

13 MAY 2024

GENERAL ASSEMBLY

SUBJECT: REPORT ON THE STATE OF THE BANK IN 2023

1. Operating conditions of the Croatian economy and banking sector in 2023

The period leading up to the business year 2023 was marked by major global changes, such as the coronavirus epidemic starting in 2020, the end of which was declared only in the spring of 2023; and the continuation of the war in Ukraine and the still-present geopolitical tensions. Among the events that are significant for the Republic of Croatia and the market in 2023 is certainly the introduction of the Euro as the domicile currency and the entry into the Schengen area at the beginning of the year.

These events had the biggest influence on the inflation that characterized the previous period, and whose slowdown followed the reaction of central banks and the rise of interest rates. The increase in interest rates affected the growth of interest on both the loan side and the deposit side on the banking market. As a result of these measures, the Bank readily responded to the business opportunities of overnight terming of excess liquidity at high interest rates, and by continuously attracting new clients and monitoring their business needs it achieved a positive result in an unpredictable business environment. The growth of the deposit and loan portfolio is a reflection of the quality portfolio of products and services we provide to our clients, but also a reflection of the commitment of all employees to improve customer service and improve the Bank's position in every existing and new local market.

The Croatian banking sector is currently better capitalized compared to other countries in the surrounding area, which is certainly an important element of security and resistance to the potential banking crisis that occurred last year in the USA and Switzerland.

In the coming period, the market is faced with uncertainty from the lowering of reference interest rates by the ECB and the FED, and the main challenge will continue to be the adequate maintenance of the level of interest rates on the asset side and the monitoring of credit risk in order to maintain interest margins at the same level. Exposure to risks is continuously monitored, and in the coming period the Bank will also strive to reduce their impact on the business result by quality management methods, primarily credit and operational risk, and we

will continue the process of improving risk management by establishing a framework for identifying, managing and monitoring environmental and climate risks.

Croatia has a relatively favourable macroeconomic situation compared to other neighbouring countries, and in 2023 it achieved higher economic growth than a large number of other EU members. Macroeconomic indicators in Croatia for the end of 2023 are as follows:

- Real GDP 2.8%;
- Core inflation (measured by HIPC) 8.8%;
- Total inflation (measured by HIPC) 8.4%;
- Continued reduction of the unemployment rate to 6.4%;
- Growth of the nominal gross salary by 15.9%.

At the level of the banking sector, at the end of 2022, there were 20 banks and 1 housing savings bank. The merger process of Nova Hrvatska banka d.d. with Hrvatska poštanska banka d.d. ended on 3 July 2023, and the current number of active banks on the Croatian banking market was reduced to a total of 19 banks.

According to the aggregated consolidated statistical report from 31 December 2023, the total balance of credit institutions amounted to EUR 78.5 billion (which is an increase of 3.49% compared to 2022).

Table: Data on the operations of credit institutions as of 31 December 2023.

in '000 EUR and %

No.	Name	Total assets	Share in total assets in %	Total capital rate %
1.	Addiko Bank d.d.	2,204,908	2.81	33.91
2.	Agram banka d.d.	600,846	0.76	19.11
3.	Banka Kovanica d.d.	233,293	0.30	17.68
4.	Croatia banka d.d.	239,069	0.30	20.65
5.	Erste&Steiermärkische Bank d.d.	13,257,350	16.88	21.30
6.	Hrvatska poštanska banka d.d. ¹	7,046,053	8.97	22.51
7.	Imex banka d.d.	173,636	0.22	17.70
8.	Istarska kreditna banka Umag d.d.	745,829	0.95	20.12
9.	J&T banka d.d.	74,927	0.10	29.46
10.	Karlovačka banka d.d.	473,617	0.60	26.21
11.	KentBank d.d.	727,964	0.93	19.64

12.	OTP banka d.d.	8,034,563	10.23	20.84
13.	Partner banka d.d.	300,502	0.38	18.79
14.	Podravska banka d.d.	680,923	0.87	20.53
15.	Privredna banka Zagreb d.d.	16,160,364	20.57	28.24
16.	Raiffeisenbank Austria d.d.	6,599,598	8.40	19.93
17.	Samoborska banka d.d.	99,035	0.13	30.11
18.	Slatinska banka d.d.	234,871	0.30	17.48
19.	Wüstenrot stambena štedionica d.d.	297,643	0.38	16.26
20.	Zagrebačka banka d.d.	20,373,236	25.93	25.77
TOTAL FOR ALL CREDIT INSTITUTIONS		78.558.226	100,00	23.94

¹ Nova hrvatska banka d.d. was merged with Hrvatska poštanska banka d.d. on 3 July 2023

Source: Croatian National Bank

2. Business performance indicators in 2023

In 2023, the Bank achieved the following performance indicators:

- gross profit in the amount of EUR 1,286 thousand;
- net profit in the amount of EUR 900 thousand;
- total balance in the amount of EUR 234,874 thousand;
- amount of capital was EUR 21,154 thousand;
- amount of regulatory capital was EUR 22,951 thousand;
- regulatory capital rate (capital adequacy) was 17.48%;
- net interest income was EUR 8,821 thousand
- ROA indicator was 0.40%;
- ROE indicator was 3.86%.

In 2023, the Bank did not buy back its own shares.

3. Statement of profit or loss

In 2023, the Bank achieved a net profit of EUR 900,000, which is an increase of 11.25% compared to EUR 809,000 in 2022.

Table: Statement of profit or loss (in '000 EUR)

STATEMENT OF PROFIT OR LOSS	2023 EUR	2022 EUR	index 2023/2022
- Net interest income	8,821	6,846	128.85
- Net income from commissions and fees	1,337	1,274	104.95
- Other operating income	106	326	32.52
- Other operating expenses	-418	-390	107.44
- Administrative expenses	-7,216	-6,228	122.83
- Depreciation	-596	-550	108.36
Result before impairment and provisions	2,033	1,631	124.65
- Impairment and provisions	-747	-465	160.65
Gross profit	1,286	1,165	110.29
- Profit tax	-386	-357	108.12
Net profit	900	809	111.25

Source: Annual report of Slatinska banka d.d. Slatina

Compared to 2022, net interest income increased by 28.85%, i.e. by EUR 1,975,000, and at the end of 2023, it amounted to EUR 8,821,000. The growth of net interest income is a reflection of the growth of interest income and a higher volume of lending. Efficient management of liquidity sources along with terming excess liquidity at higher interest rates in the Croatian National Bank also contributed to the increase in interest income.

The share of interest income in total income as of 31 December 2023 is 83.08%, and interest income is the Bank's main income generator. Interest income grew by 35.66% in 2023, while interest expenses increased by 173.72% as a result of the deposit collection campaign. Interest expenses make up 8.85% of total expenses.

Net income from commissions and fees was realized in the amount of EUR 1,366 thousand, which is 4.92% more compared to 2022. Income from commissions and fees achieved a growth of 5.28% in 2023, while at the same time commission expenses recorded a growth of 6.16%.

Other income amounts to EUR 87 thousand and has increased by EUR 58 thousand compared to the same period of 2022, while other expenses are lower by EUR 3 thousand.

General and administrative expenses increased by 22.88% mainly due to inflationary pressures during 2023, but also due to the strengthening of the staff base by hiring experienced and professional staff to continue raising the quality of the Bank's business management. Depreciation costs increased by 8.48%.

The ROA indicator, i.e. the ratio of net profit to average assets in 2023 is 0.40% and remained at a similar level as in 2022 when it was 0.39%.

Provisioning and impairment costs in 2023 amount to EUR 747,000 and are EUR 364,000 higher than in 2022.

In accordance with its policies and procedures, the Bank conducts regular exposure assessments and makes adequate corrections to the value of the relevant exposures.

4. Assets and liabilities

The Bank's balance sheet as of 31 December 2023 is EUR 234.87 million, which is an increase of EUR 23.08 thousand or 10.90% compared to 2022.

The planned optimization of sources of funds, in accordance with the planned placement policy, is carried out to achieve profitability, while maintaining a high level of liquidity with the best possible capital allocation.

Loans and advances make up 57.90% of the Bank's assets and in 2023 they increased by EUR 9.16 million compared to 2022, mostly due to the increase in the level of placements in the economy.

In addition to monitoring the needs of citizens in the segment of retail banking, the Bank actively supports projects and investments of small and medium-sized entrepreneurs and commercial companies through various collaborations with CBRD and HAMAG, but also participates as a responsible member of the local community in various programs of local counties, cities and municipalities. The Bank regularly supports economic and agricultural fairs and activities of civil society organizations.

Deposits, which constitute the primary source of financing, together with received loans amount to EUR 206.95 million and have increased by EUR 19.32 million (10.30%) due to the growth of demand deposits and time deposits.

Below is a presentation of the sectoral structure of assets and liabilities:

Table: Sectoral structure of assets on 31 December 2023 (in '000 EUR)

	2023	%	2022	%
CORPORATE	63,792	27%	64,317	30%
- companies	51,882		52,365	
- private persons (craftsmen, family farms)	10,548		10,583	
- local self-government and non-profits	947		901	
- other	415		468	
RETAIL	67,105	29%	61,254	29%
FINANCIAL INSTITUTIONS	56,612	24%	42,811	20%
DEBT SECURITIES	33,727	14%	30,719	15%
OTHER PLACEMENTS AND ASSETS	13,634	6%	12,689	6%
TOTAL:	234,871	100%	211,790	100%

Source: Slatinska banka d.d. data.

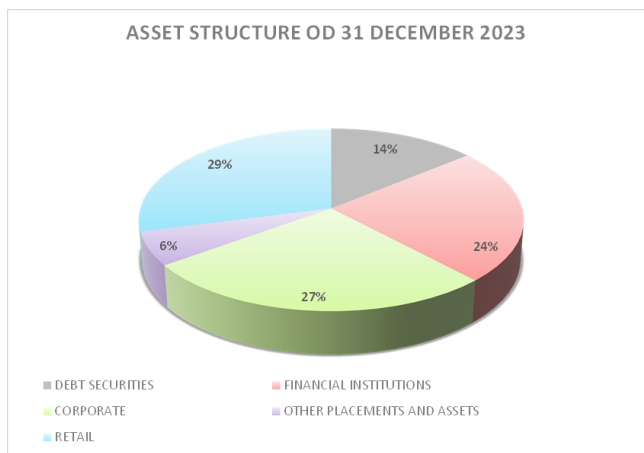
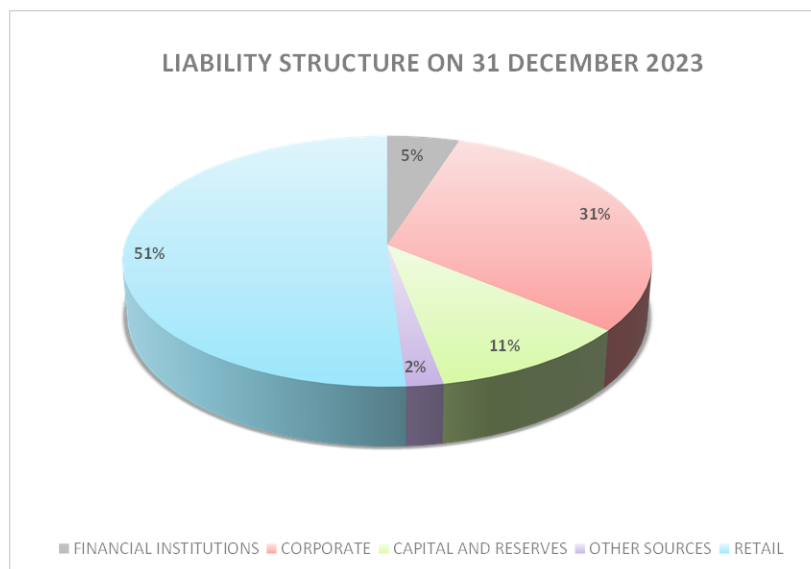


Table: Sectoral structure of liabilities on 31 December 2023 (in '000 EUR)

	2023	%	2022	%
RETAIL	121,559	51%	119,745	57%
CORPORATE	72,966	31%	55,231	26%
- companies	53,701		41,289	
- private persons (craftsmen, family farms)	9,937		8,714	
- local self-government and non-profits	9,329		5,227	
FINANCIAL INSTITUTIONS	11,366	5%	12,156	6%
OTHER SOURCES	3,826	2%	3,363	2%
CAPITAL AND RESERVES	25,154	11%	21,296	10%
TOTAL:	234,871	100%	211,790	100%

Source: Slatinska banka d.d. data.



5. Risks

Risk is defined as the possibility of the occurrence of events that may adversely affect the Bank's capital, revenues or sustainability and the achievement of goals.

Risk management is the entire process of identifying, assessing and monitoring risks, taking into account the Bank's goals and taking the necessary actions, with the aim of reducing risks.

Risk management in the Bank is carried out by the Credit Risk Management Sector, the Collection Sector and the Risk Sector.

Also, risk management is carried out in all business segments through an established system of internal controls.

In its operations, the Bank is exposed to the following risks:

- 1) Credit risk:
- 2) Market risks:
- 3) Interest rate risk in the book of non-traded positions,
- 4) Liquidity risk (liquidity financing risk, market liquidity risk):
- 5) Operational risk
- 6) Concentration risk,
- 7) Risk of excessive leverage,
- 8) Exposures to shadow banking entities,
- 9) Sustainability risk with an emphasis on environmental, social and management risks,
- 11) Other risks (dilution risk, securitization risk, management risk, model risk, credit valuation adjustment risk, free delivery risk, business risk, legal risk, migration risk, externalization risk, profitability risk, real estate investment risk, information system risk, settlement risk, risk of misconduct, sustainability risk with emphasis on environmental and climate risks compliance risk, residual risk, state risk, strategic risk, including new product risk, and business lines and other risks to which it is exposed or could be exposed in its business).

Total placements and contingent liabilities classified in 2023 increased from EUR 228,061 thousand to EUR 254,937 thousand.

Overall, impairments for losses on exposures and contingent liabilities increased from EUR 12,670,000 to EUR 12,690,000, as follows by risk stage:

- Stage 1 increase from EUR 1,356,000 to EUR 1,463,000
- Stage 2 reductions from EUR 284 thousand to EUR 149 thousand
- Stage 3 increases from EUR 11,030 thousand to EUR 11,077 thousand.

The share of NPLs by exposures classified as of 31 December 2023 is 8.07%, while it was 8.77% as of 31 December 2022.

The coverage of total placements in Stage 3 on 31 December 2023 was 53.85%, while on 31 December 2022 it was 55.17%.

The share of NPL by loan principal on 31 December 2023 was 10.14%, while on 31 December 2022 it was 10.28%.

Loan coverage in Stage 3 on 31 December 2023 was 37.97%, while on 31 December 2022 it was 40.62%.

6. Disputes against the Bank

As at 31 December 2023, there are several court claims currently being held against the Bank; they are all of lesser value except the claim initiated by Jugobanka d.d., in bankruptcy, Belgrade. The Commercial court in Bjelovar rendered its verdict on 19 June 2008 (Decision VP-167/08-27), whereby the claim of the plaintiff was dismissed as baseless. Appeal was filed against this Decision. At the same time, the plaintiff brought forward a claim for temporary court injunction, to which claim the High Commercial Court of the Republic of Croatia rendered its verdict on 3 June 2008, Decision Pž-3109/08-4, whereby the claim of the plaintiff was dismissed as baseless, and the Decision of the Commercial court in Bjelovar was held up.

The High Commercial Court also rendered its verdict on the claim of the plaintiff, as well as the Decision 53 Pž-6092/08-3 as of 30 October 2012, amending a part of the judgment of the Commercial Court in Bjelovar with respect to the question of annulment of the Contract dated 26 October 1992 and decided the Contract is null and void. At the same time, the High Commercial Court dismissed the remainder of the first-instance judgment pertaining to damage claims through a separate decision, feeling that these issues have not been sufficiently argued on, and the case in that part was returned to the Commercial Court in Bjelovar for re-trial, noting that it should be ascertained whether there are any basis for damage compensation, especially due to and with respect to objection to expiration of statute of limitations.

The Bank lodged a request for revision against this Decision, due to erroneous use of material law and significant breaches of civil case provisions. In the re-trial, the Commercial Court in Bjelovar rendered its verdict Reg. No. 5 P-9/2013-33 dated 1 August 2013, whereby the plaintiff's claims were dismissed in full as baseless. The plaintiff lodged an appeal against the above ruling. The procedure of the second instance before the High Commercial Court of the Republic of Croatia is on-going.

Croatian Supreme Court, by judgment of 7 May 2014, No Revt 156 / 13-2, reversed the judgment of the High Commercial Court of the Republic of Croatia number: 52,Pž-6092 / 08-3 of 30 October 2012 in the way that the part of the judgment of the Commercial Court in Bjelovar the number P-167 / 08-27 of 19 June 2008, which denied request to establish the nullity of the Assumption Agreement the rights and obligations of 26 October 1992 had dismissed the appeal of the plaintiff as unfounded and in that part confirmed the first-instance judgment. This made the decision of the Commercial Court in Bjelovar on 19 June 2008 in respect of the rejection of the claim Jugobanka a.d., in bankruptcy, Belgrade, for the nullity of the Treaty established in 1992 legal and final.

In October 2016, the Bank received Resolution from High Commercial Court of the Republic of Croatia, No. Pž-8979/2013-2 of 15 September 2016 which denied the appeal of Jugobanka a.d. in bankruptcy, Belgrade, and confirmed the judgment of the Commercial court in Bjelovar No. P-9/13-33 of 1 August 2013 which rejected the entire plaintiff's claim for damages. To the specified judgment Jugobanka a.d. in bankruptcy, Belgrade, submitted a request for revision on the Supreme Court of the Republic of Croatia. On the plaintiff's revision, the Bank submitted a response which denies all the audit states, and audit has not been resolved until the day of the adoption of the financial statements.

The Bank has made provisions for said case in accordance with Article 8 of the Decision on obligatory provisions of assets for court claims against credit institutions (OG 1/09, 75/09, 2/10 and 139/22). Provisions are going to remain in place until the Bank, in relation to the claim for damages, does not receive a final judgment in its favour, or judgment, by which would plaintiff's claim be legally rejected in its entirety as unfounded.

7. Business network and employees

On 31 December 2023 the Bank operated through a business network of 14 branches in the counties of: Virovitica-Podravina, Osijek-Baranja, Požega-Slavonija, Brod-Posavina, Bjelovar-Bilogora, Koprivnica-Križevci, Primorje-Gorski Kotar, the City of Zagreb and expanded its operations to Split-Dalmatia county by opening a credit office in Split.

In addition to providing services to clients through the branch network, banking services are available through the ATM network and other distribution channels such as Internet banking, mobile banking and the network of EFTPOS devices.

On 31 December 2023, the Bank had the same number of employees as at the end of 2022, i.e. a total of 179 employees.

The Bank's Management recognizes employees as a key element of the institution's development and success.

As in previous years, the Management Board of Slatinska banka d.d. Slatina ensures and implements continuous professional development and training of the Bank's employees, and considerable funds are invested in the area of human resources management.

Following EBA and CNB guidelines, the Bank is working on new models for rewarding employees and monitoring their performance.

8. General Assembly and Supervisory Board

The Bank's Supervisory Board examined the Bank's Annual Financial Statements for 2023, the Bank's Status Report and the Proposal for a decision on the allocation of the Bank's profits made in 2023, sent to it by the Bank's Management Board.

The Supervisory Board had no objections to the submitted reports and determined that the Annual Financial Statements (statement of profit or loss, statement of financial position, statement of cash flows, statement of changes in equity and notes to the financial statements) were made in accordance with the state in the business books and that they show accurate assets and business condition of the Bank, which was confirmed by the external auditor PKF FACT revizija d.o.o., Zagreb, which audited the financial statements for the year 2023.

The Supervisory Board accepted the Management Board's report on the state of the Bank and agreed that the realized profit of the Bank in 2023 in the amount of EUR 900,078.61 should be allocated to retained earnings, and such a proposal would be submitted to the General Assembly for adoption.

9. Work of the Management Board

In accordance with the provisions of the Bank's Statute, it is prescribed that the Management Board consists of two to five members.

The decision on the number of members of the Management Board is made by the Supervisory Board of the Bank.

On 31 December 2023 there were three members (President of the Management Board and two members of the Management Board) performing the tasks of the Management Board.

The Bank's Management Board during 2023, i.e. in the period from 01 January 2023 to 21 March 2023 had the following composition:

Andrej Kopilaš, President of the Management Board

Marin Prskalo, member of the Management Board

Oliver Klesinger, member of the Management Board

Mr. Marin Prskalo resigned from the position of member of the Management Board on 21 March 2023, after which the Supervisory Board considered potential candidates in accordance with the succession plan and, after assessing their suitability, appointed Damir Kaluđer as a new member of the Management Board.

After obtaining the consent of the CNB, the Bank's Management Board in the period from 12 October 2023. until 31 December 2023 had the following composition:

Andrej Kopilaš, President of the Management Board

Oliver Klesinger, member of the Management Board

Damir Kaluđer, member of the Management Board

The Management Board has organized committees that provide support to the Bank's Management Board in the implementation of the Bank's strategic goals and operations.

The Bank's professional services, including internal audit, finance and other control functions, regularly reported to the Bank's Management Board, which, based on submitted reports, recommendations and proposals, adopted and made business decisions and undertook certain procedures.

The Management Board is constantly improving its business policy to strengthen the capital position, greater profitability and high-quality liquidity, all based on the expert proposals of the executive management and control functions and other functions that affect the Bank's risk profile (identified employees in line with EBA guidelines).

After a multi-year evaluation of the work, and based on the Bank's achieved results in the past years, which exceed the planned goals, the Supervisory Board, based on the Remuneration Policy that was valid for the years in question, and which was adopted by the General Assembly, made a decision that the President of the Management Board, Mr. Andrej Kopilaš and member of the Management Board Mr. Oliver Klesinger are awarded for the achieved business results in the previous period for years 2017, 2018, 2020, 2021 and 2022.

The decision to pay the annual award was made after the following was determined:

- a positive result was achieved in the years in question;
- the auditor has no remarks, or other facts that could point to the correctness of the Bank's financial statements for the years in question;
- the Bank has not and does not apply any recovery option defined in its Recovery Plans;
- in no year did the Bank's risk profile deteriorate;
- individual goals were achieved

Variable remuneration was paid by transferring own shares in accordance with the provisions of the CNB Decision and the Remuneration Policy, which encourage this form of payment of variable remuneration.

It was decided that the annual award will be paid in own shares, and 50,165 own shares will be transferred, representing 5.46% of the Bank's share capital.

The net value of the payment of the annual award is calculated based on Art. 22, paragraph 1 of the Income Tax Ordinance (OG 10/17. – 1/21.) and thus the method of determining the market value of remuneration in kind is established.

10. Business plan for 2024

In accordance with the trends in the economy during 2023 and macroeconomic and economic forecasts for the next period, the Bank has set the following planned goals for 2024 in its operations:

- achievement of a positive result at the level of EUR 1,062.4 thousand gross;
- achieving a balance sheet level of EUR 259,071 thousand;
- maintaining a relatively high level of coverage of business expenses with net interest income;
- optimization of the Bank's balance sheet, primarily in the segment of sources of funds, to realise the planned business model;

Main assumptions of the plan:

- Continuation of the Bank's moderate organic growth based on the increase of capital reserves from retained earnings, taking into account macroeconomic conditions.

In the assets part:

- Considering the market projections of the reference interest rates of the FED and the ECB and their maintenance at elevated levels for most of the year, the Bank still plans to hold excess liquidity on overnight maturities at the CNB;
- Increase in the Bank's credit activity in the Corporate segment with stable placement growth in the Retail segment;
- Development of new credit and other products of the Bank along with improvement of the existing ones to bring the Bank closer to a larger base of potential users;
- Diversification of part of the portfolio by holding in securities with a slight increase in the size of the portfolio;
- Continued reduction of NPL exposure (orderly restructuring, sale of receivables, collection).

In the liabilities part:

- Further collection of deposits with gradual reduction of offered interest rates in all segments.

In terms of income and expenses:

- A slight increase in the Bank's operating income with expected increased interest income, but relatively higher interest expenses;
- Continuation of investment in employees and continuation of the investment cycle in the central IT system and further digitization and modernization of operations.

In order to achieve all set activities in 2024, the Bank's operations will be focused on further maintaining stability, capital security, sustainability of long-term operations and preserving a positive business image, even greater transparency, as well as permanent support for the development of the community in which the Bank operates.

11. Statement on the application of the Corporate Governance Code

Pursuant to the provisions of Article 272.p of the Companies Act and Article 22 of the Accounting Act, the Management Board of SLATINSKA BANKA d.d. declares that the Bank voluntarily applies the Code of Corporate Governance, which was jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (ZSE), on whose websites it was published.

The annual questionnaire will be available on the Bank's website, www.slatinska-banka.hr and the website of the Zagreb Stock Exchange, www.zse.hr. The bank follows and applies the prescribed measures of corporate governance, with explanations of individual exceptions within the questionnaire where appropriate.

The Bank has established an internal control system that is realized through the parallel operation of four mutually independent functions: risk control functions, compliance monitoring functions, internal audit functions, and anti-money laundering and terrorist financing functions. The main features of the Bank's internal control system are reflected in the independent holders of control functions. responsible for the identification, assessment and management of risks, including the risk control and compliance function, while internal audit oversees the entire operations of the Bank.

Information on the implementation of internal supervision and risk management, as well as information on the Bank's shareholders, are contained in the Notes to the financial statements.

The most significant shareholders of the Bank on the 31 December 2023 are:

SB-S D.D./REDOVNA DIONICA SNBA-R-A

Vlasnik/nositelj računa/Suovlaštenik/imatelj VP

1. HITA-VRIJEDNOSNICE D.D. (32998446701)/SAJBAR LEVEL INS DOO (40517889968)
2. AU79 CAPITAL KORLATOLT FELELOSSEGU TARSASAG (07493097393)
3. INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O. (68481874507)/2M CONSULTING D.O.O. (95048303968)
4. KOPIĆ VLATKO (08497786541)
5. SOKAČIĆ DRAGUTIN (57453085196)

Management and Supervisory Board

The powers of the Bank's Management Board and Supervisory Board are regulated by the relevant legal regulations and the Bank's Statute. The procedure for appointing, or electing, as well as recalling members of the Management Board and the Supervisory Board is prescribed by the Companies Act, the Credit Institutions Act and the Bank's Statute.

Management Board

In accordance with the provisions of the Bank's Statute, it is prescribed that the Management Board consists of two to five members. The decision on the number of members of the Management Board is made by the Supervisory Board of the Bank.

The president and members of the Bank's Management Board are appointed by the Bank's Supervisory Board for a term of four years, with the prior consent of the Croatian National Bank. Members of the Bank's Management Board must meet the conditions for holding the position of a member of the Management Board prescribed by the Companies Act, the Credit Institutions Act and relevant by-laws and internal acts of the Bank (suitability, good reputation, necessary professional knowledge and ability, requirement for continuous education, experience, avoidance of conflicts interests and the requirement for commitment to fulfilling duties). The members of the Management Board must together have the professional knowledge, abilities and experience necessary for the independent management of the affairs of the credit institution.

The suitability of an individual member of the Bank's Management Board for the performance of the relevant function represents the extent to which that person has the qualities and fulfils the prescribed conditions to ensure that he will perform his duties legally, safely and stably.

The competence of the members of the Management Board is prescribed by the Rules of Procedure of the Management Board. The Management makes decisions and conclusions at meetings.

The members of the Bank's Management Board are full-time employed in the Bank. The Supervisory Board decides on the revocation of the appointment of a member of the Management Board in accordance with the Companies Act and the Labour Act.

On 31 December 2023, 3 members (the President and two members of the Management Board) perform the tasks of the Management Board.

Supervisory Board

The Supervisory Board supervises the conduct of the Bank's business and is obliged to perform the tasks established by the Companies Act, the Credit Institutions Act, the Bank's Statute and the Supervisory Board's Rules of Procedure, which includes the appointment (with the prior consent of the Croatian National Bank) and recall of members of the Bank's Management Board. Members of the Bank's Supervisory Board must meet the conditions for holding the office of a member of the Supervisory Board prescribed by the Companies Act, the Credit Institutions Act and relevant by-laws, as well as the Bank's internal acts.

The members of the Supervisory Board must together have the professional knowledge, abilities and experience necessary for independent supervision of the Bank's affairs, and especially for understanding the Bank's affairs and significant risks. The suitability of an individual member of the Supervisory Board of the Bank for the performance of the relevant function represents the extent to which that person has the qualities and fulfils the prescribed conditions to ensure that he/she will professionally, legally, safely and stably perform the tasks within his jurisdiction.

The Bank's Supervisory Board has established a Risk and Audit Committee, while the functions of the Receipts Committee and the Appointments Committee are performed by the Supervisory Board itself. The scope and manner of work of the board are regulated by the rules of procedure on the work of the board, in accordance with the relevant legal regulations.

General Assembly

Shareholders of the Bank exercise their rights in the General Assembly of the Bank. The General Assembly of the Bank decides on issues determined by law and the Bank's Statute. The General Assembly is convened by the Bank's Management Board, and must be convened when requested by the Supervisory Board, the Bank's Management Board or shareholders, in accordance with the law. Each ordinary share gives the right to one vote in the General Assembly.

Amendments to the Statute

The decision on amendments is made by the Bank's General Assembly in accordance with the law and the Statute, with votes representing at least three-quarters of the share capital represented at the General Assembly when making the decision.

Amendments to the Statute are proposed by the Supervisory Board, the Management Board and the Bank's shareholders.

Shares of members of the Supervisory Board and the Bank's Management Board

As of 31 December 2023, members of the Supervisory Board did not own any Bank shares, while the Chairman of the Supervisory Board owned 38,050 Bank shares.

As of 31 December 2023, the members of the Management Board did not own any Bank shares.

INFORMATION ON SHARES

In 2023, the Bank did not repurchase its own shares.

As of 31 December 2023, the share of repurchased treasury shares in the share capital amounts to a total of 7.77%.

ESG reporting and sustainable investment

Slatinska banka accepts its responsibility and role in providing support for the green transition, i.e. the transition to a low-carbon, more sustainable, resource-efficient and circular economy in accordance with the goals of sustainable development. We are aware that quality management, responsibility towards workers, the community and the environment are fundamental prerequisites for sustainability, long-term stability and profitability. Our efforts are focused on setting business goals to contribute to the sustainability of the economy. The Bank has set ESG and sustainable development as a business priority and is working to establish a framework for the integration of ESG criteria into the Bank's operations, in order to ensure the achievement of long-term to mid-term goals in such a way that the impact of business activities and initiatives is measurable, transparent and accountable. The Bank conducts a qualitative and quantitative assessment of ESG risk, based on which it will create an action plan that will clearly define key goals, which will include environmental goals (E), social impact (S) and governance (G).

Environmental goals

We strive for a way of doing business that does not produce negative effects on the environment and we strive to increase those activities that contribute to the protection of the environment and natural resources. We are committed to carbon neutrality, circular economy, renewable energy especially through the goals of reducing energy consumption, producing our own energy, with which goal we have already made progress by installing solar panels on the headquarters building in Slatina, so that we are already producing our own renewable energy, we are working to reduce waste, reducing the use of plastic and separating and recycling waste.

Social influence

We are committed to empowering our employees and creating a stimulating workplace where all clients and employees come first.

We provide education and training for workers, and we especially take care of health and safety, and in addition to other educations, we invest in the knowledge of workers in the field of sustainability, and thus we held education on waste disposal. The Bank has provided medical examinations for all employees once a year, and consistently implements provisions related to occupational health and safety at the workplace.

We make sure that everyone has equal opportunities for professional development.

An additional number of days of annual leave is provided to workers who are parents of a child with developmental disabilities, single parents of a minor child, and parents with a child under the age of 7, etc.

After returning from maternity and parental leave, parents work half-time for the first month, which work is counted as if they worked full-time. Likewise, workers have the right to days off for care in the event of a serious illness, relocation, in the event of the need to rehabilitate natural disasters, fires, floods or earthquakes that have struck the building in which they live, entering into a marriage and life partnership, attending childbirth, the birth of a child, cases

death of loved ones, for each blood donation, pregnant women for prenatal check-up, for the child's first day of school, the child's departure to kindergarten, for victims of assaults at the workplace, for the preparation of professional exams and the acquisition of diplomas and certificates important for the performance of work, for medical treatments.

Through the Remuneration Policy, the Bank provides a framework for transparent overall employee remuneration that would attract and retain quality workers and ensure the achievement of the Bank's goals, according to the Bank's strategy, long-term goals and risks. When establishing the remuneration system, the Bank respects the rule of equality for women and men. Remuneration systems are continuously revised, improved and harmonized with valid local and European regulatory requirements that promote appropriate and effective risk management and do not encourage taking risks that exceed the level acceptable for the Bank.

The Bank has also introduced monitoring of trends in gender-based wage differences.

The Bank applies diversity standards when selecting members of the Management Board and the Supervisory Board, which are prescribed by the Bank's policies.

President of the
Management Board
Andrej Kopilaš

Member of the
Management Board
Oliver Klesinger

Member of the
Management Board
Damir Kaluđer