reports on a quarterly basis:

- Change in the economic value of the credit institution's capital - contracted cash flows - fixed interest rates (EVK UNT FKS),
- Change in the economic value of the credit institution's capital - contracted cash flows - variable interest rates (EVK UNT PKS),
- Change in the economic value of the credit institution's capital - baseline scenario - fixed interest rates (EVK OS FKS),
- Change in the economic value of the credit institution's capital - baseline scenario - variable interest rates (EVK OS PKS),
- Change in the economic value of the credit institution's capital - net discounted positions by scenarios (EVK NDPS),
- Aggregate change in the economic value of the credit institution's capital (EVK ZBR) i
- Impact of interest rate risk in the book of non-traded positions on net interest income (NIR).

These reports are prepared separately for each significant currency, on an individual and consolidated basis.
The Bank calculates the aggregate change in EVE for each interest rate shock scenario where the amount in a currency that gives a positive change in EVE is weighted at a weight of 50%.
In accordance with the Decision on the Supervisory Reports of Credit Institutions, the Bank shall immediately inform the Croatian National Bank:

- If the drop in EVE per regulatory shock (+/- 200 bb) is greater than 20% of regulatory capital,
- If the EVE decline is greater than 15% of share capital under any of the six additional interest rate shock scenarios.

An overview of the Group’s sensitivity to interest rate fluctuations measured in accordance with regulatory reporting requirements at 31/12/2023 is indicated in the table below*:

Scenarios	**EVE**	
	31/12/2023	**31/12/2022**
Regulatory +200 bp	(70.1)	(41.8)
Regulatory -200 bp	42.3	(1.5)
Parallel shock growth	(70.1)	(38.6)
Parallel shock falls	42.3	(8.1)
Steepener	7.8	7.5
Flattener	(21.7)	(18.9)
Shock of short-term interest rate growth	(47.2)	(21.7)
Shock of falling short-term interest rates	27.7	13.7
Regulatory capital	934.4	944.9
(CHANGE IN ECONOMIC VALUE - regulatory shock / REGULATORY CAPITAL) * 100	7.50%	4.42%
Share capital	874.4	884.9
(CHANGE IN ECONOMIC VALUE - 6 additional shocks / SHARE CAPITAL) * 100	8.02%	**4.37%**

**data for 2023 are unaudited*

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

INTEREST RATE RISK IN BANKING BOOK (CONTINUED)

Interest rate risk management as required by the Croatian National Bank (continued)

An overview of the Bank's sensitivity to interest rate fluctuations measured in accordance with regulatory reporting requirements at 31/12/2023 is indicated in the table below:

Scenarios	**EVE**	
	31/12/2023	**31/12/2022**
Regulatory +200 bp	(75.5)	(39.5)
Regulatory -200 bp	41.5	(3.7)
Parallel shock growth	(75.5)	(36.3)
Parallel shock falls	41.5	(13.5)
Steepener	5.7	3.7
Flattener	(25.0)	(19.0)
Shock of short-term interest rate growth	(51.0)	(20.7)
Shock of falling short-term interest rates	25.8	10.1
Regulatory capital	915.9	927.5
(CHANGE IN ECONOMIC VALUE - regulatory shock / REGULATORY CAPITAL) * 100	8.24%	4.26%
Share capital	855.9	867.5
(CHANGE IN ECONOMIC VALUE - 6 additional shocks / SHARE CAPITAL) * 100	8.82%	4.19%

**data for 2023 are unaudited*

(All amounts are expressed in millions of EUR)

33. MARKET RISK (CONTINUED)

INTEREST RATE RISK IN BANKING BOOK (CONTINUED)

Interest rate risk management as required by the Croatian National Bank (continued)

The table below shows the average effective interest rates for interest-bearing financial assets and financial liabilities during 2022 and 2023 and on the last day of 2022 and 2023:

Group

	Average interest rate during the year:		Average interest rate on the last day of the year:	
	2023	2022	2023	2022
	%	%	%	%
Cash and balances with the Croatian National Bank	1.6	0.0	0.0	0.0
Loans and receivables from other banks	13.5	5.2	0.0	4.9
Loans and receivables from customers	3.7	3.4	3.9	3.3
Debt securities at fair value through other comprehensive income	4.1	2.7	6.1	6.2
Investments at amortized cost	3.2	2.7	3.5	2.6
Amounts due to other banks	3.9	0.1	5.7	2.0
Amounts due to customers	0.2	0.0	0.4	0.0
Other borrowed funds	4.2	1.8	4.5	2.7

Bank

	Average interest rate during the year:		Average interest rate on the last day of the year:	
	2023	2022	2023	2022
	%	%	%	%
Cash and balances with the Croatian National Bank	1.6	0.0	0.0	0.0
Loans and receivables from other banks	13.5	5.2	0.0	4.9
Loans and receivables from customers	3.5	3.2	3.8	3.2
Debt securities at fair value through other comprehensive income	4.1	2.7	6.1	6.2
Investments at amortized cost	3.2	2.7	3.5	2.6
Amounts due to other banks	3.9	0.1	5.7	2.0
Amounts due to customers	0.2	0.0	0.4	0.0
Other borrowed funds	5.4	2.5	6.1	4.4

PRICE RISK IN TRADING BOOK

Price risk is the risk of change in the value of an instrument as a result of changes in market prices, and the Bank invests primarily in high quality government instruments, therefore the Bank considers the price risk to be low.

34. LIQUIDITY RISK

Liquidity risk management

Cash flow management policy aimed at maintaining a balance between cash receipts and expenses is part of the Group’s / Bank's wider asset and liability management policy. To ensure a satisfactory level of liquidity reserves, the Group / Bank consistently implements the cash flow monitoring and planning process and anticipates future liquidity needs taking into account changes in the Group’s / Bank's economic, legislative and other circumstances. This planning involves identifying known, expected and potential cash outflows and developing strategies to meet the Group’s / Bank's liquidity requirements in certain currencies. It is important to emphasize that the Group / Bank, when managing its liquidity risk, seeks to ensure the currency matching of the liquid assets’ portfolio with the currency distribution of its net liquidity outflows.

Given the specificity of each individual member within the Group, there are no consolidated liquidity indicators, but they are monitored individually in accordance with regulatory regulations and internal policies.
OTP banka d.d. as the only credit institution within the Group in Croatia, has the most regulated liquidity framework, which is reviewed below.

Liquidity risk management of OTP banka d.d., as potentially the largest generator of liquidity risk within the Group in Croatia, is the responsibility of the Asset and Liability Management Department in the Finance Sector.
The Asset and Liability Committee (ALCO) determines the Bank's liquidity risk tolerance, regularly reviews and approves the liquidity risk management strategy and ensures the effective management of liquidity risk by the Asset and Liability Department. The Asset and Liability Department also proposes a liquidity risk management strategy and establishes a framework for managing these risks to ensure that the Bank has sufficient liquidity and regularly reports to ALCO. In addition, the Asset and Liability Department manages liquidity and minimal reserve requirements on a daily basis, maintains liquidity reserves in order to meet prescribed requirements and internal limits, and, in addition, implements the ALCO-approved liquidity risk strategy and ensures that appropriate controls, procedures and information flows are in place. In addition to short-term liquidity, the Asset and Liability Department is also responsible for managing medium and long-term liquidity, and adopts operational decisions based on information provided to them by various Bank departments related to operations that affect liquidity.

In order to ensure liquidity stress resilience, the Group / Bank maintains an adequate reserve of high-quality assets that can be sold or pledged to obtain funds under stress conditions.
Highly liquid financial assets include:

- liquid assets on accounts with the Croatian National Bank;
- liquid assets placed with banks;
- liquid assets placed in securities, treasury bills and bonds.

In addition to the aforementioned, the short-term and long-term financing lines offered by the Parent Company, which, together with customer deposits, represent the Group’s / Bank's key sources of financing.

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

Review of the fluctuations of liquid assets as at 31 December 2023 and 31 December 2022 is indicated in the table below:

	31/12/2023	31/12/2022
Giro account	65.3	1,179.5
Mandatory maintenance of the HRK mandatory reserve with the CNB	(60.0)	(54.9)
Foreign currency settlement account with the Croatian National Bank	-	1.3
Mandatory maintenance of the foreign currency mandatory reserve with the CNB	-	(8.0)
Deposits with the CNB	1,335.3	-
Liquid assets on accounts with the Croatian National Bank	**1,340.6**	**1,117.9**
Current accounts with foreign banks	16.6	42.6
Current accounts with domestic banks	2.6	0.3
Short-term placements with other banks	-	18.7
Liquid assets placed with banks	**19.2**	**61.6**
Bonds of the Republic of Croatia	269.3	350.0
Foreign country bonds	47.1	68.9
Treasury bills of the National Bank of Hungary	299.8	187.1
Total liquid assets placed in securities measured at fair value through other comprehensive income	**616.2**	**606.0**
Bonds of the Republic of Croatia	192,6	72.9
Foreign bonds	8,3	-
Total liquid assets placed in securities measured at amortized cost but eligible for credit operations with the CNB	**200.9**	**72.9**
Total liquid assets	**2,176.9**	**1,858.4**

All indicated liquid assets are either due or marketable or liable for a period of up to one month.

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

Maturity structure of securities representing the Bank's liquidity reserve as at 31 December 2023 and 31 December 2022 is indicated in the tables below:

31/12/2023

	Total	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bonds of the Republic of Croatia	461.9	39.0	140.2	95.9	186.8
Foreign government bonds	55.4	47.1	-	-	8.3
Treasury bills of the Hungary	299.8	299.8	-	-	-
Liquid assets placed in securities	**817.1**	**385.9**	**140.2**	**95.9**	**195.1**

31/12/2022

	Total	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years
Bonds of the Republic of Croatia	422.9	107.4	109.1	76.7	129.7
Foreign government bonds	68.9	20.9	48	-	-
Treasury bills of the Hungary	187.1	187.1	**-**	**-**	**-**
Liquid assets placed in securities	**678.9**	**315.4**	**157.1**	**76.7**	**129.7**

Bank assets are considered encumbered if they are pledged or subject to any form of contract to secure, hedge or enhance the lending of any balance sheet or off-balance sheet transactions from which they cannot be freely withdrawn (for example, to pledge for funding sources). Pledged assets subject to withdrawal restrictions, such as assets requiring prior approval prior to withdrawal or replacement with other assets, are considered encumbered. As at 31 December 2023 and 31 Decmber 2022, the Bank had no impaired asset burden. Existing sources of financing were sufficient to cover the Bank's liquidity needs.

Liquidity risk measures
In order to comply with the legal and internal regulations and decisions, establish the principle of safety and stability and achieve the planned profitability of operations, the Bank applies a system of measuring and limiting liquidity risk and reporting of the subject risk. In accordance with the market practices, exposure to liquidity risk is determined through:

- regulatory limits
- internal limits

OTP banka d.d. is the only member of the Group that has the obligation to maintain the following regulatory liquidity indicators:

- minimum reserve
- liquidity coverage ratio
- requirement related to stable sources of funding

Minimum reserve
Minimum reserves are calculated on the liabilities of credit institutions towards the non-banking sector, i.e. the population, companies and the state. A reserve rate of 1% is set for liabilities with a maturity of up to two years, while a reserve rate of 0% applies to liabilities with a longer maturity and repo contracts.
Until September 2023, minimum reserve funds were remunerated at the ECB deposit rate, and then the rate was reduced to 0%.

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

Liquidity coverage ratio

In accordance with the Regulation 575/2013 of the European Parliament and the Delegated Commission Regulation (EU) No. 2015/61, the Bank is required to maintain the prescribed ratio of liquid assets and net liquid outflows (LCR) to a minimum of 100% since January 2018.

The liquidity coverage ratio (LCR) request as at 31 December 2023 and 31 December 2022 for the Bank is indicated in the table below:

	31/12/2023		31/12/2022	
	Amount	**Weighted amount**	**Amount**	**Weighted amount**
Liquidity buffer (HQLA)	**2,360.9**	**2,356.2**	**1,852.1**	**1,851.9**
Cash and reserves with the Central Bank	1,528.1	1,528.1	1,355.4	1,355.4
Total 1st and 2nd degree assets	832.8	828.1	496.7	496.5
Total net liquidity outflows	**7,224.6**	**1,241.5**	**6,670.1**	**896.7**
Inflows	**300.7**	**171.4**	**540.5**	**461.0**
Cash receivables from non-financial clients	262.0	141.1	153.8	82.7
Cash receivables from financial clients	23.4	23.4	185.3	185.3
Other inflows	15.3	6.9	201.4	193.0
Outflows	**7,525.3**	**1,412.9**	**7,210.6**	**1,357.6**
Retail deposits	4,670.1	357.2	4,607.3	74.1
Non-operational deposits	1,305.5	669.4	1,449.1	809.3
Other liabilities	1,549.7	386.3	1,154.2	474.2
Liquidity coverage ratio (%)_LCR	**190%**		**207%**	
Regulatory limit	100%		100%	
Internal minimum	110%		110%	
Internal optimum	120%		120%	

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

When managing a liquidity buffer in terms of a Liquidity Coverage Ratio requirement (LCR), and in order to ensure the security, liquidity and adequate diversification of its own investments, the Bank is guided by the requirements set out in Delegated Commission Regulation (EU) No. 2015/61 as well as by the provisions of the Bank's Liquidity Risk Management Procedure regarding the investment portfolio management. Accordingly, the management of the liquid assets portfolio recognized in the liquidity buffer includes:

- minimizing credit risk or loss risk due to default of the security issuer (or guarantor) by (i) pre-determining and constantly monitoring the issuers whose securities have already been purchased or can be purchased and (ii) diversifying the portfolio and limiting the investment by issuer so that the potential losses of individual securities are minimized,
- minimizing the risk of the market value of the securities in the portfolio decreasing due to changes in general interest rates, taking into account (i) that the portfolio is structured so that the securities mature in order to meet the cash requirements for current operations, avoiding the need to sell securities on the open market before maturity with a high transaction cost and (ii) investing operating assets primarily in short-term securities (limiting the maximum maturity or duration of the portfolio),
- not opening currency risks related to the portfolio of liquid foreign currency assets,
- achieving a competitive rate of return, given the constraints on credit, interest rate and currency risk mitigation and liquidity goals,
- portfolio diversification to reduce the risk of loss resulting from the concentration of assets in a particular type, currency, country or economic sector,
- assessing the marketability of the portfolio primarily through the possibility of collateralizing with the European Central Bank and then by examining the market situation of professional services at the Bank.

Requirement for stable sources of funding
Regulation (EU) 2019/876 of 20 May 2019 amending Regulation (EU) no. 575/2013 regarding the leverage ratio, the ratio of net stable sources of financing, regulatory capital requirements and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposure to collective investment undertakings, large exposures, requirements for reporting and disclosure, prescribes the bank's obligation to report on stable sources of financing (NSFR) whose minimum level is 100%.

Changes in net stable funding ratio requirements (NSFR) as at 31 December 2023 (unaudited) and 31 December 2022 (audited) for the Bank is indicated in the table below:

	31/12/2023	31/12/2022
Items providing stable funding sources	**6,371.8**	**6,092.2**
Items requiring stable funding sources	**4,233.0**	**4,208.4**
Net stable funding ratio requirements (%)_NSFR	**151%**	**145%**
Regulatory limit	100%	100%
Internal minimum	110%	110%
Internal optimum	120%	120%

**data for 2023 are unaudited*

In addition to the regulatory liquidity ratios indicated above, the Bank also uses a number of other internal indicators to help monitor short-term and long-term liquidity risk exposures based on the balance sheet structure (such as the net loan-to-deposit ratio, the share of liquid assets in total assets, the concentration of deposits received from an individual client and twenty largest depositors, and projected funding needs).
The aforementioned internal liquidity indicators are monitored and reported through Assets liability committee (ALCO) on monthly basis.

34. LIQUIDITY RISK (CONTINUED)

Stress testing
In order to meet the expected and unexpected cash needs, the liquidity management strategy includes planning for contingencies (local and global crises). Namely, the planned activities are continuously adjusted to the market situation, taking into account the structure of assets and liabilities and the maximum level of liquidity reserves.

The Bank prescribes and carries out stress tests of its liquidity, taking into account the factors specific for the Bank (crisis of the institution) as well as market factors (market crisis). Tests are conducted for shorter and longer periods of stressful circumstances with varying intensity of stressful circumstances: from normal (predictable or normal) circumstances to unusual (extreme) circumstances.

On a monthly basis, the Bank performs liquidity stress testing to determine and quantify its exposure to potential liquidity stress, analyzing potential effects on its liquidity position.

Stress tests consist of applying assumptions of development inside and outside the budget to inflows and outflows of client funds (with particular attention being paid to the concentration of deposits) and determining the net outflows of client funds under stress, which are compared to the liquid assets that can be obtained using the liquidity reserve and alternative sources of financing.

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

The table below represent the maturity analysis of discounted assets and liabilities as at 31 December 2023.

Group

As at 31 December 2023	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Undefined**	**Total**
Assets							
Cash and balances with Croatian National Bank	1,607.50	-	-	-	-	-	1,607.5
Financial assets at fair value through profit or loss	1.8	0.3	3	0.7	17.7	21.3	44.8
Loans and receivables from customers	417.0	278.9	799.5	1,323.7	2,971.1	-	5,790.2
Equity securities at fair value through other comprehensive income	-	-	-	-	-	18.3	18.3
Debt securities at fair value through other comprehensive income	299.7	32.1	54	155.5	74.8	-	616.1
Financial asset measured at amortised cost	-	0.1	0.8	22.1	219.3	-	242.3
Property and equipment	-	-	-	-	-	88.4	88.4
Right-of-use assets	0.3	1.0	2.6	8.0	3.5	-	15.4
Investment property	-	-	-	-	-	32.3	32.3
Intangible assets	-	-	-	-	-	15.3	15.3
Goodwill	-	-	-	-	-	0.6	0.6
Deferred tax assets	-	-	-	-	-	12.7	12.7
Other Assets	40.4	-	-	-	-	-	40.4
Aseets held for sale	-	-	0.8	-	-	-	0.8
Total assets	**2,366.7**	**312.4**	**860.7**	**1,510.0**	**3,286.4**	**188.9**	**8,525.1**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Undefined	Total
Liabilities							
Amounts due to other banks	20.0	-	-	-	-	-	20.0
Amounts due to customers	5,461.0	185.4	546.4	45.7	28.3	-	6,266.8
Other borrowed funds	4.9	18.8	134.9	309.1	548.5	-	1,016.2
Financial liabilities at fair value through profit or loss	1.3	0.3	3.1	0.7	26.2	-	31.6
Provisions for liabilities and charges	1.0	1.4	7.0	3.7	49.8	1.0	63.9
Lease liabilities classified under IFRS 16	0.3	1.0	2.6	8.2	3.7	-	15.8
Income tax liabilities	-	-	10.5	-	-	-	10.5
Other liabilities	73.9	-	-	-	-	-	73.9
Total liabilities	**5,562.4**	**206.9**	**704.5**	**367.4**	**656.5**	**1.0**	**7,498.7**
Net liquidity gap	**(3,195.7)**	**105.5**	**156.2**	**1,142.6**	**2,629.9**	**187.9**	**1,026.4**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

The table below represents the maturity analysis of discounted assets and liabilities as at 31 December 2022.

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Undefined	Total
Assets							
Cash and balances with Croatian National Bank	1,634.4	-	-	-	-	-	1,634.4
Loans and receivables from banks	18.5	-	-	-	-	-	18.5
Financial assets at fair value through profit or loss	0.8	1.6	2.9	0.8	18.2	22.8	47.1
Loans and receivables from customers	311.1	281.4	1,001.7	1,301.3	2,492.8	-	5,388.3
Equity securities at fair value through other comprehensive income	-	-	-	-	-	15.3	15.3
Debt securities at fair value through other comprehensive income	187.1	-	128.2	157.3	133.4	-	606.0
Financial asset measured at amortised cost	0.1	0.1	19.8	3.1	88.4	-	111.5
Investments in subsidiaries	-	-	-	-	-	86.3	86.3
Property and equipment	0.4	0.9	2.5	7.6	3.0	-	14.4
Right-of-use assets	-	-	-	-	-	18.6	18.6
Investment property	-	-	-	-	-	12.2	12.2
Intangible assets	-	-	-	-	-	0.6	0.6
Deferred tax assets	-	-	-	-	-	14.7	14.7
Other Assets	53.4	-	-	-	-	-	53.4
Assets held for sale	-	-	0.6	-	-	-	0.6
Total assets	**2,205.8**	**284.0**	**1,155.7**	**1,470.1**	**2,735.8**	**170.5**	**8,021.9**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

As at 31 December 2022	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Undefined**	**Total**
Liabilities							
Amounts due to other banks	159.3	-	-	-	-	-	159.3
Amounts due to customers	5,329.6	178.6	406.8	47.3	28.0	-	5,990.3
Other borrowed funds	3.4	108.0	102.9	108.6	421.4	-	744.3
Financial liabilities at fair value through profit or loss	3.3	1.6	2.8	0.9	17.7	-	26.3
Provisions for liabilities and charges	3.7	3.2	5.4	2.3	50.8	1.6	67.0
Lease liabilities classified under IFRS 16	0.4	1.0	2.5	7.7	3.2	-	14.8
Income tax liabilities	-	-	17.8	-	-	-	17.8
Other liabilities	50.3	-	-	-	-	-	50.3
Total liabilities	**5,550.0**	**292.4**	**538.2**	**166.8**	**521.1**	**1.6**	**7,070.1**
Net liquidity gap	**(3,344.2)**	**(8.4)**	**617.5**	**1,303.3**	**2,214.7**	**168.9**	**951.8**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

Bank

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Undefined	Total
Assets							
Cash and balances with Croatian National Bank	1,607.5	-	-	-	-	-	1,607.5
Financial assets at fair value through profit or loss	1.8	0.3	3.0	0.7	17.7	21.1	44.6
Loans and receivables from customers	408.8	254.0	685.9	1,121.3	2,862.0	-	5,332.0
Equity securities at fair value through other comprehensive income	-	-	-	-	-	18.3	18.3
Debt securities at fair value through other comprehensive income	299.7	32.1	54.0	155.5	74.8	-	616.1
Financial asset measured at amortised cost	-	0.1	0.8	22.1	219.3	-	242.3
Investments in subsidiaries	-	-	-	-	-	42.2	42.2
Property and equipment	-	-	-	-	-	45.8	45.8
Right-of-use assets	0.4	1.3	3.2	10.6	6.8	-	22.3
Investment property	-	-	-	-	-	9.5	9.5
Intangible assets	-	-	-	-	-	14.9	14.9
Deferred tax assets	-	-	-	-	-	11.1	11.1
Other Assets	18.7	-	-	-	-	-	18.7
Assets held for sale	-	-	0.1	-	-	-	0.1
Total assets	**2,336.9**	**287.8**	**747.0**	**1,310.2**	**3,180.6**	**162.9**	**8,025.4**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Undefined	Total
Liabilities							
Amounts due to other banks	20.0	-	-	-	-	-	20.0
Amounts due to customers	5,469.3	185.4	546.4	45.7	28.3	-	6,275.1
Other borrowed funds	3.0	2.3	8.7	121.3	415.7	-	551.0
Financial liabilities at fair value through profit or loss	1.3	0.3	3.1	0.7	26.2	-	31.6
Provisions for liabilities and charges	1.0	1.4	6.3	3.7	49.8	1.0	63.2
Lease liabilities classified under IFRS 16	0.4	1.2	3.2	10.9	7.3	-	23.0
Income tax liabilities	-	-	10.8	-	-	-	10.8
Other liabilities	60.7	-	-	-	-	-	60.7
Total liabilities	**5,555.7**	**190.6**	**578.5**	**182.3**	**527.3**	**1.0**	**7,035.4**
Net liquidity gap	**(3,218.8)**	**97.2**	**168.5**	**1,127.9**	**2,653.3**	**161.9**	**990.0**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

The table below represents the maturity analysis of discounted assets and liabilities as at 31 December 2022.

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Undefined	Total
Assets							
Cash and balances with Croatian National Bank	1,634.4	-	-	-	-	-	1,634.4
Loans and receivables from banks	18.5	-	-	-	-	-	18.5
Financial assets at fair value through profit or loss	0.8	1.6	2.9	0.8	18.2	19.2	43.5
Loans and receivables from customers	299.0	234.3	917.1	1,147.7	2,420.9		5,019.0
Equity securities at fair value through other comprehensive income	-	-	-	-	-	15.3	15.3
Debt securities at fair value through other comprehensive income	187.1	-	128.2	157.3	133.4	-	606.0
Financial asset measured at amortised cost	0.1	0.1	19.8	3.1	88.4	-	111.5
Investments in subsidiaries	-	-	-	-	-	42.2	42.2
Property and equipment	-	-	-	-	-	43.2	43.2
Right-of-use assets	0.4	1.2	3.1	10.2	7.0		21.9
Investment property	-	-	-	-	-	11.2	11.2
Intangible assets	-	-	-	-	-	11.9	11.9
Deferred tax assets	-	-	-	-	-	13.0	13.0
Other Assets	45.5	-	-	-	-	-	45.5
Total assets	**2,185.8**	**237.2**	**1,071.1**	**1,319.1**	**2,667.9**	**156.0**	**7,637.1**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

As at 31 December 2022	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Undefined**	**Total**
Liabilities							
Amounts due to other banks	159,3	-	-	-	-	-	159.3
Amounts due to customers	5,353.20	178.6	406.8	47.3	28.0	-	6.013.9
Other borrowed funds	3,5	2.1	8.4	16.0	338.5	-	368.5
Financial liabilities at fair value through profit or loss	3,3	1.6	2.8	0.9	17.7	-	26.3
Provisions for liabilities and charges	3,7	3.2	5.3	2.3	50.8	1.1	66.4
Lease liabilities classified under IFRS 16	0,4	1.2	3.0	10.5	7.5	-	22.6
Income tax liabilities	-	-	18.1	-	-	-	18.1
Other liabilities	40,9	-	-	-	-	-	40.9
Total liabilities	**5,564.3**	**186.7**	**444.4**	**77.0**	**442.5**	**1.1**	**6,716.0**
Net liquidity gap	**(3,378.5)**	**50.5**	**626.7**	**1,242.1**	**2,225.4**	**154.9**	**921.1**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

Table below present undiscounted cash flows for financial liabilities.

Group

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
As at 31 December 2023						
Liabilities						
Amounts due to other banks	20	-	-	-	-	20.0
Amounts due to customers	5,460.30	185.90	552.40	46.00	28.40	6,273.0
Other borrowed funds	8.5	26.2	173.1	392.1	602.0	1,201.9
Financial liabilities at fair value through profit or loss	1.3	0.3	3.1	0.7	26.2	31.6
Other liabilities	73.9	-	-	-	-	73.9
Total liabilities	**5,564.0**	**212.4**	**728.6**	**438.8**	**656.6**	**7,600.4**
As at 31 December 2022						
Liabilities						
Amounts due to other banks	159.3	-	-	-	-	159.3
Amounts due to customers	5,329.8	178.6	406.9	47.7	28.3	5,991.3
Other borrowed funds	3.6	111.4	117.2	149.4	455.8	837.4
Financial liabilities at fair value through profit or loss	3.3	1.6	2.8	0.9	17.7	26.3
Other liabilities	50.3	-	-	-	-	50.3
Total liabilities	**5,546.3**	**291.6**	**526.9**	**198.0**	**501.8**	**7,064.6**

(All amounts are expressed in millions of EUR)

34. LIQUIDITY RISK (CONTINUED)

Table below present undiscounted cash flows for financial liabilities.

Bank

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
As at 31 December 2023						
Liabilities						
Amounts due to other banks	20.0	-	-	-	-	20.0
Amounts due to customers	5,468.6	185.9	552.4	46.0	28.4	6,281.3
Other borrowed funds	5.6	6.5	37.6	187.0	464.1	700.8
Financial liabilities at fair value through profit or loss	1.3	0.3	3.1	0.7	26.2	31.6
Other liabilities	60.7	-	-	-	-	60.7
Total liabilities	**5,556.2**	**192.7**	**593.1**	**233.7**	**518.7**	**7,094.4**
As at 31 December 2022						
Liabilities						
Amounts due to other banks	159.3	-	-	-	-	159.3
Amounts due to customers	5,353.3	178.6	406.9	47.7	28.3	6,014.8
Other borrowed funds	3.5	4.5	20.1	50.4	372.0	450.5
Financial liabilities at fair value through profit or loss	3.3	1.6	2.8	0.9	17.7	26.3
Other liabilities	40.9	-	-	-	-	40.9
Total liabilities	**5,560.3**	**184.7**	**429.8**	**99.0**	**418.0**	**6,691.8**

Remaining maturity is related to period between reporting date and expected date of payment for receivables or liabilities.

35. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequately defined or improperly executed business process, human error, inappropriate system operation or as a result of external factors, including legal risk.

The Group / Bank’s activities in the area of managing operational risk are in line with the applicable regulations and good operational risk management practice, and are regularly revised to reflect any changes therein. Framework for managing operational risk at the Group / Bank is provided by the Operational Risk Management Rules, the Operational Risk Collection Procedure as well as the Procedure for Managing Key Risk Indicators, Procedure for conducting risk self-assessment and control mechanisms, Procedure for listing model risks, Procedure for conducting scenario analysis.

The Group / Bank defined the business continuity management strategy: Business Continuity Plan, as well as the Crisis Communication Handbook, that define the system supporting the continuity of operations in cases where they become temporarily discontinued as a result of an exceptional event.

Operational risks are managed in a decentralised manner so that the responsibility for managing operational risks rests with the managers and staff in charge of those organisational units in which operational risks are inherent to the activities performed by those units. They best understand, control and monitor the processes taking place in their organisational units and their duty is to ensure that the processes they manage follow appropriate procedures and are safe from the aspect of incurrence of operational risks. Operational risk management activities that are a joint responsibility of all the Bank's organisational units include the following: identification, measurement, assessment and analysis, as well as monitoring operational risks.

Department for Operational Risks operates as an independent unit within the Risk Management Division, Risk Control Directorate. Department for Operational Risks is responsible for: control and suggesting the set-up of the operational risk management environment and the rules governing this area, for collecting data about losses caused by operational risks, conducting analysis, documenting and preparing reports on operational risk events and providing assistance and support to all organizational units of the Bank and related companies in understanding the structured approach to managing operational risks. In order to obtain a full view of the Bank's exposure to the risk, an Operational Risk Management Committee has been established

In line with the decentralised operational risk management methodology, process owners are responsible for consistent identification and assessment of operational risks, followed by the establishment and implementation of measures for managing risks identified in the respective areas and processes for which they are responsible.

The Bank defined the Business Continuity Plan, as well as the Working Instructions for Convening the Crisis Staff, which establishes the system based on which business will be maintained even in cases where it is temporarily interrupted by an extraordinary event, and the acts in question cover the Bank's actions in the event of business interruptions and are also applicable to affiliated companies. Representatives of related companies are permanent members of the crisis headquarters and participate in the work of the crisis headquarters.

The Bank applies a simple approach to the calculation of the regulatory capital requirement for operational risk on a consolidated and individual basis.

(All amounts are expressed in millions of EUR)

36. RELATED PARTY TRANSACTIONS

The Bank is the parent of the OTP Bank Group in Croatia. The Bank considers to be immediately related to its key shareholders and their subsidiaries; its subsidiaries and associates; the investment funds managed by one of its subsidiaries, OTP invest d.o.o.; Supervisory Board members, Management Board members; key management personnel, close family members of the Management Board members; and entities controlled, jointly controlled or significantly influenced by members of the Supervisory Board, Management Bord, key management personnel and their close family members, in accordance with the definition contained in International Accounting Standard 24 *"Related Party Disclosures"* (IAS 24).

As at 31 December 2023, the Bank holds shares in the following open-end investment funds managed by OTP Invest d.o.o: OTP index fund, OTP global fund, OTP Absolute fund and OTP Start fund in the total amount of EUR 16.2 million (2022: EUR 17.0 million).

At the end of 2023 and during 2023, balances and the underlying transactions with related parties, excluding investments in subsidiaries and fund investments (Notes 13 and 17), were as follows:

Group	**31/12/2023**		**31/12/2022**	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
OTP Bank Nyrt Hungary	22.5	499.3	42.2	453.9
OTP Financing Malta	-	415.2	-	366.3
SKB Banka	0.1	-	-	4.8
OTP Bank Srbija	-	-	0.6	-
OTP Bank Romania S.A.	0.1	-	0.1	-
DSK Bank	1.3	-	-	0.1
Zelena nekretnina	-	0.6	-	0.7
OTP Group Hungary	**24.0**	**915.1**	**42.9**	**825.8**
Supervisory Board, Management Board and Key Management of the Bank and subsidiaries*	1.9	5.0	1.9	4.5
Total	**25.9**	**920.1**	**44.8**	**830.3**

*Amounts include receivables and liabilities for loans, deposits and interest.

	2023		**2022**	
	Income *	**Expenses***	**Income***	**Expenses***
OTP Bank Nyrt Hungary	160.3	210.8	45.1	37.2
OTP Financing Malta	-	10.9	-	2.9
SKB Banka	-	0.1	-	0.1
Shiwaforce	-	0.1	-	0.1
OTP Group Hungary	**160.3**	**221.9**	**45.1**	**40.3**
Supervisory Board, Management Board and Key Management of the Bank and subsidiaries**	-	6.7	-	6.4
Total	**160.3**	**228.6**	**45.1**	**46.7**

* includes income and expenses on loans, deposits, salary compensations and other contracted income

(All amounts are expressed in millions of EUR)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Group (continued)

Remuneration paid to key management of the Group and its related parties for 2023 amounted to EUR 6.5 million (2022: EUR 6.2 million) and are comprised of short-term benefits in amount of EUR 4.8 million (2022: EUR 5.2 million) and long-term benefits in cash in amount of EUR 1.7 million (2022: HRK 1.1 million).

As at 31 December 2023 the amount of deferred compensation liabilities to key management from previous years is EUR 1.5 million (2022: EUR 1.6 million). Included in key management personnel are Management Board members of the Bank and Senior management of the Group.

Remuneration paid to Supervisory Board members for 2023 amounted to EUR 0.2 million (2022: EUR 0.1 million).

Bank

	31/12/2023		31/12/2022	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
OTP Bank Nyrt Hungary	22.5	499.3	42.2	453.9
SKB Banka	0.1	-	-	4.8
OTP Bank Serbia	-	-	0.6	-
OTP Bank Romania S.A.	0.1	-	0.1	-
DSK Bank	1.3	-	-	0.1
Zelena nekretnina	-	0.6	-	0.7
OTP Group Hungary	**24.0**	**499.9**	**42.9**	**459.5**
OTP Leasing d.d.	-	4.9	6.5	13.5
OTP Nekretnine d.o.o.	4.3	2.6	0.1	9.6
OTP Invest d.o.o.	-	1.3	-	1.3
Cresco d.o.o.	0.5	0.1	-	0.7
OTP Group Croatia	**4.8**	**8.9**	**6.6**	**25.1**
*Supervisory Board, Management Bord and Key Management of the Bank and subsidiaries**	1.9	5.0	1.9	4.5
Total	**30.7**	**513.8**	**51.4**	**489.1**

*Amounts include receivables and liabilities for loans, deposits and interest and other.

(All amounts are expressed in millions of EUR)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Bank (continued)

	2023		2022	
	Income*	**Expenses ***	**Income***	**Expenses ***
OTP Bank Nyrt Hungary	160.3	210.8	45.1	37.2
OTP Financing Malta	-	-	-	0.4
SKB Banka	-	0.1	-	0.1
Shiwaforce	-	0.1	-	0.1
OTP Group Hungary	**160.3**	**211.0**	**45.1**	**37.8**
OTP Nekretnine d.o.o.**	1.2	2.7	0.6	2.5
OTP Leasing d.d.**	0.5	0.3	0.8	0.3
OTP Invest d.o.o.	0.2	0.3	0.1	0.1
Georg d.o.o.	-	-	0.1	-
OTP Group Croatia	**1.9**	**3.3**	**1.6**	**2.9**
*Supervisory Board, Management Bord and Key Management of the Bank and its related parties**	-	4.4	-	4.4
Ukupno	**162.2**	**218.7**	**46.7**	**45.1**

* includes income and expenses on loans, deposits, salary compensations and other contracted income
** costs of OTP Nekretnine and OTP Leasing include invoiced costs for assets managed under IFRS 16 and the income includes the dividend revenues

Remuneration paid to key management of the Bank and its related parties for 2023 amounted to EUR 4.2 million (2022: EUR 4.3 million) and are comprised of short-term benefits in amount of EUR 3.1 million (2022: EUR 3.5 million) and long-term benefits in cash in amount of EUR 1.1 million (2022: HRK 0.8 million).

As at 31 December 2023 the amount of deferred compensation liabilities to key management from previous years is EUR 1.0 million (2022: EUR 1.5 million). Included in key management personnel are Management Board members of the Bank and Senior management of the Bank.

Remuneration paid to Supervisory Board members for 2023 amounted to EUR 0.2 million (2022: EUR 0.1 million).

(All amounts are expressed in millions of EUR)

37. FUNDS MANAGED ON BEHALF OF THIRD PARTIES

The Group / Bank manages funds on behalf of third parties, which consist mainly of custody services and loans provided by one legal person to another through the Group / Bank as agent. These assets are accounted for separately from those of the Group / Bank, and the Group / Bank has no liability in connection with these transactions. The Group / Bank charges a fee for these services.

At 31 December 2023, funds managed by the Group / Bank on behalf of third parties amounted to EUR 24.5 million (2022: EUR 24.3 million). As at 31 December 2023, the total portfolio of securities of domestic and foreign clients the Group / Bank has under custody, including domestic pension and investment funds, amounted to EUR 11,810.31 million (2022: EUR 10,079.1 million), of which EUR 701.2 million refers to the Group's/Bank's subsidiaries (2022: EUR 658.0 million).

		Group		Bank
	2023	**2022**	**2023**	**2022**
OTP Bank Nyrt Hungary	580.9	530.1	580.9	530.1
OTP Invest d.o.o.	120.3	127.9	120.3	127.9
	701.2	**658.0**	**701.2**	**658.0**

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's-length transaction. Where available, fair value is based on quoted market prices. However, market prices for a significant portion of financial instruments of the Bank are not readily available. In circumstances where quoted market prices are not readily available, fair value is estimated using alternative techniques or financial assets are measured at cost, amortised cost or indexed cost.

Valuation techniques and assumptions for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined by reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- fair values of derivative financial instruments are calculated using quoted prices; where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivative financial instruments;
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three levels based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Group
2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Note 13)				
Units in open-end investment funds	-	18.3	-	18.3
VISA International preferred stock	-	-	3.0	3.0
Currency swaps and forward contracts	-	4.9	-	4.9
Interest rate swaps	-	18.6	-	18.6
	-	**41.8**	**3.0**	**44.8**
Financial assets at fair value through other comprehensive income (Note 15a and 15b)				
Listed investments				
Debt securities of Republic of Croatia	269.3	-	-	269.3
Debt securities of Foreign countries	47.1	-	-	47.1
Equity securities	6.8	-	11.1	17.9
Unlisted investments				
Treasury bills of National Bank of Hungary	299.7	-	-	299.7
Equity securities	-	-	0.4	0.4
	622.9	**-**	**11.5**	**634.4**
	622.9	**41.8**	**14.5**	**679.2**
Financial liabilities at fair value through profit or loss (Note 13)				
Currency swaps and forward contracts	-	4.4	-	4.4
Interest rate swaps	-	27.1	-	27.1
Option	-	0.1	-	0.1
	-	**31.6**	**-**	**31.6**
	622.9	**10.2**	**14.5**	**647.6**

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Note 13)				
Units in open-end investment funds	-	20.5	-	20.5
VISA International preferred stock	-	-	2.4	2.4
Currency swaps and forward contracts	-	5.2	-	5.2
Interest rate swaps	-	19.0	-	19.0
	-	**44.7**	**2.4**	**47.1**
Financial assets at fair value through other comprehensive income (Note 15a and 15b)				
Listed investments				
Debt securities of Republic of Croatia	350.0	-	-	350.0
Debt securities of Foreign countries	68.9	-	-	68.9
Equity securities	5.5	-	9.3	14.8
Unlisted investments				
Treasury bills of National Bank of Hungary	-	187.1	-	187.1
Equity securities	-	-	0.5	0.5
	424.4	**187.1**	**9.8**	**621.3**
	424.4	**231.8**	**12.2**	**668.4**
Financial liabilities at fair value through profit or loss (Note 13)				
Currency swaps and forward contracts	-	7.6	-	7.6
Interest rate swaps	-	18.5	-	18.5
Option	-	0.2	-	0.2
	-	**26.3**	**-**	**26.3**
	424.4	**205.5**	**12.2**	**642.1**

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Bank

2023

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (Note 13)				
Units in open-end investment funds	-	18.1	-	18.1
VISA International preferred stock	-	-	3.0	3.0
Currency swaps and forward contracts	-	4.9	-	4.9
Interest rate swaps	-	18.6	-	18.6
	-	**41.6**	**3.0**	**44.6**
Financial assets at fair value through other comprehensive income (Note 15a and 15b)				
Listed investments				
Debt securities of Republic of Croatia	269.3	-	-	269.3
Debt securities of Foreign countries	47.1	-	-	47.1
Equity securities	6.8	-	11.1	17.9
Unlisted investments				
Treasury bills of National Bank of Hungary	299.7	-	-	299.7
Equity securities	-	-	0.4	0.4
	622.9	**-**	**11.5**	**634.4**
	622.9	**41.6**	**14.5**	**679.0**
Financial liabilities at fair value through profit or loss (Note 13)				
Currency swaps and forward contracts	-	4.4	-	4.4
Interest rate swaps	-	27.1	-	27.1
Option	-	0.1	-	0.1
	-	**31.6**	**-**	**31.6**
	622.9	**10.0**	**14.5**	**647.4**

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (Note 13)				
Units in open-end investment funds	-	16.9	-	16.9
VISA International preferred stock	-	-	2.4	2.4
Currency swaps and forward contracts	-	5.2	-	5.2
Interest rate swaps	-	19.0	-	19.0
	-	**41.1**	**2.4**	**43.5**
Financial assets at fair value through other comprehensive income (Note 15a and 15b)				
Listed investments				
Debt securities of Republic of Croatia	350.0	-	-	350.0
Debt securities of Foreign countries	68.9	-	-	68.9
Equity securities	5.5	-	9.3	14.8
Unlisted investments				
Treasury bills of National Bank of Hungary	-	187.1	-	187.1
Equity securities	-	-	0.5	0.5
	424.4	**187.1**	**9.8**	**621.3**
	424.4	**228.2**	**12.2**	**664.8**
Financial liabilities at fair value through profit or loss (Note 13)				
Currency swaps and forward contracts	-	7.6	-	7.6
Interest rate swaps	-	18.5	-	18.5
Option	-	0.2	-	0.2
	-	**26.3**	**-**	**26.3**
	424.4	**201.9**	**12.2**	**638.5**

Fair value of financial assets and financial liabilities measured at fair value

Group’s / Bank’s financial assets are measured at fair value at the end of each reporting period. The table below provides the information about the fair value measurement of financial assets and liabilities (valuation techniques and the inputs to the techniques used).

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial assets and financial liabilities measured at fair value (continued)

Group

Financial asset / financial liabilities	Fair value as at 2023	Fair value as at 2022	Fair value level	Valuation method and key inputs	Significant unobservable inputs	Unobservable inputs in relation to fair value
1) Share in open-end investment funds (Note 13)	Which are held for trading: Assets: 18.3	Which are held for trading: Assets: 20.5	Level 2	The quoted purchase price by the fund established on the basis of net assets of the funds.	Not applicable	Not applicable
2) Currency swaps and forward contracts (Note 13)	Assets: 4.9 Liabilities: 4.4	Assets: 5.1 Liabilities: 7.6	Level 2	Discounted cash flow. Future cash flow is estimated by the forward rates available at the end of the reporting period and contracted forward rates, discounted using a rate reflecting the counterparty credit risk.	Not applicable	Not applicable
3) Interest rate swaps (Note 13)	Held for trading Assets: 17.6 Liabilities: 17.6 Fair value hedge: Assets: 1.0 Liabilities: 9.5 Cash flow hedge: Assets: - Liabilities: 0.1	Held for trading Assets: 19.0 Liabilities: 18.5 Fair value hedge: Assets: - Liabilities: - Cash flow hedge: Assets: - Liabilities: 0.1	Level 2	Discounted cash flow. Future cash flow is estimated by forward rates (from the yield curve available at the end of the reporting period) and contracted interest rates, discounted using a rate that reflects the counterparty credit risk.	Not applicable	Not applicable
4) Debt securities listed (Note 13 and Note 15)	Debt securities held for trading and are quoted in Croatia - issued by the Republic of Croatia: -	Debt securities held for trading and are quoted in Croatia - issued by the Republic of Croatia: -	Level 1	Prices quoted on an active market.	Not applicable	Not applicable
	Debt securities that are valued through other comprehensive income - issued by the Republic of Croatia: 269.3 - issued by foreign countries:47.1	Debt securities that are valued through other comprehensive income - issued by the Republic of Croatia: 350.0 - issued by foreign countries: 68.9	Level 1	Prices quoted on an active market.	Not applicable	Not applicable
5) Equity securities (Note 15)	Listed in Croatia - shares: - Listed abroad - shares: 6.8	Listed in Croatia - shares: - Listed abroad - shares: 5.5	Level 1	Prices quoted on an active market.	Not applicable	Not applicable
	Listed in Croatia - shares: 0.3 Listed abroad: - shares: 10.8	Listed in Croatia - shares: 0.4 Listed abroad: - shares: 11.3	Level 3	Prices quoted on an active market. Quoted ordinary share prices adjusted for conversion factor and estimated risk	Not applicable	Not applicable
	Not quoted: - shares: 0.4	Not quoted: - shares: 0.5	Level 3	Internally developed model based on residual income	Not applicable	Not applicable

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial assets and financial liabilities measured at fair value (continued)

Group

Financial asset / financial liabilities	Fair value as at 2023	Fair value as at 2022	Fair value level	Valuation method and key inputs	Significant unobservable inputs	Unobservable inputs in relation to fair value
6) Debt securities that are not quoted (Note 15)	Treasury bills issued by the Republic of Croatia: - Treasury bills of National Bank of Hungary: 299.7	Treasury bills issued by the Republic of Croatia: - Treasury bills of National Bank of Hungary: 187.1	Level 2	Discounted cash flow. Discounted by applying a rate that reflects the market interest rate, including the counterparty credit risk.	Not applicable	Not applicable

Bank

Financial assets / financial liabilities	Fair value as at 2023	Fair value as at 2022	Fair value level	Valuation method and key inputs	Significant unobservable inputs	Unobservable inputs in relation to fair value
1) Share in open-end investment funds (Note 13)	Which are held for trading: Assets: 18.1	Which are held for trading: Assets: 16.9	Level 2	The quoted purchase price by the fund established on the basis of net assets of the funds.	Not applicable	Not applicable
2) Currency swaps and forward contracts (Note 13)	Assets: 4.9 Liabilities: 4.4	Assets: 5.2 Liabilities: 7.6	Level 2	Discounted cash flow. Future cash flow is estimated by the forward rates available at the end of the reporting period and contracted forward rates, discounted using a rate reflecting the counterparty credit risk.	Not applicable	Not applicable
3) Interest rate swaps (Note 13)	<u>Held for trading</u> Assets: 17.6 Liabilities: 17.6 <u>Fair value hedge:</u> Assets: 1.0 Liabilities: 9.5 <u>Embedded derivative financial instruments - Options:</u> Assets: - Liabilities: 0.1	<u>Held for trading</u> Assets: 19.0 Liabilities: 18.5 <u>Fair value hedge:</u> Assets: - Liabilities: - <u>Embedded derivative financial instruments - Options:</u> Assets: - Liabilities: 0.1	Level 2	Discounted cash flow. Future cash flow is estimated by forward rates (from the yield curve available at the end of the reporting period) and contracted interest rates, discounted using a rate that reflects the counterparty credit risk.	Not applicable	Not applicable

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial assets and financial liabilities measured at fair value (continued)

Bank

Financial assets / financial liabilities	Fair value as at 2023	Fair value as at 2022	Fair value level	Valuation method and key inputs	Significant unobservable inputs	Unobservable inputs in relation to fair value
4) Debt securities listed (Note 13 and Note 15)	Debt securities held for trading and are quoted in Croatia - issued by the Republic of Croatia: -	Debt securities held for trading and are quoted in Croatia - issued by the Republic of Croatia: -	Level 1	Prices quoted on an active market.	Not applicable	Not applicable
	Debt securities that are valued through other comprehensive income - issued by the Republic of Croatia: 269.3 - issued by foreign countries: 47.1	Debt securities that are valued through other comprehensive income - issued by the Republic of Croatia: 350.0 - issued by foreign countries: 68.9	Level 1	Prices quoted on an active market.	Not applicable	Not applicable
5) Equity securities (Note 15)	Listed in Croatia - shares: - Listed abroad - shares: 6.8	Listed in Croatia - shares: - Listed abroad - shares: 5.5	Level 1	Prices quoted on an active market.	Not applicable	Not applicable
	Listed in Croatia - shares: 0.3 Listed abroad: - shares: 10.8	Listed in Croatia - shares: 0.4 Listed abroad: - shares: 11.3	Level 3	Prices quoted on an active market. Quoted ordinary share prices adjusted for conversion factor and estimated risk	Not applicable	Not applicable
	Unlisted: - shares: 0.4	Unlisted: - shares: 0.5	Level 3	Internally developed model based on residual income	Not applicable	Not applicable
6) Debt securities that are unlisted (Note 15)	Treasury bills issued by the Republic of Croatia: - Treasury bills of National Bank of Hungary: 299.7	Treasury bills issued by the Republic of Croatia: - Treasury bills of National Bank of Hungary: 187.1	Level 2	Discounted cash flow. Discounted by applying a rate that reflects the market interest rate, including the counterparty credit risk.	Not applicable	Not applicable

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial assets and financial liabilities of the Bank measured at fair value (continued)

Movement of Level 3 Financial Instruments at Fair Value
The fair value level of financial instruments is determined at the beginning of each reporting period. The following table shows the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities that are carried at fair value:

Group

Balance at 1 January 2022	12.8
Total gains and losses recognized in other comprehensive income	3.0
Total gains and losses recognized in profit and loss	(3.6)
Balance at 31 December 2022	**12.2**
Balance at 1 January 2023	**12.2**
Total gains and losses recognized in other comprehensive income	1.7
Total gains and losses recognized in profit and loss	0.6
Balance at 31 December 2023	**14.5**

Bank

Balance at 1 January 2022	12.8
Total gains and losses recognized in other comprehensive income	3.0
Total gains and losses recognized in profit and loss	(3.6)
Balance at 31 December 2022	**12.2**
Balance at 1 January 2023	**12.2**
Total gains and losses recognized in other comprehensive income	1.7
Total gains and losses recognized in profit and loss	0.6
Balance at 31 December 2023	**14.5**

Financial instruments not measured at fair value
In arriving at the fair value of these financial instruments certain assumptions, estimates and methods were used. Because of the relatively short period to maturity, the fair values of Loans and receivables from banks and Amounts due to other banks are considered not to differ significantly from their carrying amounts. For investments measured at amortized cost, corporate bonds with longer maturities are valued at quoted prices on the market or the price is derived by discounting cash flows, while for corporate bills of exchange, due to shorter maturities, it is assumed that the fair value does not differ significantly from their carrying amount.
The fair values of Loans and receivables from customers and Amounts due to customers were estimated using the expected future cash flows using as the discount rate the current average market rate for identical loans and deposits. Partly recoverable and fully irrecoverable loans and receivables were not considered in measuring the fair value because their recoverable amount is assumed to reflect their fair price. Because of the specific features of the credit lines provided by HBOR and their restricted transferability as well as the standardised terms and conditions HBOR applies to all commercial banks, the carrying amount of the credit lines is assumed to reflect their fair values.

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial instruments not measured at fair value (continued)

Group

Balance at 31/12/2023

	Note	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial asset						
Cash, current accounts with banks and funds with the Croatian National Bank	11	1,607.5	1,607.5	-	-	**1,607.5**
Loans and receivables from banks	12	-	-	-	-	**-**
Loans and receivables from customers	14	5,790.2	-	-	5,700.2	**5,700.2**
Investments at amortized cost	16	242.3	212	-	35.9	**247.9**
Financial liabilities						
Liabilities to other banks	23	20.0	20.0	-	-	**20.0**
Liabilities to customers	24	6,266.8	-	-	6,263.4	**6,263.4**
Other borrowed funds	25	1,016.2	-	1,093.2	-	**1,093.2**

Balance at 31/12/2022

	Note	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial asset						
Cash, current accounts with banks and funds with the Croatian National Bank	11	1,634.4	1,634.4	-	-	**1,634.4**
Loans and receivables from banks	12	18.5	18.5	-	-	**18.5**
Loans and receivables from customers	14	5,388.3	-	-	5,434.9	**5,434.9**
Investments at amortized cost	16	111.5	68.9	-	38.6	**107.5**
Financial liabilities						
Liabilities to other banks	23	159.3	159.3	-	-	**159.3**
Liabilities to customers	24	5,977.3	-	-	5,976.5	**5,976.5**
Other borrowed funds	25	744.3	-	775.1	-	**775.1**

(All amounts are expressed in millions of EUR)

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial instruments not measured at fair value (continued)

Bank

Balance at 31/12/2023

			Fair value			
	Note	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset						
Cash, current accounts with banks and funds with the Croatian National Bank	11	1,607.5	1,607.5	-	-	**1,607.5**
Loans and receivables from banks	12	-	-	-	-	**-**
Loans and receivables from customers	14	5,332.0	-	-	5,246.5	**5,246.5**
Investments at amortized cost	16	242.3	212.0	-	35.9	**247.9**
Financial liabilities						
Liabilities to other banks	23	20.0	20.0	-	-	**20.0**
Liabilities to customers	24	6,275.1	-	-	6,271.7	**6,271.7**
Other borrowed funds	25	551.0	-	603.2	-	**603.2**

Balance at 31/12/2022

			Fair value			
	Note	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset						
Cash, current accounts with banks and funds with the Croatian National Bank	11	1,634.4	1,634.4	-	-	**1,634.4**
Loans and receivables from banks	12	18.5	18.5	-	-	**18.5**
Loans and receivables from customers	14	5,019.0	-	-	5,061.1	**5,061.1**
Investments at amortized cost	16	111.5	68.9	-	38.6	**107.5**
Financial liabilities						
Liabilities to other banks	23	159.3	159.3	-	-	**159.3**
Liabilities to customers	24	6,000.8	-	-	6,000.0	**6,000.0**
Other borrowed funds	25	368.5	-	380.5	-	**380.5**

39. SUBSEQUENT EVENTS

After the end of the reporting period, there were no significant events that would affect the financial statements and the Group's operations.

Pursuant to the Accounting Act of the Republic of Croatia, the Croatian National Bank adopted a Decision on the structure and content of the Annual Financial Statements of credit institutions (Official Gazette 42/2018, 122/2020, 119/2021 and 108/2022).

In the following tables, the financial statements are presented in accordance with the aforementioned Decision.

(All amounts are expressed in millions of EUR)

Consolidated statement of profit or loss – unaudited

Group

In millions EUR	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2023	In accordance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Interest income	396.0	382.4	13.6	206.4	198.6	7.9
(Interest expense)	(161.4)	(44.4)	(117.0)	(30.8)	(8.8)	(22.0)
(Expenses on share capital repayable on demand)	-	-	-	-	-	-
Dividend income	0.2	-	0.2	0.1	-	0.1
Fee and commission income	92.6	92.6	-	83.1	83.1	-
(Fee and commission expense)	(24.9)	(24.9)	-	(19.9)	(19.9)	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	(0.9)	(0.9)	-
Gains or (-) losses on financial assets and liabilities held for trading, net	(48.0)	(151.8)	103.8	22.9	9.3	13.6
Gains or (-) losses on non-trading financial assets mandatory at fair value through profit or loss, net	4.2	4.2	-	(0.5)	(0.5)	(0.1)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-	-	-	-	-
Gains or (-) losses from hedge accounting, net	0.2	-	0.2	1.1	-	1.0
Exchange differences [gain or (-) loss], net	57.4	57.4	-	(6.1)	(6.1)	-
Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	-	-	-	-	-	-
Gains or (-) losses on derecognition of non-financial assets, net	-	-	-	-	-	-
Other operating income	17.5	18.1	(0.6)	21.8	14.7	7.1
(Other operating expenses)	(5.8)	-	(5.8)	(10.5)	-	(10.5)
Total operating income, net	**328.0**	**333.6**	(5.6)	**266.6**	**269.5**	**(2.9)**
(Administrative expenses)	(125.8)	(132.0)	6.2	(114.6)	(120.8)	6.2
(Cash contributions to resolution committees and deposit insurance schemes)	(2.7)	-	(2.7)	(3.7)	-	(3.7)
(Depreciation)	(24.4)	(24.4)	-	(26.4)	(26.4)	-
Modification gains or (-) losses, net				-	-	-
(Provisions or (-) reversal of provisions)	(4.9)	(5.8)	0.9	(10.7)	(10.7)	-
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	1.0	(0.2)	1.2	18.3	17.9	0.4
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	-	-	-	-	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	-	-	-	-	-	-
Negative goodwill recognised in profit or loss	-	-	-	-	-	-
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	-	-	-	-	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-	-	-	-
Profit or (–) loss before tax from continuing operations	**171.2**	**171.2**	-	**129.5**	**129.5**	-
(Tax expense or (-) income related to profit or loss from continuing operations)	30.8	30.8	-	(31.7)	(31.7)	-
Profit or (–) loss after tax from continuing operations	**140.4**	**140.4**	-	**97.8**	**97.8**	-
Profit or (-) loss after tax from discontinued operations	-	-	-	-	-	-
Profit or (-) loss before tax from discontinued operations	-	-	-	-	-	-
(Tax expense or (-) income related to discontinued operations)	-	-	-	-	-	-
Profit or (-) loss for the year	**140.4**	**140.4**	-	**97.8**	**97.8**	-
Attributable to minority interest (non-controlling interests)	2.3	2.3	-	3.1	3.1	-
Attributable to owners of the parent	138.1	138.1	-	94.7	94.7	-

Consolidated statement of other comprehensive income – unaudited

In millions EUR	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2023	In accordance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Profit or (–) loss for the year	**140,4**	**140,4**		**97.8**	**97.8**	**-**
Other comprehensive income (3. + 15.)	**9,1**	**9,1**		**(26.8)**	**(26.8)**	**-**
Items not to be reclassified to profit or loss (from 4. to 10. + 13. + 14.)	2.4	2.4	-	2.4	2.4	-
Tangible assets	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Actuarial gains or (-) losses on defined benefit pension plans	-	-	-	0.2	0.2	-
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Share of other recognised income and expense of entities accounted for using the equity method	-	-	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	2.9	2.9	-	2.7	2.7	-
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-	-	-	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-	-	-
Income tax relating to items that will not be reclassified	(0.5)	(0.5)	-	(0.5)	(0.5)	-
Items that may be reclassified to profit or loss (from 16. to 23.)	6.7	6.7	-	(29.2)	(29.2)	-
Hedges of net investments in foreign operations (effective portion)	-	-	-	-	-	-
Foreign currency translation	-	-	-	0.2	0.2	-
Cash flow hedges (effective portion)	-	-	-	-	-	-
Hedging instruments (not designated elements)	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	8.3	8.3	-	(35.7)	(35.7)	-
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-
Income tax relating to items that may be reclassifies to profit or (-) loss	(1.6)	(1.6)	-	6.3	3	-
Total comprehensive income for the year (1. + 2.; 25. + 26.)	**149.5**	**149.5**	**-**	**71.0**	**71.0**	**-**
Attributable to minority interest (non-controlling interest)	2.3	2.3	-	3.1	3.1	-
Attributable to owners of the parent	147.2	147.2	-	67.9	67.9	-

(All amounts are expressed in millions of EUR)

Presentation of the reconciliation of items presented in the Consolidated statement of profit or loss and Consolidated statement of other comprehensive income presented as part of the Annual Report and items presented in accordance with the CNB Decision.

Penalty interest income is presented as part of Interest income position in accordance with the Decision while in the Annual Report they are presented as part of Other operating income.

In accordance with the Decision, interest income from financial assets held for trading are presented in Interest income position, while in the Annual Report they are shown in Net (losses)/gains from valuation of financial assets measured through profit or loss.

In accordance with the Decision, penalty interest expenses are presented in the position Interest expenses, while in the Annual Report these expenses are presented in the item Other operating expenses.

In accordance with the Decision, interest expenses from financial liabilities held for trading and derivatives used as a hedging instrument are presented in Interest expense, while in the Annual Report they are presented in the item Net (losses)/gains from valuation of financial assets measured through profit or loss with the exception of interest expenses from derivatives used as a hedging instrument, which are shown in the Annual Report under the position "Interest income" together with interest income on this basis.

In accordance with the Decision, the dividend income included dividend income from equity instruments and investments in related companies, which is in the Annual Report presented in the position of other Operating income.

Gains / (losses) from hedge accounting are presented as separate position in accordance with the Decision, while in the Annual Report they are presented under the position Net (losses) / gains from valuation of financial assets measured through profit or loss.

Other operating income position according to the Annual Report includes income from collection of written-off receivables, penalty interest income, income from dividend of equity instruments, and includes costs of sold real estate, which according to the Decision are not included in this position.

In accordance with the Decision part of the Other expenses is presented as part of the Other operating expenses while in the Annual Report all other expenses and operating expenses are shown in the position of Other operating expenses, except for the costs of sold real estate, which are in the Annual Report included in Other operating income together with income from the sale of real estate and provisioning costs for other liabilities are shown under the item "Net gains/(losses) due to impairment and provisions".

In accordance with the Decision operating expenses (excluding other operating expenses) and employee expenses are presented in the Administrative expenditure position, while in the Annual Report, employee expenditure and other operating expenses are stated in separate positions.

In accordance with the Decision, the costs of cash contributions to resolution committees and deposit insurance systems are presented in a separate item, while in the Annual Report they are included in the position Other operating costs.

The position "Net gains/(losses) due to impairment and provisions" is presented as one position in the Annual Report, while in accordance with the Decision, the positions "Provisions or (-) cancellation of provisions" and "Impairment or (-) cancellation of impairment by financial assets that are not measured at fair value through profit or loss".

(All amounts are expressed in millions of EUR)

Consolidated statement of financial position – unaudited

Assets	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2023	In accordance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Cash, cash balances at central banks and other demand deposits	**272.2**	**1,607.5**	**(1,335.3)**	**1,454.2**	**1,652.9**	**(198.7)**
Cash on hand	187.8	187.8	-	230.8	230.8	-
Cash balances at central banks	65.3	1,400.6	(1,335.3)	1,180.8	1,361.0	(180.2)
Other demand deposits	19.1	19.1	-	42.6	61.1	(18.5)
Financial assets held for trading	**22.5**	**23.5**	**(1.0)**	**23.5**	**24.2**	**(0.7)**
Derivatives	22.5	23.5	(1.0)	23.5	24.2	(0.7)
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Non-trading financial assets mandatory at fair value through profit or loss	**21.3**	**21.3**	**-**	**22.9**	**22.9**	-
Equity instruments	21.3	21.3	-	22.9	22.9	-
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**634.4**	**634.4**	**-**	**621.3**	**621.3**	-
Equity instruments	18.3	18.3	-	15.3	15.3	-
Debt securities	616.1	616.1	-	606.0	606.0	-
Loans and advances	-	-	-	-	-	-
Financial assets at amortised cost	**7,405.6**	**6,032.5**	**1,373.1**	**5,758.0**	**5,499.8**	**258.2**
Debt securities	242.3	242.3	-	111.5	111.5	-
Loans and advances	7,163.3	5,790.2	1,373.1	5,646.5	5,388.3	258.2
Derivatives – Hedge accounting	**1.0**	**-**	**1.0**	**0.6**	-	**0.6**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-
Tangible assets	**136.9**	**136.1**	**0.8**	**115.6**	**119.3**	**(3.7)**
Intangible assets	**15.9**	**15.9**	**-**	**17.2**	**12.8**	**4.4**
Tax assets	**12.7**	**12.7**	**-**	**14.7**	**14.7**	-
Other assets	**7.5**	**40.4**	**(32.9)**	**4.3**	**53.4**	**(49.1)**
Non-current assets and disposal groups classified as held for sale	**-**	**0.8**	**(0.8)**	-	**0.6**	**(0.6)**
Total assets	**8,530.0**	**8,525.1**	**4.9**	**8,032.3**	**8,021.9**	**10.4**

(All amounts are expressed in millions of EUR)

Consolidated statement of financial position – unaudited (continued)

Liabilities	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2023	In accordance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Financial liabilities held for trading	**22.0**	**31.5**	**(9.5)**	**23.1**	**26.3**	**(3.2)**
Derivatives	22.0	31.5	(9.5)	23.1	26.3	(3.2)
Short positions	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	**0.1**	**0.1**	**-**	**0.2**	-	**0.2**
Deposits	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	0.1	0.1	-	0.2	-	0.2
Financial liabilities measured at amortised cost	**7,075.3**	**7,303.0**	**(227.7)**	**6,886.6**	**6,894.0**	**(7.4)**
Deposits	7,058.2	7,303.0	(244.8)	6,868.8	6,894.0	(25.2)
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	17.1	-	17.1	17.8	-	17.8
Derivatives – Hedge accounting	9.5	-	9.5	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-
Provisions	65.9	63.9	2.0	68.8	67.0	1.8
Tax liabilities	13.9	10.5	3.4	20.5	17.8	2.7
Share capital repayable on demand	-	-	-	-	-	-
Other liabilities	316.9	89.7	227.2	81.3	65.0	16.3
Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-
Total liabilities	**7,503.6**	**7,498.7**	**4.9**	**7,080.5**	**7,070.1**	**10.4**
Equity	539.2	539.2	-	530.1	530.1	-
Share premium	22.7	22.7	-	22.7	22.7	-
Equity instruments issued other than capital	-	-	-	-	-	-
Other equity	-	-	-	-	-	-
Accumulated other comprehensive income	0.8	0.8	-	(8.3)	(8.3)	-
Retained earnings	239.5	379.9	(140.4)	231.3	326.0	(94.7)
Revaluation reserves	-	-	-	0.2	0.2	-
Other reserves	67.9	67.9	-	67.5	67.5	-
(-) Treasury shares	-	-	-	-	-	-
Profit or loss attributable to owners of the parent company	140.4	-	140.4	94.7	-	94.7
(-) Interim dividends	-	-	-	-	-	-
Minority interests (Non-controlling interests)	15.9	15.9	-	13.6	13.6	-
Total equity	**1,026.4**	**1,026.4**	**-**	**951.8**	**951.8**	**-**
Total liabilities and equity	**8,530.0**	**8,525.1**	**4.9**	**8,032.3**	**8,021.9**	**10.4**

(All amounts are expressed in millions of EUR)

Unaudited presentation of the reconciliation of items presented in the Statement of financial position presented as part of the Annual Report and items presented in accordance with the CNB Decision:

Assets

In the Annual Report, the CNB's other deposits are presented in the Cash and balances with Croatian National Bank, while loans and receivables from banks are presented separately. In accordance with the Decision these positions are presented as part of Financial assets at amortized cost under the item Loans and advances.

In accordance with the Decision, the calculation assets by derivative financial instruments are presented in Other assets, and derivative financial instruments that are used as a hedging instrumentaccording to the Decision, presented in the derivative position - hedge accounting, while in the Annual Report they are presented in the position of Financial assets measured at fair value through profit or loss.

In accordance with the Decision, receivables for credit cards together with penalty interest rates for credit cards are presented as part of Financial assets at amortized cost under the item Loans and advances, while in the Annual Report they are partly presented in the position of Other assets, and partly in Loans and receivables form customers.

In accordance with the Decision, liabilities on loan payment accounts are presented as a part of Other liabilities, while in the Annual Report they are presented as a part of the Loans and receivables form customerst.

In accordance with the Decision, receivables from fees and penalty interest fees, paid advances, customer's receivables and other receivables are presented as part of Financial assets at amortized cost under the item Loans and advancesthe, while in the Annual Report they are stated as position Other assets.

In accordance with the Decision, the position of tangible assets shows investments in real estate that are shown in a separate note in the Annual Report, and part of the tangible assets for which the conditions for reclassification to assets intended for sale have been met, under which position it is reported in the Annual Report.

Liabilities

According to the Decision, derivatives relating to hedge accounting are presented in a separate position, while in the Annual Report they are presented under Financial liabilities held for trading.

In accordance with the Decision, bearer deposits and liabilities for received payments of founding shares in escrow accounts are stated in the position of Other Liabilities, while in the Annual Report they are stated as part of the Liabilities due to customers.

Lease liabilities (IFRS 16) and fee liabilities are recognized in accordance with the Decision in the position of Other financial liabilities, while in theAnnual Report they are presented under Other liabilities.

The positions "Liabilities to other banks", "Liabilities to customers" and "Other borrowed funds" are shown separately in the Annual Report, while in accordance with the Decision they are shown under the position "Financial liabilities measured at amortized cost", under the item "Deposits" .

In accordance with the Decision, liabilities for the payment of previously written-off deposits are presented as part of the Provisions, while in the Annual Report they are presented within the positions of Other liabilities.

In accordance with the Decision, in the position Tax liabilities under Current tax liabilities, are presented liabilities for value added tax and other tax liabilities, while in the Annual Report they are presented under the position Other liabilities, and input tax receivables which are in the Annual Report shown in the position Other assets.

Equity

In accordance with the Decision, the profit for year which belongs to the owners of the parent company is presented in a separate position, while in the Annual Report it is presented as part of the Retained earnings.

The following additional differences in the Statement of Financial Position are shown for the 2022:

Assets

Investments in other assets are shown in the position of intangible assets in accordance with the Decision, while in the Annual Report these investments are shown in the position of real estate, plant and equipment within tangible assets.

Liabilities

Liabilities in the calculation of derivative financial instruments in the report according to the Decision are shown in the position "Financial liabilities measured at amortized cost" under the item "Other financial liabilities", while in the Annual Report they are shown under Financial liabilities held for trading.

(All amounts are expressed in millions of EUR)

Consolidated statement of changes in equity – unaudited

2023	Capital	Share premium	Equity instruments issued other than	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Non-controlling interest		Total
												Accumulated Other Comprehensive Income	Other items	
Opening balance [before restatement]	**530.1**	**22.7**	**-**	**-**	**(8.3)**	**231.3**	**0.2**	**67.5**	**-**	**94.7**	**-**	**-**	**13.6**	**951.8**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	0.2	(0.2)	-	-	-	-	-	-	-
Opening balance [current period] (1. + 2. + 3.)	**530.1**	**22.7**	**-**	**-**	**(8.3)**	**231.5**	**-**	**67.5**	**-**	**94.7**	**-**	**-**	**13.6**	**951.8**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	9.1	-	-	-	-	-	-	-	-	-	-	-	-	9.1
Dividends	-	-	-	-	-	(75.0)	-	-	-	-	-	-	-	(75.0)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	94.7	-	-	-	(94.7)	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	-	(9.4)	-	0.4	-	-	-	-	-	(9.0)
Total comprehensive income for the year	-	-	-	-	9.1	-	-	-	-	138.1	-	-	2.3	149.5
Closing balance [current period] (from 4. to 20.)	**539.2**	**22.7**	**-**	**-**	**0.8**	**241.8**	**-**	**67.9**	**-**	**138.1**	**-**	**-**	**15.9**	**1,026.4**

(All amounts are expressed in millions of EUR)

Consolidated statement of changes in equity – unaudited (continued)

2022	Capital	Share premium	Equity instruments issued other than	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Non-controlling interest: Accumulated Other Comprehensive Income	Non-controlling interest: Other items	Total
Opening balance [before restatement]	**530.1**	**22.7**	**-**	**-**	**18.7**	**184.1**	-	**67.5**	**-**	**86.9**	**-**	**-**	**10.5**	**920.5**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period] (1. + 2. + 3.)	**530.1**	**22.7**	**-**	**-**	**18.7**	**184.1**	**-**	**67.5**	**-**	**86.9**	**-**	**-**	**10.5**	**920.5**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(39.8)	-	-	-	-	-	-	-	(39.8)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	86.9	-	-	-	(86.9)	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	-	0.1	-	-	-	-	-	-	-	0.1
Total comprehensive income for the year	-	-	-	-	(27.0)	-	0.2	-	-	94.7	-	-	3.1	71.0
Closing balance [current period] (from 4. to 20.)	**530.1**	**22.7**	**-**	**-**	**(8.3)**	**231.3**	**0.2**	**67.5**	**-**	**94.7**	**-**	**-**	**13.6**	**951.8**

(All amounts are expressed in millions of EUR)

Unaudited presentation of harmonized items from the Consolidated Report on Changes in Capital presented as part of the Annual Report and presented in accordance with the Decision of the CNB:

In the report according to the Decision, the increase in share capital is shown under the position Capital reduction, while in the Annual Report it is shown under the position Transfers between capital components.

In accordance with the Decision, the distribution of part of the profit from 2022 to legal reserves is shown under the position "Other increases or (-) reductions in capital", while in the Annual Report the same is shown under the position "Distribution of profit to reserves".

(All amounts are expressed in millions of EUR)

Consolidated statement of cash flows – unaudited

	2023	2022
Operating activities – indirect method		
Profit/(loss) before tax	171.2	129.5
Adjustments:		-
Impairment and provisions	5.8	(7.3)
Depreciation	24.4	26.4
Net unrealised (gains)/losses on financial assets at fair value through statement of profit or loss	156.4	13.6
Loss/(profit) from the sale of tangible assets	(4.4)	(1.1)
Other non-cash items	(389.8)	(178.5)
Changes in assets and liabilities from operating activities		
Deposits with the Croatian National Bank	180.0	111.9
Deposits with financial institutions and loans to financial institutions	24.8	(18.3)
Loans and advances to other clients	(458.5)	(762.8)
Securities and other financial instruments at fair value through other comprehensive income	(4.6)	127.7
Securities and other financial instruments held for trading	(132.8)	27.4
Securities and other financial instruments at fair value through statement of profit of loss, not traded	-	-
Securities and other financial instruments at fair value through statement of profit or loss	5.8	3.7
Securities and other financial instruments at amortized cost	(130.8)	(62.4)
Other assets from operating activities	12.5	(24.9)
Deposits from financial institutions	(153.2)	59.2
Transaction accounts of other clients	(186.7)	945.5
Savings deposits of other clients	174.9	(83.5)
Time deposits of other clients	310.0	(133.4)
Derivative financial liabilities and other traded liabilities	5.3	15.6
Other liabilities from operating activities	10.2	(13.2)
Interest received from operating activities [indirect method]	440.0	200.3
Dividends received from operating activities [indirect method]	-	0.1
Interest paid from operating activities [indirect method]	(36.1)	(7.3)
(Income taxes paid)	(38.1)	(14.2)
Net cash flow from operating activities	**(13.7)**	**354.0**
Investing activities		
Cash receipts from the sale / (payments for the purchase) of tangible and intangible assets	(36.0)	(17.5)
Cash receipts from the sale / (payments for the purchase) of investments in branches, associates and joint ventures	-	-
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	-	-
Dividends received from investing activities	-	-
Other receipts/(payments) from investing activities	0.2	-
Net cash flow from investing activities	**(35.8)**	**(17.5)**
Financing activities		
Net increase/(decrease) in loans received from financing activities	261.5	227.5
Net increase/(decrease) of debt securities issued	-	-
Net increase/(decrease) of Tier 2 capital instruments	-	-
Increase of share capital	-	-
(Dividends paid)	(75.0)	(39.8)
Other receipts/(payments) from financing activities		-
Net cash flow from financing activities	**186.5**	**187.7**
Net increase/(decrease) of cash and cash equivalents	**137.0**	**524.2**
Cash and cash equivalents at the beginning of period	**1,471.4**	**945.1**
Effect of exchange rate fluctuations on cash and cash equivalents	(0.9)	2.1
Cash and cash equivalents at the end of period	**1,607.5**	**1,471.4**

Presentation of the reconciliation of items presented in the Consolidated statement of cash flows as part of the Annual Report and items presented in accordance with the CNB Decision:

Impairment and provisions position from the Decision, is presented in four separate items in the Annual Report: „Losses/(gains) on loss allowance“,„Impairment of tangible assets“, assets taken in lieu and assets held for sale“, „Provisions for legal actions and off-balance sheet items“ and „Other provisions“.

The item "Profit / loss from the sale of tangible assets" includes "Gains / losses from the sale and write-off of property and equipment" and "Gains from the sale of assets held for sale" from the Annual Report.

In accordance with the Decision, the position „Other non-cash items” includes following items from Annual Report: interest income from the position „Interest income”, interest expenses from the position „Interest expense”, inventory write-offs and reversal of estimated costs from the position „Revenue from reversal of accrued expenses”, other operating expenses in the position „Other non-cash items”, other income and expenses, exchange rate differences in the position „Exchange rate differences” and realized loss on the sale of financial assets measured at fair value through other comprehensive income in the position „Net (gains)/losses on financial assets measured at fair value through other comprehensive income and the realized gain from the sale of financial assets measured at amortized cost in the position "Net (gains)/losses from financial assets measured at amortized cost".

The item „Financial assets and liabilities at fair value through profit or loss” as presented in the Annual Report is presented in accordance with the Decision as four separate items: „Securities and other financial instruments held for trading”, „Securities and other financial instruments that are not actively traded but are measured at fair value through profit or loss”, „Securities and other financial instruments that are obligatorily carried at fair value through profit or loss” and „Derivative financial liabilities and other liabilities held for trading”.

The item „Amounts due to customers“ as presented in the Annual Report is presented in accordance with the Decision as three separate items: „Transaction accounts of other clients“, „Savings deposits of other clients“ and „Time deposits of other clients“.

In accordance with the Decision, other banking institutions are presented as part of the „Deposits from financial institutions“, while in the Annual Report they are presented as part of „Liabilities to customers“ position.

The „Other liabilities from business activities“ position in accordance with the Decision is presented in two items in the Annual Report: „Other liabilities“ and „Payments from provisions for liabilities and charges“.

The „Cash receipts from the sale / payments for the purchase of tangible and intangible assets” position in accordance with the Decision is presented within five position in the Annual Report as „Purchases of tangible and intangible assets”, „Proceeds from sale of tangible and intangible assets”, “Purchases of assets held for sale”, “Proceeds from assets held for sale”, “Purchases of investment property.

The position "Dividends received from investment activities" in the Annual Report is divided into two items in accordance with the Decision: "Dividends received from business activities" and "Dividends received from investment activities".

The item „Net increase / decrease / of loans received from financing activities“ in accordance with the Decision is divided into two items in the Annual Report: „Repayment of lease liabilities (IFRS 16)“ and „Increase of other borrowed funds“.

Statement of profit or loss – unaudited

Bank

In millions EUR	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2023	In accrodance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Interest income	374.1	360.6	13.5	191.4	183.7	7.7
(Interest expense)	(149.5)	(32.5)	(117.0)	(28.4)	(6.4)	(22.0)
(Expenses on share capital repayable on demand)	-	-	-	-	-	-
Dividend income	1.2	-	1.2	0.7	-	0.7
Fee and commission income	90.8	90.8	-	81.5	81.5	-
(Fee and commission expense)	(25.2)	(25.2)	-	(20.1)	(20.1)	-
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. net	-	-	-	(0.8)	(0.8)	-
Gains or (-) losses on financial assets and liabilities held for trading. net	(48.0)	(151.8)	103.8	23.5	9.9	13.6
Gains or (-) losses on non-trading financial assets mandatory at fair value through profit or loss. net	4.2	4.2	-	(0.6)	(0.5)	(0.1)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss. net	-	-	-	-	-	-
Gains or (-) losses from hedge accounting. net	0.2	-	0.2	1.0	-	1.0
Exchange differences [gain or (-) loss]. net	57.4	57.4	-	(3.8)	(3.8)	
Gains or (-) losses on derecognition of investments in subsidiaries. joint ventures and associates. net	-	-	-	-	-	-
Gains or (-) losses on derecognition of non-financial assets. net	-	-	-	-	-	-
Other operating income	6.4	7.8	(1.4)	1.6	2.8	(1.2)
(Other operating expenses)	(5.3)	-	(5.3)	(2.1)	-	(2.1)
Total operating income. net	**306.3**	**311.3**	**(5.0)**	**243.9**	**246.3**	**(2.4)**
(Administrative expenses)	(115.5)	(121.1)	5.6	(105.5)	(111.2)	5.7
(Cash contributions to resolution committees and deposit insurance schemes)	(2.7)	-	(2.7)	(3.7)	-	(3.7)
(Depreciation)	(18.2)	(18.2)	-	(19.3)	(19.3)	-
Modification gains or (-) losses, net	-	-	-	-	-	-
(Provisions or (-) reversal of provisions)	(4.9)	(5.8)	0.9	(10.4)	(10.4)	-
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	(0.6)	(1.8)	1.2	14.1	13.7	0.4
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	-	-	-	-	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	-	-	-	-	-	-
Negative goodwill recognised in profit or loss	-	-	-	-	-	-
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	-	-	-	-	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-	-	-	-
Profit or (–) loss before tax from continuing operations	**164.4**	**164.4**	**-**	**119.1**	**119.1**	**-**
(Tax expense or (-) income related to profit or loss from continuing operations)	(29.6)	(29.6)	-	(29.4)	(29.4)	-
Profit or (–) loss after tax from continuing operations	**134.8**	**134.8**	**-**	**89.7**	**89.7**	**-**
Profit or (-) loss after tax from discontinued operations	-	-	-	-	-	-
Profit or (-) loss before tax from discontinued operations	-	-	-	-	-	-
(Tax expense or (-) income related to discontinued operations)	-	-	-	-	-	-
Profit or (-) loss for the year	**134.8**	**134.8**	**-**	**89.7**	**89.7**	**-**
Attributable to minority interest (non-controlling interests)	-	-	-	-	-	-
Attributable to owners of the parent	134.8	134.8	-	89.7	89.7	-

Statement of other comprehensive income – unaudited

In millions EUR	**In accrodance with Croatian National Bank decision 2023**	**According to IFRS 2023**	**Difference 2023**	**In accrodance with Croatian National Bank decision 2022**	**According to IFRS 2022**	**Difference 2022**
Profit or (–) loss for the year	134.8	134.8	-	89.7	89.7	-
Other comprehensive income (3. + 15.)	9.1	9.1	-	(27.1)	(27.1)	-
Items not to be reclassified to profit or loss (from 4. to 10. + 13. + 14.)	2.4	2.4	-	2.4	2.4	-
Tangible assets	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Actuarial gains or (-) losses on defined benefit pension plans	-	-	-	0.2	0.2	-
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Share of other recognised income and expense of entities accounted for using the equity method	-	-	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	2.9	2.9	-	2.7	2.7	-
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-	-	-	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-	-	-
Income tax relating to items that will not be reclassified	(0.5)	(0.5)	-	(0.5)	(0.5)	-
Items that may be reclassified to profit or loss (from 16. to 23.)	6.7	6.7	-	(29.5)	(29.5)	-
Hedges of net investments in foreign operations (effective portion)	-	-	-	-	-	-
Foreign currency translation	-	-	-	(0.1)	(0.1)	-
Cash flow hedges (effective portion)	-	-	-	-	-	-
Hedging instruments (not designated elements)	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	8.3	8.3	-	(35.7)	(35.7)	-
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-
Income tax relating to items that may be reclassifies to profit or (-) loss	(1.6)	(1.6)	-	6.3	6.3	-
Total comprehensive income for the year (1. + 2.; 25. + 26.)	143.9	143.9	-	62.6	62.6	-
Attributable to minority interest (non-controlling interest)	-	-	-	-	-	-
Attributable to owners of the parent	**143.9**	**143.9**	**-**	62.6	62.6	-

Unaudited presentation of the reconciliation of items presented in the Statement of profit or loss and Statement of other comprehensive income presented as part of the Annual Report and items presented in accordance with the CNB Decision:

Penalty interest income is presented as part of Interest income position in accordance with the Decision while in the Annual Report they are presented as part of Other operating income.

In accordance with the Decision, interest income from financial assets held for trading are presented in Interest income position, while in the Annual Report they are shown in Net (losses)/gains from valuation of financial assets measured through profit or loss.

In accordance with the Decision, penalty interest expenses are presented in the position Interest expenses, while in the Annual Report these expenses are presented in the item Other operating expenses.

In accordance with the Decision, interest expenses from financial liabilities held for trading and derivatives used as a hedging instrument are presented in Interest expense, while in the Annual Report they are presented in the item Net (losses)/gains from valuation of financial assets measured through profit or loss with the exception of interest expenses from derivatives used as a hedging instrument, which are shown in the Annual Report under the position "Interest income" together with interest income on this basis..

In accordance with the Decision, the dividend income included dividend income from equity instruments and investments in related companies, which is in the Annual Report presented in the position of other Operating income.

Gains / (losses) from hedge accounting are presented as separate position in accordance with the Decision, while in the Annual Report they are presented under the position Net (losses) / gains from valuation of financial assets measured through profit or loss.

Other operating income position according to the Annual Report includes income from collection of written-off receivables, penalty interest income, income from dividend of equity instruments, and includes costs of sold real estate, which according to the Decision are not included in this position.

In accordance with the Decision part of the Other expenses is presented as part of the Other operating expenses while in the Annual Report all other expenses and operating expenses are shown in the position of Other operating expenses, except for the costs of sold real estate, which are in the Annual Report included in Other operating income together with income from the sale of real estate and provisioning costs for other liabilities are shown under the item "Net gains/(losses) due to impairment and provisions".

In accordance with the Decision operating expenses (excluding other operating expenses) and employee expenses are presented in the Administrative expenditure position, while in the Annual Report, employee expenditure and other operating expenses are stated in separate positions.

In accordance with the Decision, the costs of cash contributions to resolution committees and deposit insurance systems are presented in a separate item, while in the Annual Report they are included in the position Other operating costs.

The position "Net gains/(losses) due to impairment and provisions" is presented as one position in the Annual Report, while in accordance with the Decision, the positions "Provisions or (-) cancellation of provisions" and "Impairment or (-) cancellation of impairment by financial assets that are not measured at fair value through profit or loss".

(All amounts are expressed in millions of EUR)

Statement of financial position – unaudited

Assets	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2022	In accordance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Cash, cash balances at central banks and other demand deposits	**272.2**	**1,607.5**	**(1,335.3)**	**1,454.1**	**1,652.9**	**(198.8)**
Cash on hand	187.8	187.8	-	230.8	230.8	-
Cash balances at central banks	65.3	1.400.6	(1,335.3)	1,180.7	1,360.9	(180.2)
Other demand deposits	19.1	19.1	-	42.6	61.2	(18.6)
Financial assets held for trading	**22.5**	**23.5**	**(1.0)**	**23.5**	**24.2**	**(0.7)**
Derivatives	22.5	23.5	(1.0)	23.5	24.2	(0.7)
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Non-trading financial assets mandatory at fair value through profit or loss	**21.1**	**21.1**	**-**	**19.3**	**19.3**	-
Equity instruments	21.1	21.1	-	19.3	19.3	-
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**634.4**	**634.4**	**-**	**621.3**	**621.3**	-
Equity instruments	18.3	18.3	-	15.3	15.3	-
Debt securities	616.1	616.1	-	606.0	606.0	-
Loans and advances	-	-	-	-	-	-
Financial assets at amortised cost	**6,932.5**	**5,574.3**	**1,358.2**	**5,382.6**	**5,130.5**	**252.1**
Debt securities	242.3	242.3	-	111.5	111.5	-
Loans and advances	6,690.2	5,332.0	1,358.2	5,271.1	5,019.0	252.1
Derivatives – Hedge accounting	1.0	-	1.0	**0.6**	**-**	**0.6**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	**-**	**-**	**-**
Investments in subsidiaries, joint ventures and associates	42.2	42.2	-	**42.2**	**42.2**	**-**
Tangible assets	**77.7**	**77.6**	**0.1**	**72.1**	**76.3**	**(4.2)**
Intangible assets	**14.9**	**14.9**	**-**	**16.1**	**11.9**	**4.2**
Tax assets	**11.1**	**11.1**	**-**	**13.0**	**13.0**	
Other assets	**5.0**	**18.7**	**(13.7)**	**3.3**	**45.5**	**(42.2)**
Non-current assets and disposal groups classified as held for sale	**-**	**0.1**	**(0.1)**	**-**	**-**	**-**
Total assets	**8,034.6**	**8,025.4**	**9.2**	**7,648.1**	**7,637.1**	**11.0**

(All amounts are expressed in millions of EUR)

Statement of financial position – unaudited (continued)

Liabilities	In accordance with Croatian National Bank decision 2023	According to IFRS 2023	Difference 2023	In accordance with Croatian National Bank decision 2022	According to IFRS 2022	Difference 2022
Financial liabilities held for trading	**22.0**	**31.5**	**(9.5)**	**23.1**	**26.3**	**(3.2)**
Derivatives	22.0	31.5	(9.5)	23.1	26.3	(3.2)
Short positions	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	**0.1**	**0.1**	**-**	**0.2**	-	**0.2**
Deposits	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	0.1	0.1	-	0.2	-	0.2
Financial liabilities measured at amortised cost	**6,625.7**	**6,846.1**	**(220.4)**	**6,542.1**	**6,541.7**	**0.4**
Deposits	6,601.3	6,846.1	(244.8)	6,516.4	6,541.7	(25.3)
Debt securities issued	-	-	-	-	-	-
Other financial liabilities	24.4	-	24.4	25.7	-	25.7
Derivatives – Hedge accounting	9.5	-	9.5	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	**65.2**	**63.2**	**2.0**	**68.1**	**66.4**	**1.7**
Tax liabilities	**12.7**	**10.8**	**1.9**	**19.2**	**18.1**	**1.1**
Share capital repayable on demand	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**309.4**	**83.7**	**225.7**	**74.3**	**63.5**	**10.8**
Liabilities included in disposal groups classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**7,044.6**	**7,035.4**	**9.2**	**6,727.0**	**6,716.0**	**11.0**
Equity	539.2	539.2	-	530.1	530.1	-
Share premium	22.7	22.7	-	22.7	22.7	-
Equity instruments issued other than capital	-	-	-	-	-	-
Other equity	-	-	-	-	-	-
Accumulated other comprehensive income	0.8	0.8	-	(8.3)	(8.3)	-
Retained earnings	224.6	359.4	(134.8)	219.5	309.2	(89.7)
Revaluation reserves	-	-	-	(0.1)	(0.1)	-
Other reserves	67.9	67.9	-	67.5	67.5	-
(-) Treasury shares	-	-	-	-	-	-
Profit or loss attributable to owners of the parent company	134.8	-	134.8	89.7	-	89.7
(-) Interim dividends	-	-	-	-	-	-
Minority interests (Non-controlling interests)	-	-	-	-	-	-
Total equity	**990.0**	**990.0**	**-**	**921.1**	**921.1**	**-**
Total liabilities and equity	**8,034.6**	**8,025.4**	**9.2**	**7,648.1**	**7,637.1**	**11.0**

Unaudited presentation of the reconciliation of items presented in the Statement of financial position presented as part of the Annual Report and items presented in accordance with the CNB Decision:

Assets

In the Annual Report, the CNB's other deposits are presented in the Cash and balances with Croatian National Bank, while loans and receivables from banks are presented separately. In accordance with the Decision these positions are presented as part of Financial assets at amortized cost under the item Loans and advances.

In accordance with the Decision, the calculation assets by derivative financial instruments are presented in Other assets, and derivative financial instruments that are used as a hedging instrumentaccording to the Decision, presented in the derivative position - hedge accounting, while in the Annual Report they are presented in the position of Financial assets measured at fair value through profit or loss.

In accordance with the Decision, receivables for credit cards together with penalty interest rates for credit cards are presented as part of Financial assets at amortized cost under the item Loans and advances, while in the Annual Report they are partly presented in the position of Other assets, and partly in Loans and receivables form customers.

In accordance with the Decision, liabilities on loan payment accounts are presented as a part of Other liabilities, while in the Annual Report they are presented as a part of the Loans and receivables form customerst.

In accordance with the Decision, receivables from fees and penalty interest fees, paid advances, customer's receivables and other receivables are presented as part of Financial assets at amortized cost under the item Loans and advancesthe, while in the Annual Report they are stated as position Other assets.

In accordance with the Decision, the position of tangible assets shows investments in real estate that are shown in a separate note in the Annual Report, and part of the tangible assets for which the conditions for reclassification to assets intended for sale have been met, under which position it is reported in the Annual Report.

Liabilities

According to the Decision, derivatives relating to hedge accounting are presented in a separate position, while in the Annual Report they are presented under Financial liabilities held for trading.

In accordance with the Decision, bearer deposits and liabilities for received payments of founding shares in escrow accounts are stated in the position of Other Liabilities, while in the Annual Report they are stated as part of the Liabilities due to customers.

Lease liabilities (IFRS 16) and fee liabilities are recognized in accordance with the Decision in the position of Other financial liabilities, while in theAnnual Report they are presented under Other liabilities.

The positions "Liabilities to other banks", "Liabilities to customers" and "Other borrowed funds" are shown separately in the Annual Report, while in accordance with the Decision they are shown under the position "Financial liabilities measured at amortized cost", under the item "Deposits" .

In accordance with the Decision, liabilities for the payment of previously written-off deposits are presented as part of the Provisions, while in the Annual Report they are presented within the positions of Other liabilities.

In accordance with the Decision, in the position Tax liabilities under Current tax liabilities, are presented liabilities for value added tax and other tax liabilities, while in the Annual Report they are presented under the position Other liabilities, and input tax receivables which are in the Annual Report shown in the position Other assets.

Equity

In accordance with the Decision, the profit for year which belongs to the owners of the parent company is presented in a separate position, while in the Annual Report it is presented as part of the Retained earnings.

The following additional differences in the Statement of Financial Position are shown for the 2022:

Assets

Investments in other assets are shown in the position of intangible assets in accordance with the Decision, while in the Annual Report these investments are shown in the position of real estate, plant and equipment within tangible assets.

Liabilities

Liabilities in the calculation of derivative financial instruments in the report according to the Decision are shown in the position "Financial liabilities measured at amortized cost" under the item "Other financial liabilities", while in the Annual Report they are shown under Financial liabilities held for trading.

(All amounts are expressed in millions of EUR)

Statement of changes in equity – unaudited

2023	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Non-controlling interest: Accumulated Other Comprehensive Income	Non-controlling interest: Other items	Total
Opening balance [before restatement]	**530.1**	**22.7**	-	-	**(8.3)**	**219.5**	**(0.1)**	**67.5**	-	**89.7**	-	-	-	**921.1**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	(0.1)	0.1	-	-	-	-	-	-	-
Opening balance [current period] (1. + 2. + 3.)	**530.1**	**22.7**	-	-	**(8.3)**	**219.4**	**-**	**67.5**	-	**89.7**	-	-	-	**921.1**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	9.1	-	-	-	-	-	-	-	-	-	-	-	-	9.1
Dividends	-	-	-	-	-	(75.0)	-	-	-	-	-	-	-	(75.0)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	89.7	-	-	-	(89.7)	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity		-	-	-	-	(9.5)	-	0.4	-	-	-	-	-	(9.1)
Total comprehensive income for the year	-	-	-	-	9.1	-	-	-	-	134.8	-	-	-	143.9
Closing balance [current period] (from 4 to 20)	**539.2**	**22.7**	-	-	**0.8**	**224.6**	**-**	**67.9**	-	**134.8**	-	-	-	**990.0**

(All amounts are expressed in millions of EUR)

Statement of changes in equity – unaudited (continued)

2022	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Non-controlling interest: Accumulated Other Comprehensive Income	Non-controlling interest: Other items	Total
Opening balance [before restatement]	**530.1**	**22.7**	-	-	**18.7**	**175.6**		**67.5**	-	**83.7**	-	-	-	**898.3**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period] (1. + 2. + 3.)	**530.1**	**22.7**	-	-	**18.7**	**175.6**		**67.5**	-	**83.7**	-	-	-	**898.3**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(39.8)	-	-	-	-	-	-	-	(39.8)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	83.7	-	-	-	(83.7)	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(27.0)	-	(0.1)	-	-	89.7	-	-	-	62.6
Closing balance [current period] (from 4. to 20.)	**530.1**	**22.7**	-	-	**(8.3)**	**219.5**	**(0.1)**	**67.5**	-	**89.7**	-	-	-	**921.1**

Unaudited presentation of harmonized items from the Report on Changes in Capital presented as part of the Annual Report and presented in accordance with the Decision of the CNB:

In the report according to the Decision, the increase in share capital is shown under the position Capital reduction, while in the Annual Report it is shown under the position Transfers between capital components.

In accordance with the Decision, the distribution of part of the profit from 2022 to legal reserves is shown under the position "Other increases or (-) reductions in capital", while in the Annual Report the same is shown under the position "Distribution of profit to reserves".

(All amounts are expressed in millions of EUR)

Statement of cash flows – unaudited

	2023	2022
Operating activities – indirect method		
Profit/(loss) before tax	164.4	119.1
Adjustments		-
Impairment and provisions	7.5	(2.9)
Depreciation	18.2	19.3
Net unrealised (gains)/losses on financial assets at fair value through statement of profit or loss	156.4	13.6
Loss/(profit) from the sale of tangible assets	(3.3)	(0.1)
Other non-cash items	(381.4)	(169.2)
Changes in assets and liabilities from operating activities		
Deposits with the Croatian National Bank	180.0	111.9
Deposits with financial institutions and loans to financial institutions	24.8	(18.3)
Loans and advances to other clients	(310.5)	(710.3)
Securities and other financial instruments at fair value through other comprehensive income	(4.6)	127.7
Securities and other financial instruments held for trading	(132.8)	27.4
Securities and other financial instruments at fair value through statement of profit of loss, not traded	-	-
Securities and other financial instruments at fair value through statement of profit or loss	2.4	3.7
Securities and other financial instruments at amortized cost	(130.8)	(62.4)
Other assets from operating activities	26.0	(29.0)
Deposits from financial institutions	(153.1)	59.2
Transaction accounts of other clients	(202.0)	961.4
Savings deposits of other clients	150.3	(85.6)
Time deposits of other clients	334.7	(133.3)
Derivative financial liabilities and other traded liabilities	5.3	15.6
Other liabilities from operating activities	6.7	(14.1)
Interest received from operating activities [indirect method]	356.4	180.6
Dividends received from operating activities [indirect method]	-	0.1
Interest paid from operating activities [indirect method]	(25.3)	(5.1)
(Income taxes paid)	(37.2)	(12.2)
Net cash flow from operating activities	**52.1**	**397.1**
Investing activities		
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	(13.8)	(15.8)
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	-	-
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	-	-
Dividends received from investing activities	1.2	0.6
Other receipts/payments from investing activities	-	-
Net cash flow from investing activities	**(12.6)**	**(15.2)**
Financing activities		
Net increase/(decrease) in loans received from financing activities	172.5	182.1
Net increase/(decrease) of debt securities issued	-	-
Net increase/(decrease) of Tier 2 capital instruments	-	-
Increase of share capital	-	-
(Dividends paid)	(75.0)	(39.8)
Other receipts/(payments) from financing activities	-	-
Net cash flow from financing activities	**97.5**	**142.3**
Net increase/(decrease) of cash and cash equivalents	**137.0**	524.2
Cash and cash equivalents at the beginning of period	**1,471.4**	**945.1**
Effect of exchange rate fluctuations on cash and cash equivalents	(0.9)	2.1
Cash and cash equivalents at the end of period	**1,607.5**	**1,471.4**

Presentation of the reconciliation of items presented in the statement of cash flows as part of the Annual Report and items presented in accordance with the CNB Decision:

Impairment and provisions position from the Decision, is presented in four separate items in the Annual Report: „Losses/(gains) on loss allowance“, „Impairment of tangible assets“, assets taken in lieu and assets held for sale“, „Provisions for legal actions and off-balance sheet items“ and „Other provisions“.

The item "Profit / loss from the sale of tangible assets" includes "Gains / losses from the sale and write-off of property and equipment" and "Gains from the sale of assets held for sale" from the Annual Report.

In accordance with the Decision, the position „Other non-cash items” includes following items from Annual Report: interest income from the position „Interest income”, interest expenses from the position „Interest expense”, inventory write-offs and reversal of estimated costs from the position „Revenue from reversal of accrued expenses”, other operating expenses in the position „Other non-cash items”, other income and expenses, exchange rate differences in the position „Exchange rate differences” and realized loss on the sale of financial assets measured at fair value through other comprehensive income in the position „Net (gains)/losses on financial assets measured at fair value through other comprehensive income and the realized gain from the sale of financial assets measured at amortized cost in the position "Net (gains)/losses from financial assets measured at amortized cost".

The item „Financial assets and liabilities at fair value through profit or loss” as presented in the Annual Report is presented in accordance with the Decision as four separate items: „Securities and other financial instruments held for trading”, „Securities and other financial instruments that are not actively traded but are measured at fair value through profit or loss”, „Securities and other financial instruments that are obligatorily carried at fair value through profit or loss” and „Derivative financial liabilities and other liabilities held for trading”.

The item „Amounts due to customers“ as presented in the Annual Report is presented in accordance with the Decision as three separate items: „Transaction accounts of other clients“, „Savings deposits of other clients“ and „Time deposits of other clients“.

In accordance with the Decision, other banking institutions are presented as part of the „Deposits from financial institutions“, while in the Annual Report they are presented as part of „Liabilities to customers“ position.

The „Other liabilities from business activities“ position in accordance with the Decision is presented in two items in the Annual Report: „Other liabilities“ and „Payments from provisions for liabilities and charges“.

The „Cash receipts from the sale / payments for the purchase of tangible and intangible assets” position in accordance with the Decision is presented within five position in the Annual Report as „Purchases of tangible and intangible assets”, „Proceeds from sale of tangible and intangible assets”, “Purchases of assets held for sale”, “Proceeds from assets held for sale”, “Purchases of investment property.

The position "Dividends received from investment activities" in the Annual Report is divided into two items in accordance with the Decision: "Dividends received from business activities" and "Dividends received from investment activities".

The item „Net increase / decrease / of loans received from financing activities“ in accordance with the Decision is divided into two items in the Annual Report: „Repayment of lease liabilities (IFRS 16)“ and „Increase of other borrowed funds“.