OTP Invest za upravljanje fondovima d.o.o., Zagreb

Annual report for the year ended on 31 December 2022

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

Content

Management Report of the Company OTP Invest d.o.o. za upravljanje investicijskim fondovima for 2022

Review of business results

As at 31 December 2022, OTP invest društvo za upravljanje fondovima d.o.o. (hereinafter: the Company) manages eight (8) open-end investment funds with a public offering (UCITS) and one alternative investment fund with a public offering. Open-end investment funds with a public offering under management of the Company are: FOND ZA STABILNOST *<Stability Fund>*, OTP ABSOLUTE Fund, OTP e-start fund, OTP INDEX Fund, OTP MERIDIAN 20 Fund, OTP MULTI USD 2 Fund, OTP start fund, and OTP Balanced Fund. OTP GLOBAL fund is the alternative investment fund under management of the Company.

In 2022, the Company operated with a loss of HRK 600,266.11. In 2022, a 9.45% increase in income from management fees, compared to 2021, was realized, while the Company's total income in 2022 is 6.45% higher than the Company's total income in 2021. Realization of income from the investment consulting and portfolio management activities had a positive effect on the Company's operations in 2022. The Company's operating expenses were slightly higher compared to the expenses in 2021 due to inflationary pressures and the euro conversion project introducing the euro as the official currency in the Republic of Croatia. Capital adequacy and liquidity levels of the Company are stable.

In 2022, a slight decrease in assets under management of the Company was recorded, from HRK 1,458,128,685 on 31 December 2021 to HRK 1,368,086,123.40 on 31 December 2022 due to a very challenging environment with a significant level of risk. In addition to military aggression, high inflation led central banks to tighten monetary policies more dynamically and more promptly than expected. Such developments have made it difficult for investors to manage almost all asset classes. Early 2022 was marked by increased payments to funds under management as a result of the sales campaign implemented in the first quarter. Net positive sales remained until the end of February, and continued in November 2022. The Company's market share at the end of 2022 was 8.25% (6.7% at the end of 2021).

Being aware of the maturity of the OTP MULTI USD Fund in December 2022 and the cycle of interest rate hikes, the Company established the OTP MULTI USD 2 Fund, an open-end investment fund with a public offering, in November 2022, which resulted in new payments to the fund and an improvement of both income and market share. The fund was established for a definite period of time, its maturity is three (3) years from the date of establishment, and the currency of the fund is the US dollar (USD). The goal of the fund is to offer investors who hold assets in the fund from its inception until the end of its term to preserve the value of the initial investment without loss at the end of the investment period, as well as to achieve the target yield of 6.16% with payout at the end of the fund's term (2.01% on the annual level). In accordance with the established goals and investment strategy, the fund is primarily intended for: investors who are ready to invest for a period of 3 (three) years, investors who wish to significantly reduce the possibility of losing a part of the invested principal, investors whose income is denominated in USD and who have so far had savings denominated in USD, and investors who wish to save in USD, and had not saved in USD so far.

Management Report of the Company OTP Invest d.o.o. za upravljanje investicijskim fondovima for 2022

Review of business results (continued)

During the year, the company prepared for the introduction of the euro as the official currency in the Republic of Croatia. For this purpose, a project was initiated within the Company, the aim of which was to harmonize all operations of the Company and funds under management with the change of currency. The project was successfully completed, and the Company implemented all the necessary actions on the day of the introduction of the euro in order that its operations and funds under management are harmonized with the currency change. Moreover, given the fact that the Company managed three funds the denomination of which was the Croatian kuna (STABILITY FUND, OTP INDEX Fund and OTP start fund), the denomination of the funds was changed on the day of the introduction of the euro and the funds are denominated in the euro as of 1 January 2023.

Future development of the Company – development plan

The Company's business activity in 2022 was marked by the consequences of the pandemic caused by the COVID-19 virus, Russian aggression against Ukraine, inflation and unexpected cycles of interest rate hikes, which significantly affected the capital markets. In addition to the expectation that better sales of funds will be achieved in the branches of OTP banka d.d. in 2023, a number of sales efforts have been undertaken that will enable easier distribution of funds through digital channels (web, m-banking and the like).

In 2023, the Management of the Company expects its operations to improve. The main driver of positive changes in trends related to the Company's business should come from the expected better sale of funds under management of the Company by OTP banka d.d., as the main distribution channel, and the establishment of new funds.

In addition, during 2023, it is planned (if opportunities allow so) to make additional efforts not only to increase the number of licensed employees in OTP banka d.d. who can sell funds, but also in terms of general education related to investment. Sales activities in 2023 will continue to be focused on the sale of all types of funds under management of the Company. Investing in funds through a standing order will be encouraged for the purpose of attracting a younger population to this type of investment, even before the life stage in which they have excess funds in cash accounts or deposits. Accordingly, the Plan for 2023 has been drawn up, in which a significant increase in assets under management is expected.

Opportunities for possible establishing of funds in some additional market segments are analysed, but the development thereof will depend on the demand for funds under management of the Company. In the coming period, the Company shall pay more attention to quality management of funds, their successful sale and the establishment of new ones.

Management Report of the Company OTP Invest d.o.o. za upravljanje investicijskim fondovima for 2022 (continued)

Future development of the Company – development plan (continued)

The company will merge the OTP e-start fund with the OTP start fund on 17 April 2023. The main reason for the merger is the change in the currency of the OTP start fund from kuna to euro, which means that the fundamental difference between these funds no longer exists. Furthermore, the merger will lead to a reduction in transaction costs, the increase in assets of the OTP start fund, and better market positioning, which will enable the Company to employ a more efficient and high-quality approach to investing, and consequently provide a better service to clients.

Research and development activities

The Company had no significant research and development activities in 2022.

Purchase of own shares

There were no purchases of own shares.

Subsidiaries of the Company

The company has no subsidiaries.

Risk exposure and management

In the course of its business activities, the Company pays due attention to risk management-. The most significant types of financial risks to which the Company is exposed include credit risk, liquidity risk and market risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

Market risk

When it comes to market risk, it should be noted that there are three types of risk: currency, interest rate and price risk.

Currency risk

Currency risk is the risk that the market value of a foreign currency may decrease or increase in the future. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to the risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of the Company's assets and liabilities denominated in a particular foreign currency. At the reporting date, the Company was not exposed to a significant currency risk.

Interest rate risk

Except for cash held with OTP banka d.d., the Company does not hold any interest-bearing financial assets. However, interest is calculated for the Company's financial liabilities. Although financial liabilities had a floating interest rate, due to the short-term nature of the financial liabilities and the fact they had been approved within the OTP Group. At the reporting date, the Company was not exposed to significant interest rate risk.

Management Report of the Company OTP Invest d.o.o. za upravljanje investicijskim fondovima for 2022 (continued)

Risk exposure and management (continued)

Market risk (continued)

Price risk

Price risk is the risk of losses due to changes in the price of goods and financial instruments. As the reporting date, the Company was not significantly exposed to price risk arising from changes in the prices of financial instruments or changes in currency pairs. However, the Company is exposed to changes in the prices of goods and services it
is provided by its suppliers, in connection with inflation in 2022 and expectations of inflation trends in 2023.

Credit risk

Credit risk is the risk of default on a liability or contingent liability of the counterparty with whom the Company performed a transaction. The Company's exposure to credit risk at the reporting date arises from instruments' fair value reported in the balance sheet at positive fair value at the reporting date. The risk of default, which exists with individual counter parties in transactions with financial instruments with changes in fair value through profit or loss, is monitored continuously. When monitoring credit risk, trading instruments with positive fair value and the volatility of their fair value are taken into account.
At the reporting date, the Company's credit risk arises from its exposure to OTP banka d.d., which is the majority owner of the Company, with respect to cash on its transaction accounts with the bank and to a lesser extent with respect to cash on accounts with other banks.

Liquidity (cash flow) risk

Liquidity risk is the risk that the Company will have difficulties in finding funds for the settlement of its obligations as they fall due. At the reporting date, the Company's current assets exceeded its current liabilities, and the Company considers that there is no risk of it not being able to settle its short-term liabilities.

Corporate governance

Corporate governance is carried out by the governing bodies of the Company, in particular, its Assembly, the Supervisory Board and Management Board.

The Assembly of the Company consists of OTP banka d.d., with official seat in Split, Ulica Domovinskog rata 61, Croatia and OTP FUND MANAGEMENT Private Company Limited by shares, with official seat in Budapest 1134, Riadó utca 1, Hungary.

Management Report of the Company OTP Invest d.o.o. za upravljanje investicijskim fondovima for 2022 (continued)

Corporate governance (continued)

The Supervisory Board consists of five members, each elected by a decision made by the Assembly of the Company. The Supervisory Board is in charge of overseeing the management of the Company's affairs and controlling the correctness of its financial operations, adopting business policies and business plans of the Company and overseeing the Company's compliance with applicable laws, general acts and decisions adopted by the Assembly.

The affairs of the Company, the overall business policy of the Company, overall operations and representation are managed by the Company's Management Board consisting of two members appointed by the Supervisory Board.

The Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with applicable reporting standards, which give a true and fair view of the financial position at the reporting day, financial performance and cash flows of the Company for that period.

The Management Board expects that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the responsibilities of the Company's Management Board include the following:

- selection and consistent implementation of suitable accounting policies;
- judgements and estimates are reasonable and prudent;
- adherence to the applicable accounting standards; and
- preparation of financial statements on the going concern basis.

The Management Board of the Company is responsible for keeping proper accounting records, which disclose the financial position of the Company with reasonable accuracy at any time, while it also undertakes to ensure the compliance of financial statements with the Accounting Act. In addition, the Management Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board of the Company is also responsible for the Management Report in accordance with the Accounting Act and for the Appendices to the Company's financial statements in accordance with the Ordinance on the structure and contents of financial statements and other reports of UCITS fund management companies and in accordance with the Ordinance on the structure and contents of annual and semi-annual reports and other reports of alternative investment funds management companies.

Financial statements, as well as forms shown in the Appendix to the financial statements, together with the accompanying adjustments, were authorized by the Management Board for submission to the Supervisory Board. In witness whereof, the financial statements have been signed by authorized persons, as follows.

Signed for and on behalf of the Company on 16 March 2023 by:

Zorislav Vidović	Marinko-Šanto Miletić
President of the Board	Member of the Board

otp Invest d.o.o.
Zagreb

EY
Building a better working world

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Independent auditor's report

To the Shareholders of OTP Invest d.o.o.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of OTP Invest d.o.o. (the Company), which comprise the statement of financial position as at 31 December 2022, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (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 financial statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How we addressed Key Audit Matter
Recognition of income and expenses from funds' and portfolio management	
Revenue, which comprises management fees and upfront fees, is the result of business activities of investment funds managed by the Company and portfolio management. Commissions, management fee rebates and other expenses are recorded as a funds' management expense. Refer to Note 2 Summary of accounting policies - Revenue and expense recognition, Note 3.1 Management fee and	We understood and evaluated the design and implementation of segregation of duties, the adequacy of the policies and key controls, including relevant Information Technology systems and controls that are in place around valuation of financial instruments included in net assets of the investment funds and portfolios managed by the Company.

Note 4 Expenses for funds management for further details. Management fees are significant to the users of the financial statements, so that they can evaluate financial performance of the Company. We focused on this area also because of the number of transactions which should be considered and the impact on the net asset value which is used as a basis for calculation. The Company's management fees, which make up the majority of the revenue balance, are calculated as a percentage of the total assets less liabilities from investments in financial instruments of the funds or as a percentage of net asset value of portfolios managed by the Company. The fee is calculated daily automatically within the IT system of the Company based on the fee percentage contracted between each individual investment fund. Assessing the value of total assets and total liabilities of these funds and portfolios managed by the Company involves judgement as it is correlated to the market value of a range of financial instruments held by these funds. Various valuation methodologies of varying complexity and degree of judgment are used to value those instruments, which affects the management fee. The expenses from the funds' and portfolios management are also based on the funds' asset valuation, which involves inherent uncertainty. Due to the significance of funds' and portfolios management income and expenses for the Company's result and the inherent estimation uncertainty, this is considered a key audit matter.	We tested the operating effectiveness of key controls relevant to the revenue and expenses calculations, including the valuation of assets under management, set up and maintenance of contractual terms and fee billing systems and commission payment systems as well as overall effectiveness of IT environment for the Company's accounting system. Considering most of the funds' and portfolios investments are actively traded with, the market value used for valuation of funds' assets is daily automatically transferred to the Company's systems from Bloomberg, Zagreb Stock Exchange and other relevant platforms and used for daily valuation of funds' assets as well as managed portfolios' assets. We tested the operating effectiveness of process of automatic withdrawal of market values and transfer of these market values to daily funds' net asset value calculations. We compared the data on the net asset value of all investment funds with the data obtained from the depository bank. We checked the existence of manual postings on revenues and in case of their existence, we compared the journal entries to the supporting documentation. For a sample of the funds' financial instruments, we evaluated whether the pricing inputs used were externally sourced and accurately used for valuation. Where appropriate, we assessed if the valuation models for these financial instruments are reasonable and if judgments made by management are adequate. Where the calculations are automated, we recalculated revenue, management fee rebates and commissions. On a sample basis, we agreed key inputs into the systems back to contracts and re-performed calculations. We reconciled the management fee rates to the funds' prospectuses and contracts for portfolio management or other supporting documentation. We also reconciled management fees either calculated by the Company or recalculated by us to amounts included in the Company's financial statements. We also assessed whether the financial statement disclosures appropriately reflect the Company's income and expenses from funds' management and are compliant with IFRS as adopted by EU. Refer to Note 2 Summary of accounting policies - Revenue and expense recognition, Note 3.1 Management fee and Note 4 Expenses for funds management for further details.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
With respect to the Management Report we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 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 financial statements; and

2.the enclosed Management Report is prepared in accordance with requirements of Article 21 of the Accounting Act;

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit of 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 financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

Building a better working world

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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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 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 Company on 25 March 2021. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 24 March 2022, representing a total period of uninterrupted engagement appointment of 2 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2023 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 Company within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements.

Report on Regulatory requirements

In accordance with the Bylaw on the structure and content of the financial statements and other reports of UCITS' management companies (Official Gazette no 105/17 and 155/22) and the Bylaw on the structure and content of the annual and bi-annuals financial statements the Company's management (Official Gazette no 105/17, 98/20 and 155/22) has prepared forms which are presented on pages 48 to 54, and which contain a balance sheet as at 31 December 2022, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended together with reconciliation with the financial statements of the Company ("financial information"). This financial information is the responsibility of the Company's management and is, pursuant to IFRS as adopted by EU, not a required part of the financial statements, but is required by the Bylaws.

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 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 financial statements of the Company which were prepared in accordance with IFRS as adopted by EU as presented on pages 48 to 54 and are based on underlying accounting records of the Company.

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

hitrec

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Filip Hitrec
Partner and Croatian Certified Auditor
21 March 2023

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

Statement of comprehensive income
for the year ended on 31 December 2022

(All amounts in thousands of HRK)

	Note	2022	2021
Management fee	3.1.	6,860	6,223
Exit fee	3.2.	103	86
Entry fee	3.3.	4	3
Investment consulting and portfolio management	3.4.	1,213	1,236
Other income	3.5.	168	55
Total operating income		**8,348**	**7,603**
Expenses for Fund's management	4	(517)	(425)
Staff expenses	5	(5,475)	(4,790)
Operating expenses	6	(2,931)	(2,431)
Total operating expenses		**(8,923)**	**(7,646)**
Loss from regular course of business		**(575)**	**(43)**
Financial expenses, netted	7	(25)	(9)
Financial result		**(25)**	**(9)**
Loss before tax		**(600)**	**(52)**
Income tax	8	-	-
Loss for the year		**(600)**	**(52)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(600)**	**(52)**

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

Statement of financial position
as at 31 December 2022

(All amounts in thousands of HRK)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, vehicles and equipment	9	514	385
Intangible assets	10	190	297
Total non-current assets		**704**	**682**
Current assets			
Receivables	11	736	734
Cash and cash equivalents	12	3,796	3,682
Total current assets		**4,532**	**4,416**
Total assets		**5,236**	**5,098**
EQUITY, RESERVES AND LIABILITIES			
EQUITY AND RESERVES			
Share capital	13	18,211	18,211
Capital reserves	13	7	-
Accumulated loss	13	(14,408)	(13,808)
Total equity and reserves		**3,810**	**4,403**
LIABILITIES			
Current liabilities			
Trade payables	14	374	104
Payables to employees	15	448	402
Current provisions	16	218	40
Current lease liabilities	17	107	65
Other liabilities		19	30
Total current liabilities		**1,166**	**641**
Non-current liabilities	16	50	54
Current lease liabilities	17	210	-
Total non-current liabilities		**260**	**54**
Total liabilities		**1,426**	**695**
Total equity, reserves and liabilities		**5,236**	**5,098**

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

Statement of changes in shareholder's equity
for the year ended 31 December 2022
(All amounts in thousands of HRK)

	Share capital	Capital reserves	Accumulated loss	Total
Balance at 1 January 2021	**18,211**	**-**	**(13,756)**	**4,455**
Loss for the year	-	-	(52)	(52)
Other comprehensive income	-	-	-	-
Total comprehensive loss	**-**	**-**	**(52)**	**(52)**
Balance at 31 December 2021	**18,211**	**-**	**(13,808)**	**4,403**
Balance at 1 January 2022	**18,211**	**-**	**(13,808)**	**4,403**
Increase in capital reserves	-	7	-	7
Loss for the year	-	-	(600)	(600)
Other comprehensive income	-	-	-	-
Total comprehensive loss	**-**	**-**	**(600)**	**(600)**
Balance at 31 December 2022	**18,211**	**7**	**(14,408)**	**3,810**

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

Cash flow statement

for the year ended on 31 December 2022

(All amounts in thousands of HRK)

	Note	2022	2021
Operating activities			
(Loss)		(600)	(52)
Adjustments to profit for net cash generated by operating activities			
Provisions	16	240	48
Depreciation	9,10	372	306
Interest expense		17	4
		29	*306*
Changes in working capital			
Decrease / (Increase) in short-term receivables		(3)	55
Decrease / (Increase) in liabilities		236	(287)
Net cash used in operating activities		**262**	**74**
Investment activities			
Expenditures for purchase of vehicles and equipment		(35)	(135)
Expenditures for purchase of intangible assets		(16)	(231)
Income from the sale of non-current assets		9	161
Net cash (used in) / generated from investment activities		**(42)**	**(205)**
Financial activities			
Capital reserves		7	-
Expenditures for repayment of interest related to lease		(16)	(4)
Expenditures for repayment of principal related to lease		(97)	(75)
Net cash used in financial activities		**(106)**	**(79)**
Net (decrease)/increase in cash and cash equivalents		**114**	**(210)**
Cash and cash equivalents at beginning of year	13	**3,682**	**3,892**
Cash and cash equivalents at end of year	13	**3,796**	**3,682**

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

1. GENERAL INFORMATION

Primary business activities

The Company OTP invest d.o.o. za upravljanje fondovima, Zagreb ("the Company") was founded on 17 December 1997 as a limited liability company and is regulated by the Croatian Financial Services Supervisory Agency ("CFSSA"). The Company's headquarters are in Zagreb, Divka Budaka 1 D, and the Company's activities include the establishment and management of UCITS and alternative investment funds in Croatia, investment consulting and portfolio management.

The ultimate parent company is OTP Bank Nyrt, registered in Hungary. On 2 December 1997, the Croatian Securities Commission granted the Company a license to conduct business.

On 15 December 2005, the Croatian Securities Commission granted the Company the license to establish and manage open-end investment funds OTP Balanced Fund, OTP Money Fund and OTP Euro Bond Fund. On 20 December 2007, the Croatian Securities Commission granted the Company the license to establish and manage the open-end investment fund OTP Index Fund.

On 15 May 2015, the CFSSA issued the approval for the establishment and operation of OTP OPTIMUM Fund, an open-end alternative investment fund with a public offering.

On 16 October 2015, the CFSSA issued the approval for the establishment and operation of OTP MULTI Fund, an open-end investment fund with a public offering.

On 12 August 2016, the CFSSA issued the approval for the establishment and operation of OTP MULTI 2 Fund, an open-end investment fund with a public offering.

On 30 September 2016, the CFSSA issued the approval for the establishment and operation of OTP ABSOLUTE Fund, an open-end investment fund with a public offering.

On 14 April 2018, the CFSSA issued the approval for the establishment and operation of OTP SHORT-TERM BOND Fund, an open-end investment fund with a public offering.

On 8 November 2018, the CFSSA issued the approval for the establishment and operation of OTP MULTI USD Fund, an open-end investment fund with a public offering.

As of 31 December 2018, the Company was managing the following open-end investment funds with a public offering under its management: OTP Balanced Fund, OTP Money Fund, OTP INDEX Fund, OTP Euro Money Fund, OTP MERIDIAN 20 Fund, OTP MULTI Fund, OTP MULTI 2 Fund, OTP ABSOLUTE Fund, OTP SHORT-TERM BOND Fund, OTP MULTI USD Fund and alternative investment funds OTP FAVORIT Fund and OTP OPTIMUM Fund.

1. GENERAL INFORMATION (continued)

On 9 January 2018, an alternative investment fund OTP FAVORIT was closed due to the expiration of the time period for which it was established.

During 2018, the Company took over the management of the closed-end alternative investment fund for investments in real estate Zaif Proprius, which was liquidated in 2019. Furthermore, on 9 January 2018, alternative investment fund OTP OPTIMUM was closed due to the expiration of the time period for which it was established.

On 2 April 2020, CFSSA issued a decision for the establishment and operation of an open-end investment fund with a public offering, FOND ZA STABILNOST *<Stability Fund>*, and on 29 October 2020, for an open-ended alternative investment fund with a public offering, OTP GLOBAL.

On 29 December 2020, the OTP MULTI Fund was closed as the time period for which it was established (5 years) expired

On 10 June 2021, the OTP SHORT-TERM BOND Fund was merged with the OTP e-start fund.

On 12 November 2021, the OTP MULTI 2 Fund was closed as the time period for which it was established (5 years) expired.

As at 31 December 2021, the Company was managing the following open-end investment funds with a public offering: OTP Balanced Fund, OTP start fund, OTP INDEX Fund, OTP e-start fund, OTP MERIDIAN 20 Fund, OTP ABSOLUTE Fund, OTP MULTI USD Fund, STABILITY FUND, and alternative investment fund OTP GLOBAL.

29. On 29 December 2022, the OTP MULTI USD Fund was closed as the time period for which it was established (5 years) expired. Furthermore, OTP MULTI USD 2 Fund, an open-end investment fund with a public offering, was established on 23 November 2022.

As at 31 December 2022, the Company was managing the following open-end investment funds with a public offering: OTP Balanced Fund, OTP start fund, OTP INDEX Fund, OTP e-start fund, OTP MERIDIAN 20 Fund, OTP ABSOLUTE Fund, OTP MULTI USD 2 Fund, STABILITY FUND, and alternative investment fund OTP GLOBAL.

1. GENERAL INFORMATION (continued)

Management Board:

Zorislav Vidović – President of the Management Board as of 1 September 2021

Marinko-Šanto Miletić – member of the Management Board as of 1 May 2022

Ivana Bergam – member of the Management Board from 1 September 2021 to 30 April 2022

Ivana Bergam – President of the Management Board from 2 July to 31 August 2021

Darko Brborović – President of the Management Board from 30 June 2015 to 1 July 2021

Mladen Miler – member of the Management Board from 1 August 2020 to 1 September 2021

Supervisory Board:

Slaven Celić – Chairman of the Supervisory Board as of 22 December 2021 (previously member of the Supervisory Board)

Michael Meyer – member of the Supervisory Board as of 15 April 2022

Laszlo Gyorgy Gati – member of the Supervisory Board as of 1 October 2020

Nikola Mikša – member of the Supervisory Board as of 31 December 2020

Tamas Bozsogi - member of the Supervisory Board as of 31 December 2020

Marko Orešković – member of the Supervisory Board from 14 October 2019 to 15 April 2022

(All amounts in thousands of HRK)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The financial statements were authorized by the Management Board on 16 March 2022 and submitted for approval to the Supervisory Board.

Basis of presentation

The financial statements have been prepared on the basis of historical or amortized cost, except for certain financial instruments that are carried at fair value.

Functional and presentation currency

The functional currency of the Company is Croatian Kuna (HRK), since this is the currency in which the majority of the Company's transactions are denominated. The Company's financial statements are prepared in HRK. As at 31 December 2022, the official exchange rate of HRK against EUR 1 was HRK 7.534500 (as at 31 December 2021: 1 EUR was HRK 7.517174).

Recognition of income and expenses from investment funds management

The Company recognizes management fee as income on a daily basis during the period of service provision. When preparing financial statements, all realized fees based on management, exit and entry fees are reduced by the amount approved discounts on this basis. The fee is charged once a month, at the beginning of the month for the previous month. Incomes from exit and entry fees are recognized as a percentage of the value of the sold shares at the moment the shares were sold.

Expenses from investment funds management are recognized through profit or loss as incurred. Certain investment funds management and operational expenses incurred by the investment funds are borne by the Company, pursuant to the Act on Open-Ended Investment Funds with a Public Offering (the Act) and the regulations disclosed by the Agency. The Company charges management fees to OTP investment funds as a percentage of the funds' total assets decreased by the liabilities on transactions with the fund financial assets. The breakdown of fees charged by the Company to the OTP investment funds is as follows:

	Management fee	Exit fee	Entry fee
	%	%	%
OTP INDEX Fund	0.85	0 - 2	0 - 1
OTP e-start fund	0.95	0 -1.5	-
OTP start fund	1.00	-	-
OTP MERIDIAN 20 Fund	2.00	0 - 2	0 - 1
OTP Balanced Fund	2.00	0 - 1	-
OTP ABSOLUTE Fund	1.10	0-1	0-1
OTP MULTI USD Fund	1.10	3	3
OTP MULTI USD 2 Fund	1.10	3	3
OTP GLOBAL Fund	1.10	0-1	1
STABILITY FUND	0.08-0.09	-	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of income and expenses from investment funds management (continued)

Entry and exit fees

The Company is entitled to entry and exit fees in the range from 0% to 7% of the value of an investor's purchases and sales of units in investment funds, as prescribed by the Statute and the Prospectus of an individual fund. The exit fee is charged based on the duration of the investment period.

Employee benefits

Pension insurance contributions

The Company pays contributions to mandatory pension funds on an obligatory, contractual basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense in profit or loss as they accrue.

Leases

The Company records leases, in which it appears as a lessee, as non-current tangible assets (right of use) and as long-term liabilities from future lease payments, since the lease agreements meet the criteria for recognition under IFRS 16. Assets with the right of use and liabilities are recognized by application the discounted amount of future cash payments.

After initial recognition, used assets are depreciated monthly (using the straight-line method) over the term of the lease and recorded in the income statement. Also, for each period (monthly) the Company calculates interest (which was discounted at initial recognition), in accordance with the calculation table. The monthly depreciation cost for the Company represents a linear cost, while the long-term lease liability is increased to unwind the discount recognized as an interest expense over the term of the lease. Interest costs decrease during the period in accordance with the repayment of the lease instalment (and according to the developed repayment plan for each individual Agreement).

The Company does not use the exemption for non-recognition of low-value leases and those leases with a term of less than one year.

Exchange rate differences

Monetary assets and liabilities denominated in foreign currencies are converted to HRK by applying the middle exchange rate of the Croatian National Bank in effect at the reporting date. Income and expenses in foreign currencies are converted at rates effective on the transaction date. Realized profit and loss arising from conversion of foreign currency balance sheet items and liabilities in accordance with the exchange rate are included in profit or loss. The exchange rate differences on securities at fair value are recognized in the statement of comprehensive income as part of realized and unrealized profit/losses. Non-monetary assets and items measured at historical cost in foreign currencies are converted using the exchange rates as at the dates of the transactions and are not re-converted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

The Company calculates and pays taxes pursuant to the provisions under the Croatian Income Tax Act. Income tax expense, which is calculated based on the profit for the year, comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred tax is calculated by applying the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax assets and liabilities is based on the assumed manner of realization or settlement of the carrying amount of assets and liabilities, based on tax rates valid at the date temporary difference will be realized. Deferred tax assets are recognized when it is probable that future taxable profits will be sufficient to allow the utilization of the related benefit. Deferred tax assets and carrying values of deferred tax assets are reviewed at each reporting date. At each reporting date, the Company reviews the unrecognized deferred tax assets and carrying amounts of the deferred tax assets. The measurement of deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects to, at the reporting date, recover the carrying amount of its assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, equipment and vehicles

The equipment is stated at cost less accumulated depreciation and accumulated losses from impairment. Depreciation is provided on a straight-line basis over the estimated useful life of an asset ranging from 2 to 5 years. Gains and losses on the disposal or retirement of a fixed asset are measured as the difference between sales proceeds and the carrying amount of the asset and are recognized in the profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated losses from impairment of assets. Amortization is provided on a straight-line basis over the estimated useful life of an asset, which ranges from three to ten years.
Gains and losses on the disposal or retirement of an asset are measured as the difference between sales proceeds and the carrying amount of the asset and are recognized in the profit or loss.

Impairment of equipment, vehicles and intangible assets

At each reporting date, the Company reviews the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that the assets may be impaired. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of any possible impairment loss. Recoverable amount is the higher of the fair value less costs of sale and value of the assets in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be lower than the asset's carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Upon subsequent reversal of an impairment loss, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately as income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Company classifies its financial assets in one of the following categories: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss.

The Company classifies its financial instruments in following categories: loans and receivables, financial assets measured at fair value through profit or loss and other financial assets. Management Board decides on the financial instruments category at the initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This includes short term receivables.

Financial assets at fair value through profit or loss

This category refers to financial assets that are managed and whose performance is measured on the basis of fair value. Only those assets that have a quoted market price in an active market and whose fair value can be measured reliably can be classified in this group of financial assets. The effects of changes in the fair value of instruments carried at fair value through profit or loss are recognized as income/expense in the reporting period. These instruments are initially measured at cost and subsequently re-measured at fair value based on quoted purchase prices in an active market.

Other financial liabilities

Other financial liabilities include all financial liabilities that are not classified at fair value through profit or loss.

Recognition and Derecognition

Loans and receivables and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, and they are recognized when the financial assets are provided to the borrowers or when the financial liabilities are received from the lenders.

The Company derecognizes a financial asset (completely or a part thereof) when the contractual rights to the cash flows from the financial asset expire or when it loses control over the contractual rights that comprise the said financial asset. The aforementioned occurs when the Company transfers substantially all the risks and rewards from ownership of the financial asset to another business entity, or when the rights are discharged, transferred or expired. The Company derecognizes financial liabilities only if they cease to exist, i.e. if they are discharged, cancelled or expired. If the terms associated with a particular financial liability change, the Company will derecognize that liability and at the same time recognize a new financial liability with new terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Initial and Subsequent Measurement

Financial assets and liabilities are initially recognized at fair value increased, in the case of financial assets and liabilities which are not recognized at fair value through profit or loss, by the transaction costs directly connected with the acquisition or issuance of such financial assets or liabilities.

Loans and receivables are measured at amortized cost reduced by the expected credit loss. Financial liabilities which are not classified at fair value through profit or loss are valued at amortized cost.

The gains and losses from financial instruments valued at amortized cost may be incurred when the financial instrument is derecognized or impaired, and are recognized through profit of loss.

Impairment of Financial Assets

On each reporting date, the Company assesses whether there is any objective evidence of impairment of financial assets which are not classified at fair value through profit or loss. Impairment of financial assets is carried out if there is objective evidence that an event causing impairment has occurred after the initial recognition of that asset and has an impact on the future cash flows from the relevant financial asset, where such impact can be reliably estimated.

The Company annually assesses the existence of evidence of expected credit losses in accordance with IFRS 9 (expected credit loss model). Impairment is performed for cash balance on the bank accounts.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts with banks.

Trade and other payables

Trade payables and other liabilities are recognized at amortized cost using the effective interest method.

Share capital and reserves

The share capital is denominated in kuna and stated at the nominal amount. Profit for the year is transferred to losses carries forward.

Receivables

Receivables are initially recognized at fair value, and are subsequently measured at amortized cost, reduced by expected losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Company has a present obligation (legal or derived) as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and if the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When the amount of impairment is significant, the amount of the provision is the present value of the expenses expected to be incurred to settle the obligation, determined using the estimated risk-free interest rate as the discount rate. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties in connection with the obligation. If a provision is measured using an estimate of the cash flows required to settle the present obligation, the carrying amount of the obligation is the present value of those cash flows.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group/Company as of 1 January 2022:

A. IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.

- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.

- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

Adoption of these amendments are not material to the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

B. IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.The Management Board has assessed that the adoption of this amendment will not have a significant impact on the Company's financial statements.

Standards issued but not yet effective and not early adopted

The following are the standards, amendments to the existing standards and interpretations issued by the IASB and adopted by the European Union but are not effective until the date of publication of the financial statements. Where applicable, the Company intends to adopt these standards at the time of entry into force. The Company does not expect the application of standards or interpretations to affect the financial statements or the result of the Company.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The 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. The Management Board has assessed that amendments to the standards will not have a significant impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The 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. The Management Board has assessed that amendments to the standards will not have a significant impact on the Company's financial statements.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The 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. The Management Board has assessed that amendments to the standards will not have a significant impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **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 amendments have not yet been endorsed by the EU. The Management Board has assessed that amendments to the standards will not have a significant impact on the Company's financial statements.

- **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 recognize 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 recognizing, 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 endorsed by the EU. The Management Board has assessed that amendments to the standards will not have a significant impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **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**
  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. 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. The amendments have not yet been endorsed by the EU. The Management Board has assessed that amendments to the standards will not have a significant impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgments and estimates

In applying the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions on the basis of which the estimates are made are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Income tax

The Company is subject to corporate income tax in the Republic of Croatia. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences shall have impact on the income tax provisions and deferred tax in the period in which such determination is made. These calculations that support the tax return may be subject to review and approval by local tax authorities.

Useful life of vehicles and equipment

The Company reassesses the estimated lifetime of equipment and vehicles at the end of each reporting period. The determination of the useful life of the assets is based on past experience involving similar assets, as well as on forecast changes in the economic environment and industry specific factors in which the Company operates. The suitability of the estimated useful life is considered annually, or whenever there are indications of significant changes in assumptions.

Provisions for severance payments, pensions and jubilee awards

Severance pay obligations are recognized when the Company terminates the employment of an employee before the regular retirement date. The Company recognizes severance pay obligations when it has demonstrably assumed an obligation to terminate the employment of current employees on the basis of a detailed formal plan without the possibility to waive it or provide severance pay as a result of an offer to encourage voluntary termination of employment.

The amount of the liability for pensions and jubilee awards is estimated annually by an independent qualified appraiser. Severance payments that fall due more than 12 months after the reporting date are discounted to their present value. Past service cost is recognized in profit or loss.

Deferred tax assets

Deferred tax assets arising from deductible temporary differences and losses carried forward are reported only to the extent of the probable amount of taxable profit that will allow the use of relief on the basis of deductible temporary differences and if their reversal is expected in the foreseeable future.

(All amounts in thousands of HRK)

3.1. MANAGEMENT FEE

	2022	2021
OTP INDEX Fund	1,356	1,293
OTP Balanced Fund	1,189	1,138
OTP e-start fund	1,183	579
OTP start fund	1,141	1,226
OTP ABSOLUTE Fund	732	753
OTP MERIDIAN 20 Fund	481	396
STABILITY FUND	471	478
OTP GLOBAL Fund	145	194
OTP MULTI USD Fund	97	146
OTP MULTI USD 2 Fund	65	-
OTP MULTI 2 Fund	-	(57)
OTP SHORT-TERM Fund	-	77
	6,860	**6,223**

3.2. EXIT FEE

	2022	2021
OTP ABSOLUTE Fund	30	47
OTP Balanced Fund	23	9
OTP MERIDIAN 20 Fund	22	8
OTP e-start fund	10	3
OTP MULTI USD Fund	10	5
OTP INDEX Fund	8	14
	103	**86**

3.3. ENTRY FEE

	2022	2021
OTP INDEX Fund	2	2
OTP MERIDIAN 20 Fund	1	1
OTP GLOBAL Fund	1	-
	4	**3**

3.4. INVESTMENT CONSULTING AND PORTFOLIO MANAGEMENT

	2022	2021
Investment consulting	1,162	1,224
Portfolio management	51	12
	1,213	**1,236**

(All amounts in thousands of HRK)

3.5. OTHER INCOME

Other income includes income from employee assignment, net income from reversal of provisions for jubilee awards, severance payments and annual leave, income from the sale of non-current assets and other extraordinary income.

4. EXPENSES FOR FUNDS MANAGEMENT

	2022	2021
Acquisition fees	517	425
	517	**425**

In accordance with the contract concluded between the Company and OTP banka d.d., OTP banka d.d. is entitled to charge an intermediation fee for the shares sold through its sales network. The fee is calculated as a contractually determined percentage of the management fee for individual funds. In 2022, OTP banka issued the invoices to the Company for a fee in the amount of HRK 513 thousand (2021: HRK 421 thousand).

In accordance with the contract concluded between the Company and Hrportfolio d.o.o. (founders of the financial news portal „hrportfolio.hr"), Hrportfolio d.o.o. can charge an intermediation fee for the shares sold through the financial portal. The fee is calculated as a contractually determined percentage of the management fee for individual funds. During 2022, Hrportfolio d.o.o. issued the invoices to the Company for the sale of shares in the amount of HRK 4 thousand (2021: HRK 4 thousand).

(All amounts in thousands of HRK)

5. STAFF EXPENSES

	2022	2021
Net salaries	2,962	2,726
Taxes and contributions from and on salaries	2,167	2,064
Manager bonus	346	-
	5,475	**4,790**

As at 31 December 2022, the Company had 19 employees (as at 31 December 2021: 19 employees). During 2021, no management bonus (real cost) was calculated, while in 2022 it was calculated in the amount of HRK 346 thousand (gross 2).

6. OPERATING EXPENSES

	2022	2021
Service expenses	1,249	1,131
Other staff expenses	444	286
Depreciation	277	282
Depreciation of right of use assets	95	23
Other operating expenses	294	283
Rent costs	196	118
Vehicle costs	178	112
Provision expenses	93	-
Marketing expenses	68	165
Material costs	37	31
	2,931	**2,431**

Service costs comprise the following significant cost items: attorney and public notary service costs of HRK 8 thousand (2021: HRK 115 thousand), maintenance and repairs costs of HRK 413 thousand (2021: HRK 211 thousand), audit services of HRK 238 thousand (2021: HRK 175 thousand), Bloomberg terminal services of HRK 283 thousand (2021: HRK 243 thousand) and other intellectual services amounting to HRK 54 thousand (2021: HRK 61 thousand). Of the total audit cost of HRK 238 thousand (2021: HRK 175 thousand), HRK 113 thousand (2021: HRK 112 thousand) was paid for services provided by external auditor, while HRK 125 thousand (2021: HRK 63 thousand) was paid for internal audit services.

(All amounts in thousands of HRK)

6. OPERATING EXPENSES (CONTINUED)

Other operating expenses include the following significant cost items: utilities HRK 102 thousand (2021: HRK 105 thousand), administrative fees HRK 42 thousand (2021: HRK 30 thousand), value added tax HRK 71 thousand (2021: HRK 68 thousand), expense for education and literature HRK 14 thousand (2021: HRK 21 thousand), hardware rental services HRK 8 thousand (2021: HRK 20 thousand), membership fees to associations and societies HRK 3 thousand (2021: HRK 1 thousand) and other smaller operating expenses in the amount of HRK 54 thousand (2021: HRK 39 thousand).

The external auditor provided the Company with an audit service during the year. The fee for the audit service provided during 2022 referred to the following: audit of the company's financial statements and the related parties report for 2021.

7. FINANCIAL EXPENSES, NET

	2022	**2021**
Net foreign exchange losses	(8)	(5)
Expense from interest and loan fees	(17)	(4)
	(25)	**(9)**

(All amounts in thousands of HRK)

8. INCOME TAX

In 2022, the corporate income tax in the Republic of Croatia was calculated by applying the rate of 18% to the taxable income for the current year (2021: 18%).

Accounting profit and income tax adjustment:

	2022	2021
Accounting profit before tax	(600)	(52)
Income tax at the rate of 18% (2021: 18%)	(108)	(9)
Effect of non-taxable income	(7)	(8)
Effect of non-deductible expenses	25	1
Items for which deferred tax assets were not recognized	(90)	(16)
Income tax	-	-

The Company OTP Invest d.o.o. has determined in the Income Tax Return for 2022 a tax loss in the amount of HRK 498 thousand which, increased by the tax loss carried forward from 2021 (HRK 4,975 thousand), constitutes a tax loss for carry-forward to the following period (year 2023) in the amount of HRK 5,473 thousand.

Tax loss carried forward to 2021 consists of the tax losses carried forward from previous periods (2018-2020) of OTP Invest in the amount of HRK 3,178 thousand and the tax loss carried forward of OTP Savjetovanje d.o.o. in the amount of HRK 1,695 thousand.

These tax losses can be carried forward for a maximum of 5 years, ending in 2027, after which they can no longer be used to reduce the tax base.

With regard to the aforementioned, HRK 270 thousand (loss in 2018) expires in 2023, HRK 2,920 thousand (loss realized in 2019) expires in 2024, HRK 1,683 thousand (loss realized in 2020) expires in 2025, HRK 101 thousand expires in 2026 (loss realized in 2021), and HRK 498 thousand (loss realized in 2022) expires in 2027.

Thus, the total loss carried forward of OTP Invest d.o.o. for carry-forward to the next period (2023) amounts to HRK 5,473 thousand. The Company has not recognized deferred tax assets due to the uncertainty of taxable profit in the future.

(All amounts in thousands of HRK)

9. PROPERTY, EQUIPMENT AND VEHICLES

	Vehicles	Office equipment	Right of use assets	Total tangible assets
Cost				
Balance as at 1 January 2021	**848**	**656**	**117**	**1,621**
Increases	-	132	199	331
Decreases	(232)	(50)	(237)	(519)
Balance as at 31 December 2021	**616**	**738**	**79**	**1,433**
Balance as at 1 January 2022	**616**	**738**	**79**	**1,433**
Increases	-	39	351	390
Decreases	-	(58)	-	(58)
Balance as at 31 December 2022	**616**	**719**	**430**	**1,765**
Accumulated depreciation				
Balance as at 1 January 2021	**519**	**480**	**51**	**1,050**
Charge for the year	81	129	23	233
Decrease	(139)	(37)	(59)	(235)
Balance as at 31 December 2021	**461**	**572**	**15**	**1,048**
Balance as at 1 January 2022	**461**	**572**	**15**	**1,048**
Charge for the year	42	117	95	254
Decrease	-	(51)	-	(51)
Balance as at 31 December 2022	**503**	**638**	**110**	**1,251**
Net carrying value as at 1 January 2021	329	176	66	571
Net carrying value as at 31 December 2021	**155**	**166**	**64**	**385**
Net carrying value as at 31 December 2022	**113**	**81**	**320**	**514**

(All amounts in thousands of HRK)

10. INTANGIBLE ASSETS

	Leasehold improvements	Software	Other intangible assets	Total
Cost				
Balance as at 1 January 2021	-	912	231	1,143
Increases	25	209	-	234
Decreases	-	-	-	-
Balance as at 31 December 2021	25	1,121	231	1,377
Balance as at 1 January 2022	25	1,121	231	1,377
Increases	-	12	-	12
Decreases	-	(1)	-	(1)
Balance as at 31 December 2022	25	1,132	231	1,388
Accumulated depreciation				
Balance as at 1 January 2021	-	836	172	1,008
Charge for the year	1	46	25	72
Decrease	-	-	-	-
Balance as at 31 December 2021	1	882	197	1,080
Balance as at 1 January 2022	1	882	197	1,080
Charge for the year	2	90	26	118
Decrease	-	-	-	-
Balance as at 31 December 2022	3	972	223	1,198
Net carrying value as at 1 January 2021	-	76	59	135
Net carrying value as at 31 December 2021	24	239	34	297
Net carrying value as at 31 December 2022	22	160	8	190

During 2022 and 2021, no part of long-term tangible and intangible assets was pledged.

(All amounts in thousands of HRK)

11. RECEIVABLES

	31 December 2022	31 December 2021
Management fee receivables	697	577
Exit fee receivables	1	12
Portfolio management fee receivables	5	5
Other assets	33	140
	736	**734**

The Management Board has assessed all receivables and identified no impairment.

The company did not impair receivables, given that the uncertainty of collection is very low.

Other assets include receivables from interest a vista, receivables on given advances, receivables for paid advance payments for business trips and receivables from the Tax Administration for tax and surtax refunds on annual employee income tax returns, as well as receivables for paid advance payments of income tax.

(All amounts in thousands of HRK)

12. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Balance on HRK giro account		
OTP banka d.d.	3,759	3,642
Zagrebačka banka d.d	-	1
Privredna banka d.d.	1	3
	3,760	**3,646**
Balance on foreign currency giro account		
OTP banka d.d.	36	36
Total cash and cash equivalents	**3,796**	**3,682**

13. SHARE CAPITAL AND ACCUMULATED LOSSES

As at 31 December 2022, equity consisted of subscribed and paid up share capital in the amount of HRK 18,211 thousand (2021: HRK 18,211 thousand), loss carried forward from the previous periods amounted to HRK 14,408 thousand including the loss for the current financial year (2021: HRK 13,808 thousand), while the loss for the year amounted to HRK 600 thousand (2021: HRK 52 thousand). During 2022, there was no increase in the subscribed share capital.

In 2022, capital reserves in the amount of HRK 7 thousand were formed from actuarial gains for severance pay to retired employees.

As at 31 December 2022, equity and reserves amount to HRK 3,810 thousand (2021: HRK 4,403 thousand).

The ownership structure is as follows:

	31 December 2022	31 December 2021
OTP banka d.d., Croatia	81.70%	81.70%
OTP Alapkezelő Zrt., Hungary	18.30%	18.30%
	100.00%	**100.00%**

13. SHARE CAPITAL AND LOSSES CARRIED FORWARD (CONTINUED)

Capital management

The Company manages the level of its capital actively and maintains it at the level appropriate to cover the operations. Capital management is also subject to supervisory regulations of the Croatian Financial Services Supervisory Agency, which requires the management company's capital be always higher or equal to which is higher of the following: (a) HRK 1,000 thousand (the minimum capital requirement under the Act on Investment Funds with a Public Offering and the Alternative Investment Funds Act); and (b) HRK 1,782 thousand (one-fourth of the prior-year general expenses). The amount of the management company's capital, including the loss for the year and capital reserves in the amount of HRK 7 thousand, and excluding accumulated prior-year losses, amounts to HRK 3,810 thousand (2021: Capital adequacy as at 31 December 2022 according to CFSSA regulations amounts to HRK 3,620 thousand and meets all the prescribed criteria).

(All amounts in thousands of HRK)

14. TRADE PAYABLES

Trade payables are classified as current liabilities with a maturity date within one year. As at 31 December 2022, trade payables amount to HRK 374 thousand (2021: HRK 104 thousand) and mostly relate to outstanding invoices issued by service providers based on contractual relationships with the Company. The increase in trade payables compared to the previous year is the result of outstanding invoices for the service of application development due to the introduction of the euro as legal currency (HRK 174 thousand).

15. PAYABLES TO EMPLOYEES

	31 December 2022	31 December 2021
Payables to employees	261	234
Taxes and contributions payables	187	168
	448	**402**

As at 31 December 2022, the Company had 19 employees (as at 31 December 2021: 19 employees).

16. LONG-TERM AND SHORT-TERM PROVISIONS

	31 December 2022	31 December 2021
Long-term provisions		
Provisions for jubilee awards	14	26
Provisions for severance payments	36	28
Short-term provisions		
Provisions for unused annual leave	62	40
Provisions for rewarding OTP banka d.d. sales personnel	93	-
Provision for audit expenses	63	-
	268	**94**

Deferred tax assets have not been calculated because the company expects to operate at a loss.

(All amounts in thousands of HRK)

16. LONG-TERM AND SHORT-TERM PROVISIONS (CONTINUED)

The trend of short-term and long-term provisions during 2022 is presented below:

	Balance as at 31 Dec 2021	Provision cancellation	Provisions for 2022	Balance as at 31 Dec 2022
Long-term provisions				
Provisions for jubilee awards	26	(17)	5	14
Provisions for severance payments	28	(4)	12	36
Short-term provisions				
Provisions for annual leave	40	(40)	62	62
Provision for audit expenses	-	-	63	63
Provisions for rewarding sales personnel	-	-	93	93
	94	**(61)**	**235**	**268**

The trend of short-term and long-term provisions during 2021 is presented below:

	Balance as at 31 Dec 2020	Provision cancellation	Provisions for 2021	Balance as at 31 Dec 2021
Long-term provisions				
Provisions for jubilee awards	36	(14)	4	26
Provisions for severance payments	32	(9)	5	28
Short-term provisions				
Provisions for annual leave	10	(10)	40	40
	78	**(33)**	**49**	**94**

17. CURRENT AND NON-CURRENT LEASE LIABILITIES

As at 31 December 2022, the Company's liabilities include 4 lease agreements the value of which is determined in accordance with IFRS 16, of which 2 lease agreements relate to operating leasing of personal vehicles (HRK 252,000), and the remaining two agreements relate to the long-term lease of two apartments for the needs of Management Board members (HRK 66 thousand). As at 31 December 2021, the Company only had one liability for apartment lease in the amount of HRK 64 thousand. The trend of liabilities on the basis of lease in 2022 is presented in the table below.

(All amounts in thousands of HRK)

17. CURRENT AND NON-CURRENT LEASE LIABILITIES (CONTINUED)

	Balance as at 31 Dec 2021	Liability increase during the year	Interest expense	Lease Liability repayment	Balance as at 31 Dec 2022
Apartment lease	64	83	4	(85)	66
Vehicle lease	-	268	9	(25)	252
	64	**351**	**13**	**(110)**	**318**

The trend of liabilities on the basis of lease in 2021 is presented in the table below.

	Balance as at 31 Dec 2020	Liability increase during the year	Derecognition during the year	Interest expense	Lease Liability repayment	Balance as at 31 Dec 2021
Apartment lease	68	198	(188)	4	(18)	64
	68	**198**	**(188)**	**4**	**(18)**	**64**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This note provides details of the Company's exposure to risks and describes the methods implemented by the Management Board to manage those risks. The most significant types of financial risks to which the Company is exposed include credit risk, liquidity risk and market risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of default on a liability or contingent liability of the counterparty with whom the Company performed a transaction. At the end of the reporting period, the Company's exposure to credit risk arises from deposits with banks, whose positive values at that date are presented in the statement of financial position. The risk of default, which exists with individual counter parties in transactions with financial instruments with changes in fair value through profit or loss, is monitored continuously. In monitoring credit risk, trading instruments with positive fair value and the volatility of their fair value are considered.

At the reporting date, the Company's credit risk arises from its exposure to OTP banka d.d., which is the majority owner of the Company, and to OTP Funds managed by the Company, as well as to Zagrebačka banka d.d. and Privredna banka Zagreb d.d., with respect to the cash on its transaction accounts.

At the reporting date, the maximum exposure to credit risk arises from receivables in the amount of HRK 736 thousand (2021: HRK 734 thousand) and cash in the amount of HRK 3,796 thousand (2021: HRK 3,682 thousand).

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in finding funds for the settlement of its obligations as they fall due. At the reporting date, the current assets of the Company exceed its current liabilities. The Company maintains the level of liquid assets partly by holding funds on its giro accounts with OTP banka, Zagrebačka banka and Privredna banka Zagreb and by investing in cash funds (no such investment was made in 2022).

(All amounts in thousands of HRK)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

The undiscounted financial assets and liabilities (cash outflows) that the Company expects to have are as follows:

	Due	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Over 5 years	Total
31 December 2022							
Management and exit fees receivables	-	698	-	-	-	-	**698**
Receivables - other assets	38	-	-	-	-	-	**38**
Cash	3,796	-	-	-	-	-	**3,796**
	3,834	**698**	-	-	-	-	**4,532**

	Due	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Over 5 years	Total
31 December 2021							
Management and exit fees receivables	-	595	-	-	-	-	**595**
Receivables - other assets	139	-	-	-	-	-	**139**
Cash	3,682	-	-	-	-	-	**3,682**
	3,821	**595**	-	-	-	-	**4,416**

Cash belongs to assets category with no defined maturity.

(All amounts in thousands of HRK)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining maturity of liabilities of the Company is shown below:

	Due	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Over 5 years	Total
31 December 2022							
Trade payables	-	374	-	-	-	-	**374**
Lease liabilities	-	-	-	107	210	-	**317**
Other liabilities	-	-	-	19	-	-	**19**
Liabilities to employees	-	448	-	-	-	-	**448**
Total liabilities	**-**	**822**	**-**	**126**	**210**	**-**	**1,158**

	Due	Up to 1 month	1-3 months	3-12 months	1 to 5 years	Over 5 years	Total
31 December 2021							
Trade payables	-	104	-	-	-	-	**104**
Lease liabilities		-	-	15	50	-	**65**
Other liabilities	-	30	-	-	-	-	**30**
Liabilities to employees	-	402	-	-	-	-	**402**
Total liabilities	**-**	**536**	**-**	**15**	**50**	**-**	**601**

(All amounts in thousands of HRK)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the values of financial instruments will change due to adverse market interest rate changes in relation to the interest rate applied to financial instruments. Except for cash held with OTP banka d.d., Privredna banka d.d. and Zagrebačka banka d.d., the Company does not hold any interest-bearing financial assets. The Company has a relatively low level of liabilities that accrue interest. Management Board considers the exposure to interest costs to be insignificant.

Currency risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to the risk that the relative ratio of its functional currency and other foreign currencies may change, which will have an inverse effect on the value of that part of the Company's assets and liabilities denominated in foreign currency.

At the balance sheet date, 99% of the Company's assets and liabilities are denominated in HRK. With the introduction of the euro on 1 January 2023, the currency risk the Company is exposed to was reduced to a minimum.

	2022	2021
Assets		
HRK	5,200	5,062
EUR	36	36
Total assets	**5,236**	**5,098**
Equity, reserves and payables		
HRK	5,236	5,098
Total equity, reserves and liabilities	**5,236**	**5,098**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Price risk

Price risk is the risk that the value of an instrument would change due to changes in market prices, either caused by the factors specific to a particular investment, its issuer or factors affecting all instruments traded in the market.

As at 31 December 2022, the Company is not exposed to price risk as it does not own assets subject to price risk. In 2021, the Company was also not exposed to price risk as it did not own assets subject to price risk.

Fair value

Fair value is the price that would be received in the process of selling an asset or paying to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The carrying amount of trade receivables, trade payables and deposits with banks is approximate to fair value due to the current or short-term nature of those financial instruments. The carrying amount of cash and cash equivalents, borrowings and receivables is equivalent to their amortised cost. The fair value of financial assets and financial liabilities under standard trading conditions in active liquid markets is determined by quoted market prices (there were no such assets and liabilities in 2022 and 2021).

(All amounts in thousands of HRK)

19. TRANSACTIONS WITH RELATED PARTIES

The Company is majority owned by OTP banka d.d., the parent company of the OTP Group in Croatia, and the ultimate parent company is OTP Bank Nyrt, registered in Hungary. The Company considers to be immediately related with its owner and the investment funds under its management, the Supervisory and Management Board members (jointly referred to as: "key management personnel"), close family members of its key management personnel, entities jointly controlled or significantly influenced by the members of the Management Board and their close family members, in accordance with the definition from International Accounting Standard 24 "Related Party Disclosures" ("IAS 24"). The Company has entered into transactions with: OTP banka d.d. Croatia and other members of the OTP Group. Transactions between the funds managed by the Company are presented in the individual financial statements of the funds. The key management personnel include the Chairman and the member of the Management Board. Remuneration of the key management personnel comprises the total gross remuneration, including short-term and long-term benefits, such as basic pay and bonuses, pension contributions, Christmas bonuses and transportation allowances, as presented below.

	Assets		**Liabilities**	
	31 Dec 2022	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
OTP banka d.d.	3,823	3,680	81	41
OTP nekretnine d.o.o.	-	-	2	3
OTP Leasing d.d.	-	-	-	-
OTP Osiguranje d.d.	-	-	-	3
OTP Balanced Fund	96	109	-	-
OTP start fund	79	109	-	-
OTP e-start fund	199	68	-	-
OTP INDEX Fund	118	122	-	-
OTP MERIDIAN 20 Fund	39	44	-	-
OTP ABSOLUTE Fund	61	70	-	-
OTP MULTI USD Fund	6	15	-	-
OTP GLOBAL Fund	12	13	-	-
STABILITY FUND	40	41	-	-
OTP MULTI USD 2 Fund	53	-	-	-
	4,526	**4,271**	**83**	**47**

(All amounts in thousands of HRK)

19. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Income		Expenses	
	2022	**2021**	**2022**	**2021**
OTP banka d.d.	1,352	1,224	708	547
OTP Leasing d.o.o.	-	-	38	-
OTP Nekretnine	-	-	180	177
OTP Osiguranje d.d.	-	-	-	25
OTP Balanced Fund	1,212	1,147	-	-
OTP start fund	1,141	1,226	-	-
OTP e-start fund	1,192	582	-	-
OTP INDEX Fund	1,366	1,309	-	-
OTP MERIDIAN 20 Fund	504	406	-	-
OTP MULTI 2 Fund	-	(57)	-	-
OTP ABSOLUTE Fund	763	800	-	-
OTP MULTI USD Fund	107	150	-	-
OTP SHORT-TERM BOND Fund	-	77	--	--
STABILITY FUND	471	478	-	-
OTP GLOBAL Fund	146	194	-	-
OTP MULTI USD 2 Fund	97	-		
	8,351	**7,536**	**926**	**749**

The Company considers its Management and Supervisory Board as the key management. Management remuneration is included in the gross salary, pension contribution and bonus expenses. The total remuneration paid to all Management Board members in 2022 amounts to HRK 1,430 (2021: HRK 1,097 thousand). The Supervisory Board does not receive compensation for its work.

20. EVENTS SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (OG 57/2022) entered into force on 1 January 2023. The Company converted all closing balances of the Company and all funds under management of the Company at a fixed exchange rate of 7.5345. As of 1 January 2023, the Company and funds under management of the Company report all transactions in the euro as the domestic currency.

Pursuant to the decision of the Company's Management Board dated 21 December 2022 and the approval of the Croatian Financial Services Supervisory Agency (hereinafter: the Agency), CLASS: UP/I 992-02/23-01/09 issued on 16 February 2023, the Company plans to merge the following funds: OTP e-start fund, an open-end investment fund with a public offering, and OTP start fund, an open-end investment fund with a public offering. In the merger process, the OTP e-start fund is the merging fund (hereinafter: the Merging Fund), and OTP start fund is the receiving fund (hereinafter: Receiving Fund). The planned date of implementation of the status change is 17 April 2023.

With the entry into force of Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (hereinafter: the Regulation), the Company adopted the decision on the dissolution of OTP Money Fund, an open-end investment fund with a public offering, and OTP Euro Money Fund, an open-end investment fund with a public offering, as money market funds within the meaning of the Regulation. The decision was based on the lack of economic rationale in maintaining the money market fund in the environment of that period that was marked by very low interest rates, reduced liquidity and reduced investment opportunities. Consequently, the name of OTP Euro Money Fund, an open-end investment fund with a public offering, was changed to OTP e-start fund, an open-end investment fund with a public offering. With significant changes in the Prospectus of the Merging Fund, the investment objectives and strategy were changed so that the Merging Fund fell into the category of short-term bond funds. Furthermore, the name of OTP Money Fund, an open-end investment fund with a public offering, was changed to OTP start fund, an open-end investment fund with a public offering. With significant changes in the Prospectus of the Merging Fund, the objectives and investment strategy were changed so that the Merging Fund fell into the category of short-term bond funds. The fundamental and sole difference between the Receiving Fund and the Merging Fund was the denomination currency. The Merging Fund has been denominated in EUR since its inception, while the Receiving Fund was denominated in HRK, which ceased to exist with the introduction of the euro as the official currency in the Republic of Croatia (1 January 2023), and the euro became the denomination currency of the Receiving Fund. This led to there no longer being any rationale, in terms of business, for the continuation of management of both Funds. Given the fact that, after the change in the denomination currency of Receiving Fund, these funds are funds with exactly the same investment strategies, the merger will lead to a reduction in transaction costs, an increase in assets of the Receiving Fund and better market positioning. This will enable the Company to employ a more efficient and high-quality approach to investing, and consequently provide a better service to clients.

Furthermore, the Company initiated an application for license to establish a new UCITS fund. The establishment is planned during the second quarter of 2023. The new fund will be denominated in EUR and will have a predetermined term of two years.

21. APPROVAL OF FINANCIAL STATEMENTS

Signed for and on behalf of the Company on 16 March 2023 by:

Zorislav Vidović	**Marinko Šanto-Miletić**
President of the Board	Member of the Board

otp Invest d.o.o.
Zagreb

Appendix to the financial statements (continued) - unaudited

Statement of comprehensive income

for the year ended 31 December 2022

(All amounts in HRK)

	31 December 2021	31 December 2022
1. assets		
2. cash	3,682,156.76	3,795,718.93
3. financial assets at fair value	0.00	0.00
4. financial assets at amortised cost	0.00	0.00
5. funds and portfolio management receivables	589,833.43	697,778.12
6. other receivables	144,589.56	38,880.16
7. property, plant and equipment	385,101.89	513,355.61
8. intangible assets	296,779.79	190,372.58
9. deferred tax assets	0.00	0.00
10. other assets	0.00	0.00
11. Total assets (sum from EDP 2 to EDP 10)	5,098,461.43	5,236,105.40
12. off balance sheet items	11,476,292.87	11,120,130.42
13. equity and liabilities		
14. equity and reserves (sum from EDP 15 to EDP 20)	4,403,625.76	3,810,323.96
15. share capital	18,211,300.00	18,211,300.00
16. capital reserves	0.00	0.00
17. fair value reserves	0.00	0.00
18. other revaluation reserves	0.00	6,964.31
19. retained earnings or loss carried forward	-13,756,035.35	-13,807,674.24
20. profit or loss for the year	-51,638.89	-600,266.11
21. liabilities (sum from EDP 22 to EDP 25)	694,835.67	1,425,781.44
22. funds and portfolio management liabilities	0.00	0.00
23. financial liabilities	64,261.90	318,280.85
24. other liabilities	630,573.77	1,107,500.59
25. deferred tax liabilities	0.00	0.00
26. total equity and liabilities (EDP 14 + EDP 21)	5,098,461.43	5,236,105.40
27. off balance sheet items	11,476,292.87	11,120,130.42

Appendix to the financial statements (continued) - unaudited

Statement of comprehensive income

for the year ended 31 December 2022

(All amounts in HRK)

	31 December 2021	31 December 2022
28. funds management income (EDP 29 +EDP 32 + EDP 35 + EDP 38)	6,311,781.47	6,965,977.41
29. management fee (EDP 30 + EDP 31)	6,222,576.00	6,859,865.90
30. UCITS fund	6,028,477.28	6,714,762.95
31. alternative investment fund	194,098.72	145,102.95
32. entry fee income (EDP 33 + EDP 34)	3,318.02	3,540.84
33. UCITS fund	3,318.02	3,040.84
34. alternative investment fund	0.00	500.00
35. entry fee income (EDP 36 + EDP 37)	85.887.45	102,570.67
36. UCITS fund	85,887.45	102,570.67
37. alternative investment fund	0.00	0.00
38. other income	0.00	0.00
39. fund management expenditure (EDP 40 + EDP 41)	-424,755.09	-516,869.68
40. costs for unit sale mediation	-424,755.09	-516,869.68
41. other expenses	0.00	0.00
42. fund management result, net (EDP 28 + EDP 39)	5,887,026.38	6,449,107.73
43. portfolio management net income	12,064.96	50,962.31
44. investment consulting income	1,223,680.81	1,161,745.02
45. general and administrative operating expenses	-7,220,577.57	-8,405,317.67
46. net financial result (sum of EDP 47 to EDP 50)	-9,470.60	-24,848.91
47. net interest income	-4,022.49	-16,768.84
48. net exchange rate differences	-5,448.11	-8,080.07
49. net impairment from expected credit losses	0.00	0.00
50. other income and expenses from financial instruments	0.00	0.00
51. other income and expenses	55,637.13	168,085.41
52. total income	7,941,014.66	8,595,907.55
53. total expenses	-7,992,653.55	-9,196,173.66
54. profit or loss before tax (EDP 42 + EDP 43 + EDP 44 + EDP 45 + EDP 46 + EDP 51)	-51,638.89	-600,266.11
55. income tax	0.00	0.00
56. profit or loss (EDP 54-EDP 55)	-51,638.89	-600,266.11
57. other comprehensive income (EDP 58 + EDP 63)	0.00	0.00
58. items not to be reclassified to the profit or loss statement (sum of EDP 59 to EDP 62)	0.00	0.00
59. changes in revaluation reserves: property, plant, equipment and intangible assets	0.00	0.00
60. changes in fair value of equity instruments	0.00	0.00
61. changes in other items not to be reclassified to the profit or loss statement	0.00	0.00
62. income tax for items not to be reclassified	0.00	0.00
63. items that may be reclassified to the profit or loss statement (EDP 64 +EDP 67 + EDP 70)	0.00	0.00
64. changes in revaluation reserves: debt securities (EDP 65 + EDP 66)	0.00	0.00
65. – unrealised profit/loss	0.00	0.00
66. transferred to profit or loss statement (reclassification adjustments)	0.00	0.00
67. changes in other items that may be reclassified to profit or loss statement (EDP 68 + EDP 69)	0.00	0.00
68. profit/loss	0.00	0.00
69. transferred to profit or loss statement (reclassification adjustments)	0.00	0.00
70. income tax for items that may be reclassified to profit or loss statement	0.00	0.00
71. total comprehensive income (EDP 56 + EDP 57)	-51,638.89	-600,266.11

Appendix to the financial statements (continued) - unaudited

Cash flow statement (indirect method)

for the year ended 31 December 2022

(All amounts in HRK)

	31 December 2021	31 December 2022
108. net cash flows from operating activities (sum of EDP 109 to EDP 123)	70,116.59	244,995.93
109. profit/loss before tax for the current year or period	-51,638.89	-600,266.11
110. depreciation of property, plant, equipment and intangible assets	305,082.77	371,926.55
111. allowance for receivables etc. write-offs	0.00	0.00
112. provisions	48,313.94	240,264.03
113. interest income	-115,25	-9.46
114. interest expense	4,137.74	16,778.30
115. profit/loss from investment in financial instruments	0.00	0.00
116. net impairment of expected credit losses	0.00	0.00
117. increase/decrease in funds and portfolio management receivables	-29,931.47	-107,944.69
118. increase/decrease in other receivables	85,343.73	104,709.40
119. interest expense	-4,137.74	-16,017.89
120. increase/decrease in other asset items	0.00	0.00
121. increase/decrease in funds and portfolio management liabilities	0.00	0.00
122. increase/decrease in other liabilities	-286,938.24	235,555.80
123. income tax paid	0.00	0.00
124. net cash flows from investing activities (sum of EDP 125 to EDP 134)	-205,137.33	-41,652.94
125. proceeds from sale of financial instruments	0.00	0.00
126. expenditures for purchase of financial instruments	0.00	0.00
127. interest income	115.25	9.45
128. dividend income	0.00	0.00
129. expenditures for placements in given loans and other financial instruments	0.00	0.00
130. proceeds from collection of given loans and other financial instruments	0.00	0.00
131. expenditures for purchase of property, plant, equipment and intangible assets	-365,632.00	-50,411.86
132. proceeds from sale of property, plant, equipment and intangible assets	160,379.42	8,749.77
133. other proceeds from investing activities	0.00	0.00
134. other expenditures from investing activities	0.00	0.00
135. net cash flows from financing activities (sum of EDP 136 to EDP 144)	-75,204.54	-89,780.82
136. payments of owners of the management company	0.00	0.00
137. expenditures for purchase of own shares/repurchase of interest	0.00	0.00
138. payment of dividends or share in profit	0.00	0.00
139. proceeds from loans	0.00	0.00
140. expenditures for repayment of loans received	0.00	0.00
141. proceeds from issued financial instruments	0.00	0.00
142. expenditures from issued financial instruments	0.00	0.00
143. other proceeds from financial activities	0.00	6,964.00
144. other expenditures from financing activities	-75,204.54	-96,744.82
145. net increases/decreases in cash (EDP 108 + EDP 124+ EDP 135)	-210,225.28	113,562.17
146. cash at the beginning of the period	3,892,382.04	3,682,156.76
147. cash at the end of the period (EDP 145 + EDP 146)	3,682,156.76	3,795,718.93

Statement of changes in shareholder's equity

for the year ended 31 December 2022

(All amounts in HRK)

	attributable to owners of parent company						attributable to owners of non-controlling interests	total equity and reserves
	share capital	capital reserves	fair value reserves	other revaluation reserves	retained earnings or loss carried forward	profit or loss for the current year (period)		
opening balance for the prior business year	18,211,300.00	0.00	0.00	0.00	-12,216,430.69	-1,539,604.66	0.00	4,455,264.65
changes in accounting policies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
restatement from prior periods	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
opening balance for the prior business year (adjusted)	18,211,300.00	0.00	0.00	0.00	-12,216,430.69	-1,539,604.66	0.00	4,455,264.65
profit or loss for the period	0.00	0.00	0.00	0.00	0.00	-1,539,604.66	0.00	-1,539,604.66
changes in fair value of financial instrument	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other profit/loss from investment in financial instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
changes in other revaluation reserves (property, plant, equipment and intangible assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other non-equity changes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
tax for items recognised directly or transferred from equity and reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
total prior year (prior year period) income and expenses recognised directly	0.00	0.00	0.00	0.00	0.00	-1,539,604.66	0.00	-1,539,604.66
increase/decrease in share capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other amounts attributable to owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
payments of shares in profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other amounts attributable to owners	0.00	0.00	0.00	0.00	0.00	1,539,604.66	-51,638.89	1,487,965.77
closing balance in the reporting period for the prior business year	18,211,300.00	0.00	0.00	0.00	-12,216,430.69	-1,539,604.66	-51,638.89	4,403,625.76
opening balance for the current year	18,211,300.00	0.00	0.00	0.00	-12,216,430.69	-1,539,604.66	-51,638.89	4,403,625.76
changes in accounting policies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
restatement from prior periods	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
opening balance for the current business year (adjusted)	18,211,300.00	0.00	0.00	0.00	-12,216,430.69	-1,539,604.66	-51,638.89	4,403,625.76
profit or loss for the period	0.00	0.00	0.00	0.00	0.00	-600,266.11	0.00	-600,266.11
changes in fair value of financial instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other profit and loss from investment in financial instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
changes of other revaluation reserves (property, plant, equipment and intangible assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other non-equity changes	0.00	6,964.31	0.00	0.00	0.00	0.00	0.00	6,964.31
tax for items recognised directly or transferred from equity and reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
total current year (current period) income and expenses recognised directly	0.00	6,964.31	0.00	0.00	0.00	-600,266.11	0.00	-593,301.80
increase/decrease in subscribed capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other payments of owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
payments of shares in profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
other amounts attributable to owners	0.00	0.00	0.00	0.00	-51,638.89	51,638.89	0.00	0.00
closing balance in the reporting period for the current year	18,211,300.00	6,964.31	0.00	0.00	-12,268,069.58	-2,088,231.88	-51,638.89	3,810,323.96

Reconciliation between the regulatory framework and International Financial Reporting Standards adopted by the European Union

As at 31 December 2022

(All amounts in thousands of HRK)

Financial statements in accordance with IFRS			Financial statements under the Ordinance on the structure and contents of financial reports and other reports of investment fund management companies			Difference	Note
Statement of financial position	Notes	31 December 2022 HRK '000	Statement of financial position	EDP	31 December 2022 HRK '000		
Property, plant and equipment	10	514	Property, plants and equipment	7	514		
Intangible assets	11	190	Intangible assets	8	190		
Total non-current assets		**704**	**TOTAL EDP 7 and 8**		**704**		
Receivables	12	736	Funds management receivables	5	698		Note 1
			Other receivables	6	39		
Financial assets at fair value through profit or loss	-	-	Financial assets at fair value through profit or loss	3	-		
Cash and cash equivalents	13	3,796	Cash	2	3,796		
Total current assets		**4,532**	**Total EDP 2,3,5 and 6**		4,532		
Total assets		**5,236**	**Total assets**	11	**5,236**		
Share capital	14	18,211	Subscribed capital	15	18,211		
Accumulated loss	14	(14,408)	Retained earnings or loss carried forward	19	(13,809)	(52)	Note 2
			Profit or loss for the year	20	(600)	1,540	Note 2
Total equity and reserves			**Equity and reserves**	14			
Trade payables		374				(374)	Note 4
Payables to employees	15	448				(448)	Note 4
Provisions	16a	218				(218)	Note 4
Other liabilities	16b	126	Financial liabilities	23	318	(192)	Note 3
			Other liabilities	24	1,108	1,108	Note 4
Total current liabilities		**1,166**					
Liabilities to employees – long term		50				(50)	Note 4
Other liabilities		210				(210)	Note 3
Total non-current liabilities		**260**					
Total liabilities		**1,426**	**Liabilities (sum from EDP 22 to EDP 25)**	**21**	**1,426**		
Total equity, reserves and payables		**5,236**	**Total equity and payables**	**26**	**5,236**		

(All amounts in thousands of HRK)

Note 1: Receivables per IFRS include Management Fee Receivables, Exit and Entry Fee Receivables and all Other receivables. In accordance with the Ordinance, other Receivables are placed under Other receivables (EDP 6).

Note 2: Accumulated loss according to IFRS has already been increased by the loss of the current year which amounts to HRK 600 thousand, while according to the Ordinance it is shown in Profit or loss for the current year (EDP 20).

Note 3: Total liabilities under Ordinance are grouped in Financial liabilities and Other liabilities. Financial liabilities include short term and long term part of liability for IFRS 16 leases that are shown in Other liabilities (long term, 260 thousand) and Other liabilities (short term, 1,166 thousand).

Note 4: Other liabilities under Ordinance include all other liabilities that, under IFRS report, are shown in: Payables to employees, Trade payables, Provisions and Other liabilities (part that is not IFRS 16 liability)

Financial statements in accordance with IFRS			Financial statements under the Ordinance on the Structure and Contents of Financial and other Reports of Investment Fund Management Companies			Difference	Note
Statement of comprehensive income	Notes	2022	**Statement of comprehensive income**	EDP	2022		
Management fee	4.1.	6,860	Management fee	29	6,860		
Exit fee	4.2.	103	Exit fee income	35	103		-
Entry fee	4.3.	4	Entry fee income	32	4		
Other income	4.5.	168	Other income and expenses	55	168	-	
Fund management expenditure	5	(517)	Costs for unit sale mediation	40	(425)		-
							-
Investment consulting and pc	4.4.	1,213	Net income from portfolio management	43	51		
			Investment consulting income	44	1,162		
			General and administrative operating expenses	45	(8,405)	8,405	
Staff expenses	6	(5,475)				(5,475)	Note 1
Operating expenses	7	(2,931)				(2,931)	
			Net interest income	47	(17)	17	
			Net exchange rate differences	48	(8)	8	Note 2
Financial expense, net	8	(25)				(25)	
Loss before tax		**(600)**	**Profit or loss before tax**	54	**(600)**		-
Income tax	9	-	Income tax	55	-		-
Total comprehensive incon		**(600)**	**Total comprehensive income**	71	**(600)**		-

Note 1: Staff expenses and Operating expenses according to the IFRS financial statements comprise the General and administrative expenses under Ordinance (EDP 45).

Note 2: Financial expenses (net) according to IFRS consist of the following items in the report according to the Ordinance: Net interest income and Net exchange rate differences

Statement of cash flows

The Statement of Cash Flows prepared in accordance with and pursuant to the Ordinance on the Structure and Contents of Financial and other Reports of UCITS Management Companies (Official Gazette No. 105/17), and the Ordinance on the Structure and Content of Annual and Semi-annual Financial and other Reports of Alternative Investment Fund Management Companies (Official Gazette No. 13/19) differs in terms of presentation from the Statement of Cash Flows prepared in accordance with the IFRS Standards.

Differences in increases or decreases in assets and liabilities in corresponding cash flows are due to presentation differences in the asset and liability items in financial statements prepared in accordance with the IFRS Standards and those prepared in accordance with the Ordinance.