CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Unaudited Condensed Separate and Consolidated Interim Financial Statements for the Period 1 January – 31 March 2025

Zagreb, May 2025

Contents

Responsibilities of the Management and Supervisory Boards for the preparation and approval of the condensed separate and consolidated interim financial statements for the period 1 January – 31 March 2025

We confirm that, to the best of our knowledge, the condensed separate interim financial statements of the Croatian Bank for Reconstruction and Development ("the Bank" or "HBOR") and condensed consolidated interim financial statements of the Croatian Bank for Reconstruction and Development Group ("the Group") set out on pages 4 to 120 have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" applicable for the preparation of interim financial statements, and give a true and fair view of assets, liabilities, financial position, financial performance and cash flows for the reporting period.

The Management Board has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and the Group and to prevent and detect fraud and other irregularities.

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

The Management Board is responsible for the submission to the Supervisory Board of its Condensed interim financial statements which includes the condensed separate and consolidated interim financial statements. If the Supervisory Board approves the Condensed interim financial statements it is deemed confirmed by the Management Board and Supervisory Board.

The Condensed separate and consolidated interim financial statements on pages 4 to 120 have been approved by the Management Board on 15 May 2025 as confirmed by the signatures below.

For and on behalf of Croatian Bank for Reconstruction and Development:

Marin Pranjić

Finance and Accounting Division Executive Director

Hrvoje Čuvalo, MSc

President of the Management Board

Alan Herjavec, MSc

Member of the Management Board

Josip Pavković

Member of the Management Board

HRVATSKA BANKA ZA OBNOVU I RAZVITAK HBOR ZAGREB 1

Zagreb, 15 May 2025

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Interest income calculated using the effective interest method	5	28,144	27,072
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		217	139
Interest expense	6	(12,180)	(10,076)
Net interest income		**16,181**	**17,135**
Fee and commission income		527	489
Fee and commission expense		(237)	(219)
Net fee and commission income		**290**	**270**
Net gains/(losses) on financial operations		1,222	41
Other income		832	1,978
		18,525	**19,424**
Employee expenses	7 a)	(4,860)	(4,260)
Depreciation and amortisation	7 b)	(499)	(505)
Other expenses	7 c)	(3,272)	(2,748)
Subsidy cost at the expense of HBOR's operations		(2,610)	(264)
Impairment gain and provisions	8	15,584	5,943
Profit before income tax		**22,868**	**17,590**
Income tax		-	-
Profit for the period		**22,868**	**17,590**
Attributable to:			
Owner of the Bank		**22,868**	**17,590**

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

Statement of Profit or Loss and Other Comprehensive Income for the period 1 January – 31 March

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
Profit for the period	**22,868**	**17,590**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net changes in financial assets at fair value through other comprehensive income	(698)	(568)
Net foreign exchange on equity instruments	-	-
Deferred tax – other comprehensive income	5	6
Total items that may be reclassified subsequently to profit or loss	**(693)**	**(562)**
Other comprehensive income after income tax	**(693)**	**(562)**
Total comprehensive income after income tax	**22,175**	**17,028**
Attributable to:		
Owner of the Bank	**22,175**	**17,028**

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Financial Position as of

(All amounts are expressed in thousands of Euros)

	Notes	31 March 2025 EUR '000	31 December 2024 EUR '000
Assets			
Cash on hand and current accounts with banks	9	29,601	46,061
Deposits with other banks	10	104,457	93,871
Loans to financial institutions	11	1,228,786	1,225,809
Loans to other customers	12	2,281,444	2,308,436
Financial assets at fair value through ćEprofit or loss	13	68,796	67,047
Financial assets at fair value through other comprehensive income	14	241,954	245,387
Property, plant and equipment and intangible assets		5,166	5,095
Foreclosed assets	15	2,210	2,140
Other assets	16	6,026	5,801
Total assets		**3,968,440**	**3,999,647**
Liabilities			
Deposits from customers	17	48,386	95,512
Borrowings	18	2,283,416	2,288,268
Provisions for guarantees, commitments, and other liabilities	19	19,823	23,368
Other liabilities	20	90,354	88,213
Total liabilities		**2,441,979**	**2,495,361**
Equity			
Founder's capital		961,889	961,889
Retained earnings and reserves		539,127	498,945
Other reserves		939	1,632
Profit for the period		22,868	40,182
Guarantee fund		1,638	1,638
Total equity		**1,526,461**	**1,504,286**
Total liabilities and total equity		**3,968,440**	**3,999,647**

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

Statement of Cash Flows for the period 1 January - 31 March

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Operating activities			
Profit before income tax		22,868	17,590
Adjustments to reconcile to net cash from and used in operating activities:			
Depreciation and amortisation		499	505
Income tax			
Impairment gain and provisions		(15,584)	(5,942)
Subsidy cost at the expense of HBOR's operations		2,610	-
Accrued interest		5,322	1,457
Deferred fees		2,343	1,808
Net (loss) from trading with derivative financial instruments		(160)	(37)
Other changes in assets at fair value		257	421
Operating profit/(loss) before working capital changes		*18,155*	*15,802*
Changes in operating assets and liabilities:			
Net (increase) in deposits with other banks, before impairment		(10,461)	(57,393)
Net (decrease)/increase in loans to financial institutions, before impairment		(2,904)	110,781
Net decrease in loans to other customers, before loss impairment		30,107	17,902
Net (increase)/decrease in foreclosed assets		(70)	150
Net (increase)/decrease in other assets, before impairment		(437)	3,887
Net (decrease) in deposits from banks and companies		(47,092)	(16,347)
Net increase/(decrease) in other liabilities, before provisions		2,116	(313)
Net cash (used in)/provided from operating activities		**(10,586)**	**74,469**
Investment activities			
Purchase of financial assets at fair value through profit or loss		(870)	(81)
Purchase of financial assets at fair value through other comprehensive income		(102,205)	(25,235)
Sale of financial assets at fair value through other comprehensive income		103,456	12,005
Net purchase of property, plant and equipment and intangible assets		(361)	(706)
Net cash provided from/(used in) investment activities		**20**	**(14,017)**
Financing activities			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		205,000	196,931
Decrease in borrowings – repayments of principal		(210,063)	(222,033)
Other		(385)	(424)
Net cash (used in) from financing activities		**(5,448)**	**(25,526)**
Effect of foreign currency to cash and cash equivalents			
Net foreign exchange		(509)	439
Net effect		**(509)**	**439**
Net (decrease)/increase in cash and cash equivalents		(16,523)	35,365
Cash and cash equivalents balance as of 1 January, before impairment		46,205	42,292
Net (decrease)/increase in cash and cash equivalents		(16,523)	35,365
Cash and cash equivalents balance as of 31 March before impairment	**9**	**29,682**	**77,657**
Additional note - Operational cash flows			
Interest paid		11,283	7,095
Interest received		28,055	19,126

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

(All amounts are expressed in thousands of Euros)

	Founder's capital	Retained earnings and reserves	Other reserves	Profit for the period	Guarantee fund	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January 2024	**958,889**	**468,988**	**(1,577)**	**29,947**	**1,638**	**1,457,895**
Profit for the period	-	-	-	17,590	-	**17,590**
Other comprehensive income	-	-	(562)	-	-	**(562)**
Total comprehensive income	-	-	(562)	17,590	-	**17,028**
Capital paid-in from the State Budget	-	-	-	-	-	-
Adjustments	16	(16)	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,947	-	(29,947)	-	-
Balance as of 31 March 2024	**958,905**	**498,929**	**(2,139)**	**17,590**	**1,638**	**1,474,923**
Balance as of 1 January 2025	**961,889**	**498,945**	**1,632**	**40,182**	**1,638**	**1,504,286**
Profit for the period	-	-	-	22,868	-	**22,868**
Other comprehensive income	-	-	(693)	-	-	**(693)**
Total comprehensive income	-	-	(693)	22,868	-	**22,175**
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2024 to retained earnings	-	40,182	-	(40,182)	-	-
Balance as of 31 March 2025	**961,889**	**539,127**	**939**	**22,868**	**1,638**	**1,526,461**

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

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Interest income calculated using the effective interest method	5	28,084	27,009
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		217	139
Interest expense	6	(12,179)	(10,074)
Net interest income		**16,122**	**17,074**
Fee and commission income		527	489
Fee and commission expense		(237)	(219)
Net fee and commission income		**290**	**270**
Net gains/(losses) on financial operations		1,222	41
Other income		162	1,265
		17,796	**18,650**
Employee expenses	7 a)	(4,701)	(4,119)
Depreciation and amortisation	7 b)	(479)	(485)
Other expenses	7 c)	(2,733)	(2,141)
Subsidy costs at the expense of HBOR's operations		(2,610)	(264)
Impairment gain and provisions	8	15,585	5,939
Profit before income tax		**22,858**	**17,580**
Income tax		-	-
Profit for the period		**22,858**	**17,580**
Attributable to:			
Owner of the Bank		**22,858**	**17,580**

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

Statement of Profit or Loss and Other Comprehensive Income for the period 1 January - 31 March

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
Profit for the period	**22,858**	**17,580**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net changes in financial assets at fair value through other comprehensive income	(665)	(534)
Net foreign exchange on equity instruments	-	-
Total items that may be reclassified subsequently to profit or loss	**(665)**	**(534)**
Other comprehensive income after income tax	**(665)**	**(534)**
Total comprehensive income after income tax	**22,193**	**17,046**
Attributable to:		
Owner of the Bank	**22,193**	**17,046**

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

Statement of Financial Position as of

(All amounts are expressed in thousands of Euros)

	Notes	31 March 2025 EUR '000	31 December 2024 EUR '000
Assets			
Cash on hand and current accounts with banks	9	28,877	45,543
Deposits with other banks	10	101,062	90,410
Loans to financial institutions	11	1,228,786	1,225,809
Loans to other customers	12	2,281,444	2,308,436
Financial assets at fair value through profit or loss	13	68,796	67,047
Financial assets at fair value through other comprehensive income	14	235,822	239,222
Investments in subsidiaries		7,449	7,449
Property, plant and equipment and intangible assets		4,966	4,882
Foreclosed assets	15	2,210	2,140
Other assets	16	5,296	4,967
Total assets		**3,964,708**	**3,995,905**
Liabilities			
Deposits from customers	17	48,386	95,512
Borrowings	18	2,283,416	2,288,268
Provisions for guarantees, commitments, and other liabilities	19	19,823	23,368
Other liabilities	20	87,397	85,264
Total liabilities		**2,439,022**	**2,492,412**
Equity			
Founder's capital		961,873	961,873
Retained earnings and reserves		537,852	497,955
Other reserves		1,465	2,130
Profit for the period		22,858	39,897
Guarantee fund		1,638	1,638
Total equity		**1,525,686**	**1,503,493**
Total liabilities and total equity		**3,964,708**	**3,995,905**

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Cash Flows for the period 1 January – 31 March

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Operating activities			
Profit before income tax		22,858	17,580
Adjustments to reconcile to net cash from and used in operating activities:			
Depreciation and amortisation		479	485
Impairment gain and provisions		(15,585)	(5,939)
Subsidy cost at the expense of HBOR's operations		2,610	-
Accrued interest		5,307	1,465
Deferred fees		2,343	1,808
Net (loss)/gains from trading with derivative financial instruments		(160)	(37)
Other changes in assets at fair value		258	418
Operating profit/(loss) before working capital changes		*18,110*	*15,780*
Changes in operating assets and liabilities:			
Net (increase) in deposits with other banks, before impairment		(10,511)	(57,413)
Net (increase)/decrease in loans to financial institutions, before impairment		(2,904)	110,781
Net decrease in loans to other customers, before impairment		30,107	17,902
Net (increase)/decrease in foreclosed assets		(70)	150
Net (increase)/decrease in other assets, before impairment		(550)	3,984
Net (decrease) in deposits from banks and companies		(47,092)	(16,347)
Net increase/(decrease) in other liabilities, before provisions		2,133	(313)
Net cash (used in)/provided from operating activities		**(10,777)**	**74,524**
Investment activities			
Purchase of financial assets at fair value through profit or loss income		(870)	(81)
Purchase of financial assets at fair value through other comprehensive income		(102,053)	(25,235)
Sale of financial assets at fair value through other comprehensive income		103,456	12,005
Net purchase of property, plant and equipment and intangible assets		(353)	(239)
Net cash provided from/(used in) investment activities		**180**	**(13,550)**
Financing activities			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		205,000	196,931
Decrease in borrowings – repayments of principle		(210,063)	(222,033)
Other		(561)	(775)
Net cash (used in) financing activities		**(5,624)**	**(25,877)**
Effect of foreign currency to cash and cash equivalents			
Net foreign exchange		(509)	439
Net effect		**(509)**	**439**
Net (decrease)/increase in cash and cash equivalents		(16,730)	**35,536**
Cash and cash equivalents balance as of 1 January, before impairment		45,686	41,701
Net (decrease)/increase in cash and cash equivalents		(16,730)	35,536
Cash and cash equivalents balance as at 31 March, before impairment	9	**28,956**	**77,237**
Additional note – operating activities			
Interest paid		11,283	7,095
Interest received		28,016	19,069

(All amounts are expressed in thousands of Euros)

	Founder's capital EUR '000	Retained earnings and reserves EUR '000	Other reserves EUR '000	Profit for the period EUR '000	Guarantee fund EUR '000	Total EUR '000
Balance as at 1 January 2024	**958,873**	**468,113**	**(943)**	**29,842**	**1,638**	**1,457,523**
Profit for the period	-	-	-	17,580	-	**17,580**
Other comprehensive income	-	-	(534)	-	-	**(534)**
Total comprehensive income	-	-	(534)	17,580	-	**17,046**
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,842	-	(29,842)	-	-
Balance as at 31 March 2024	**958,873**	**497,955**	**(1,477)**	**17,580**	**1,638**	**1,474,569**
Balance as at 1 January 2025	**961,873**	**497,955**	**2,130**	**39,897**	**1,638**	**1,503,493**
Profit for the period	-	-	-	22,858	-	**22,858**
Other comprehensive income	-	-	(665)	-	-	**(665)**
Total comprehensive income	-	-	(665)	22,858	-	**22,193**
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2024 to retained earnings	-	39,897	-	(39,897)	-	-
Balance as at 31 March 2025	**961,873**	**537,852**	**1,465**	**22,858**	**1,638**	**1,525,686**

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

1. General information

1.1. Group:

The Croatian Bank for Reconstruction and Development („HBOR“ or „the Bank“) is the parent company of the Croatian Bank for Reconstruction and Development Group („Group“) that operates in the Republic of Croatia. The Group primarily performs banking activities and, to the lesser extent, insurance activities and credit risk assessment activities. These Financial Statements include separate and consolidated financial statements of the Bank and the Group ("Financial Statements").

The headquarters of the Bank is located at Strossmayerov trg 9, Zagreb, Croatia.

The Group was formed in 2010, the Bank's subsidiary companies are Hrvatsko kreditno osiguranje d.d. and Poslovni info servis d.o.o. that constitute the Hrvatsko kreditno osiguranje Group ("HKO Group").

The Croatian Bank for Reconstruction and Development is the 100% owner of HKO, which is 100% owner of Poslovni info servis d.o.o.

The legal address of the HKO Group is Zagreb, Bednjanska 12.

As of 31 March 2025, the Group had 470 employees (31 March 2024: 438 employees).

1.2. Bank:

The Croatian Bank for Reconstruction and Development ("HBOR" or "the Bank") was established on 12 June 1992 under the Act on the Croatian Credit Bank for Reconstruction ("HKBO"). In December 1995, the Bank changed its name to Croatian Bank for Reconstruction and Development. The founder and 100% owner of HBOR is the Republic of Croatia.

The Republic of Croatia guarantees HBOR's liabilities unconditionally, irrevocably and on first call, without issuing any particular guarantee. The responsibility of the Republic of Croatia as guarantor for HBOR´s liabilities is joint and unlimited.

With the Act on the Croatian Bank for Reconstruction and Development passed in December 2006, HBOR's founding capital was EUR 929.1 million, the payment schedule of which is determined by the State budget.

Supervisory Board

As of 31 March 2025, members of the Supervisory Board were as follows:

- Marko Primorac, PhD, associate professor, Minister of Finance - ex officio President of the Supervisory Board,
- Ante Šušnjar, Minister of the Economy – ex officio Deputy President of the Supervisory Board,
- Šime Erlić, Minister of Regional Development and EU Funds,
- Branko Bačić, Deputy Prime Minister of the Republic of Croatia and Minister of Physical Planning, Construction and State Assets,
- Marija Vučković, MSc, Minister of Environmental Protection and Green Transition,
- David Vlajčić, Deputy Prime Minister of the Republic of Croatia and Minister of Agriculture, Forestry and Fisheries,
- Luka Burilović, PhD, Chairman of the Croatian Chamber of Economy – ex officio Member of the Supervisory Board,
- Branka Juričev-Martinčev, member of Parliament,
- Predrag Štromar, member of Parliament,
- Boris Piližota, MSc, member of Parliament.

Management Board

On the date of preparing these statements, members of the Management Board of HBOR were as follows:

- Hrvoje Čuvalo, MSc, President of the Management Board,
- Alan Herjavec, MSc, Member of the Management Board, and
- Josip Pavković, Member of the Management Board.

As of 31 March 2025, HBOR had 448 employees (31 March 2024: 419 employees).

1. General information (continued)

1.2. Bank (continued):

Audit Committee
As of 31 March 2025, members of the Audit Committee were as follows:

- Prof. DSc. Lajoš Žager, Faculty of Economics and Business of the University of Zagreb, Chairman of the Audit Committee,
- Prof. DSc. Boris Tušek, Faculty of Economics and Business of the University of Zagreb, Deputy Chairman of the Audit Committee,
- Predrag Štromar, Chairman of the Physical Planning and Construction Committee of the Croatian Parliament, member of the Audit Committee.

1.2.1. Activities of the Bank:

The principal activities of the Bank comprise the following:
- financing of reconstruction and development of the Croatian economy,
- financing of infrastructure,
- promoting exports,
- providing support to the development of SMEs,
- promoting environmental protection, and
- providing domestic goods and services export insurance against non-market risks for and on behalf of the Republic of Croatia.

HBOR may perform other financial activities according to the decisions of the Government of the Republic of Croatia if, in their opinion, it is in the best interest of the Republic of Croatia.

1.3. The impact of the crisis caused by the Russian-Ukrainian war

Following the Russian invasion of Ukraine on 24 February 2022, the European Union imposed a package of sanctions against the Russian Federation and the Republic of Belarus that has economic consequences for the entire EU market, including the Croatian economy.Entrepreneurs are affected in multiple ways, both directly and indirectly, especially in the form of reduction in demand, termination of existing contracts and projects with the consequent loss of turnover, disruptions in supply chains, particularly of raw materials and semi-finished products, energy prices and other input materials. The crisis is disrupting supply chains, affecting the exporters and the importers of Russian, Ukrainian and Belarusian goods and services. The negative impact of price increases is already being felt throughout the Croatian economy.

Following the above, HBOR has started a programme of support to the Croatian economy affected by the new crisis under:
- HBOR's aid award programme aligned with the Temporary Crisis Framework for State Aid Measures to Support the Economy after Russia's Invasion of Ukraine - sections "2.1 and 2.3",
- Decision on the Adoption of a Temporary Crisis Measure under the Working Capital Loan Programme: Working Capital CRISIS 2022 – Measure, the implementation of which has been extended until 31 December 2023 and
- Ordinance on the Processing of Applications for Direct Loans under the loan programme Working Capital CRISIS 2022 – Measure that includes also financing under the risk-sharing model with financial institutions.

Although the long-term impact of this crisis on the Group's operations is currently difficult to quantify, the HBOR Group has a high level of capitalisation and liquidity and an appropriate level of provisions for exposures. Therefore, the Management Board of HBOR estimates that the continuity of business of the HBOR Group and HBOR is beyond doubt.

HBOR Group is comprised of HBOR as the parent company and of subsidiary companies: Hrvatsko kreditno osiguranje d.d. (hereinafter: HKO) and Poslovni info servis d.o.o. constituting HKO Group that represents 0.3% of the parent company's total assets. The Management Board of the subsidiary companies is taking the necessary measures to reduce the negative effects of the invasion of Ukraine.

2. Basis of Preparation of the Financial Statements

2.1. Statement of compliance

The Condensed Interim Financial Statements of the Bank and HBOR Group for the period 1 January to 31 March 2025 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting.

The Condensed Interim Financial Statements for the period from 1 January to 31 March 2025 do not include all information and disclosures that are required in the annual financial statements and should be read in combination with the annual financial statements of the HBOR Group for the year ended 31 December 2024.

2.2. Measurement

The financial statements are prepared on the fair value basis for financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Other financial assets and liabilities, and non-financial assets and liabilities, are stated at amortised or historical cost.

The financial statements are prepared on an accrual and a going concern basis.

2.3. Functional and presentation currency

These financial statements of the Bank and the Group are presented in Euro (EUR), the Bank's and the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Use of judgements and estimates

For the preparation of separated and consolidated financial statements in accordance with IFRSs adopted by EU, the Management Board is required to give estimations and make assumptions that influence the reported balances of assets and liabilities and to disclose contingent assets and liabilities at the date of financial statements, and present income and expense for the reporting period. Estimations and related assumptions are based on historical experience and various other factors that are considered to be reasonable in the given circumstances and with available information as of the date of preparation of the financial statements, which together form the basis for estimating the carrying amount of assets and liabilities that cannot be easily identified from other sources. Actual results may differ from these estimations. Estimations and related assumptions are continuously reviewed. Changes in accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of change or future periods if the change affects the current and future periods.

Significant accounting judgements and estimates were the same as those described in the last annual financial statements.

4. Summary of significant accounting policies

4.1. Adoption of new and amended International Financial Reporting Standards ("IFRS") and Interpretations

First application of new and amendments to existing standards in force in the current reporting period

In the current reporting period, the following amendments to existing standards are in force, published by the International Accounting Standards Board ("IASB") and adopted by the European Union:

- Amendments to IAS 21 The Effects of Chages in Foreign Exchange Rates: Lack of Exchangeabillity (effective for annual periods beginning on or after 1 January 2025).

The adoption of these amendments to existing standards did not result in significant changes in the Group's financial statements.

New standards and amendments to existing standards published by the IASB, but not yet adopted in the European Union

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union on 31 March 2025 has not yet decided (the effective dates set out below refer to IFRSs issued by the IASB):

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2026);

- Annual Improvements Volume 11 (effective for annual periods beginning on or after 1 January 2026);

- Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after 1 January 2026);

- New IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027);

- New IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027).

Group expects that the adoption of amendments to existing standards will not lead to significant changes in the Group's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including *IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors)*. Even though IFRS 18 will not have any effect on the recognition and measurement of items in the separate / consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group does not expect to be eligible to apply IFRS 19.

(All amounts are expressed in thousands of Euros)

5. Interest income calculated using the effective interest method

Interest income by borrowers:

	Group		Bank	
	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000
Public sector	5,702	5,700	5,666	5,657
State-owned companies	1,435	1,951	1,435	1,951
Foreign companies	128	42	128	42
Domestic companies	13,535	12,551	13,531	12,551
Domestic financial institutions	6,347	5,628	6,327	5,608
Foreign financial institutions	286	494	286	494
Penalty interest	281	286	281	286
Other	430	420	430	420
	28,144	**27,072**	**28,084**	**27,009**

Interest income by type of facility:

	Group		Bank	
	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000
Interest on loans				
- financial institutions	6,082	5,390	6,082	5,390
- other customers	19,837	19,466	19,837	19,466
	25,919	24,856	25,919	24,856
Investments in securities	1,674	1,483	1,634	1,440
- *Bonds of the Republic of Croatia*	*1,576*	*1,229*	*1,540*	*1,187*
- *Corporate bonds*	*6*	*3*	*2*	*2*
- *Treasury bills of the Ministry of Finance*	*92*	*251*	*92*	*251*
Deposits and current accounts with banks	551	733	531	713
	28,144	**27,072**	**28,084**	**27,009**

The main difference between interest income and interest received or collected (see Statement of Cash Flows) mostly relates to the income in respect to interest subsidies inflows that are recorded upon payment. The discounted amount of the interest subsidies provided for the final user is presented as deferred interest income (see Note 20 Other liabilities) and is recognized in profit or loss on a time basis during the repayment of the loan. Interest income earned on this basis for the period 1 January to 31 March 2025 amounts to EUR 4,145 thousand (1 January to 31 March 2024: EUR 4,160 thousand).

(All amounts are expressed in thousands of Euros)

6. Interest expense

Interest expense by type of payee:

	Group		Bank	
	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000
Domestic financial institutions	1,475	106	1,475	106
Foreign financial institutions	7,983	7,076	7,983	7,076
State units	2,673	2,881	2,673	2,881
Other	49	13	48	11
	12,180	**10,076**	**12,179**	**10,074**

Interest expense by type of facility:

	Group		Bank	
	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Mar 31, 2024 EUR '000
Borrowings	12,009	9,751	12,009	9,751
Deposits	164	312	164	312
Leases – interest expenses on long term contracts	7	13	6	11
	12,180	**10,076**	**12,179**	**10,074**

The difference between interest expense and interest paid (see the Statement of Cash Flows) mostly relates to the changes in the amount of the interest accrued in relation to the prior year and the amortisation of discount for issued debt securities.

(All amounts are expressed in thousands of Euros)

7. Operating expenses

Operating expenses can be shown as follows:

	Group		Bank	
	Jan 1 - Mar 31, 2025 EUR '000	**Jan 1 - Mar 31, 2024 EUR '000**	**Jan 1 - Mar 31, 2025 EUR '000**	**Jan 1 - Mar 31, 2024 EUR '000**
7. a) Employee expenses	4,860	4,260	4,701	4,119
7. b) Depreciation	499	505	479	485
7. c) Other expenses	3,272	2,748	2,733	2,141
From what:				
Administration expenses	*1,627*	*1,157*	*1,618*	*1,141*
Material and services	*1,029*	*969*	*932*	*874*
Other expenses	*616*	*622*	*183*	*126*
	8,631	**7,513**	**7,913**	**6,745**

(All amounts are expressed in thousands of Euros)

8. Impairment gain and provisions

The provision for impairment gains on placements may be summarized as follows:

a) Impairment loss and provisions on financial instruments in accordance with IFRS 9

		Group		Bank
	Jan 1 - Mar 31, 2025 EUR '000	**Jan 1 - Mar 31, 2024 EUR '000**	**Jan 1 - Mar 31, 2025 EUR '000**	**Jan 1 - Mar 31, 2024 EUR '000**
Impairment losses on cash on hand and due from financial institutions	(63)	126	(64)	126
Impairment losses on deposits with other banks	(121)	(16)	(121)	(12)
Impairment losses on loans to financial institutions	(217)	(137)	(217)	(137)
Impairment losses on loans to other customers and interest	(10,392)	(4,232)	(10,392)	(4,232)
Modification (gain)/loss – financial institutions	(63)	(86)	(63)	(86)
Modification (gain)/loss – other customers	(1,124)	965	(1,124)	965
Impairment of financial assets at fair value through other comprehensive income	(3)	12	(3)	12
Impairment losses on other assets	11	(83)	11	(83)
Provisions for commitments	(2,871)	(2,225)	(2,871)	(2,225)
Provision for guarantees	(300)	881	(300)	881
Total	**(15,143)**	**(4,795)**	**(15,144)**	**(4,791)**

b) Other impairment losses and provisions

		Group		Bank
	Jan 1 - Mar 31, 2025 EUR '000	**Jan 1 - Mar 31, 2024 EUR '000**	**Jan 1 - Mar 31, 2025 EUR '000**	**Jan 1 - Mar 31, 2024 EUR '000**
Provision for other liabilities	(441)	(1,114)	(441)	(1,114)
Other adjustments	-	(34)	-	(34)
Total	**(441)**	**(1,148)**	**(441)**	**(1,148)**
Total	**(15,584)**	**(5,943)**	**(15,585)**	**(5,939)**

(All amounts are expressed in thousands of Euros)

9. Cash on hand and current accounts with banks

	Group		Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Account with the Croatian National Bank	2	2	2	2
Accounts with the domestic banks	29,540	45,800	28,814	45,281
Accounts with foreign banks	69	174	69	174
Foreign currency account – domestic banks	33	33	33	33
Foreign currency account – foreign banks	38	196	38	196
	29,682	46,205	28,956	45,686
Loss allowances	(81)	(144)	(79)	(143)
	29,601	**46,061**	**28,877**	**45,543**

The following tables sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts:

31 March 2025				**Group**				**Bank**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	29,682	-	-	**29,682**	28,956	-	-	**28,956**
Loss allowances	(81)	-	-	**(81)**	(79)	-	-	**(79)**
Balance as of 31 March 2025	**29,601**	**-**	**-**	**29,601**	**28,877**	**-**	**-**	**28,877**

31 December 2024				**Group**				**Bank**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	46,205	-	-	**46,205**	45,686	-	-	**45,686**
Loss allowances	(144)	-	-	**(144)**	(143)	-	-	**(143)**
Balance as of 31 December 2024	**46,061**	**-**	**-**	**46,061**	**45,543**	**-**	**-**	**45,543**

(All amounts are expressed in thousands of Euros)

9. Cash on hand and current accounts with banks (continued)

The movements in the loss allowances on amounts due from banks may be summarized as follows:

	Group		Bank	
	Jan 1 - Mar 31, 2025	**Jan 1 - Dec 31, 2024**	**Jan 1 - Mar 31, 2025**	**Jan 1 - Dec 31, 2024**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Balance as of 1 January	144	159	143	158
Net (decrease) of loss allowances on amounts due from banks	(63)	(15)	(64)	(15)
Total recognised through Income Statement (Note 8)	*(63)*	*(15)*	*(64)*	*(15)*
Balance at the end of the reporting period	**81**	**144**	**79**	**143**

(All amounts are expressed in thousands of Euros)

10. Deposits with other banks

		Group		Bank
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Deposits with foreign banks	49,219	22,615	49,219	22,615
Deposits with domestic banks	55,344	71,451	51,944	68,001
Accrued interest	10	42	10	26
	104,573	**94,108**	**101,173**	**90,642**
Loss allowances	(116)	(237)	(111)	(232)
	104,457	**93,871**	**101,062**	**90,410**

The following tables sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts:

31 March 2025				Group				Bank
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	104,573	-	-	**104,573**	101,173	-	-	**101,173**
Loss allowances	(116)	-	-	**(116)**	(111)	-	-	**(111)**
Balance as of 31 March 2025	**104,457**	**-**	**-**	**104,457**	**101,062**	**-**	**-**	**101,062**

31 December 2024				Group				Bank
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	94,108	-	-	**94,108**	90,642	-	-	**90,642**
Loss allowances	(237)	-	-	**(237)**	(232)	-	-	**(232)**
Balance as of 31 December 2024	**93,871**	**-**	**-**	**93,871**	**90,410**	**-**	**-**	**90,410**

(All amounts are expressed in thousands of Euros)

10. Deposits with other banks (continued)

The movements in the loss allowances on deposits with other banks may be summarized as follows:

	Group		Bank	
	Jan 1 - Mar 31, 2025	**Jan 1 - Dec 31, 2024**	**Jan 1 - Mar 31, 2025**	**Jan 1 - Dec 31, 2024**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Balance as of 1 January	237	221	232	218
Net (decrease)/increase of loss allowances on deposits with other banks	(121)	16	(121)	14
Total recognised through Income Statement (Note 8)	(121)	*16*	*(121)*	*14*
Balance at the end of the reporting period	**116**	**237**	**111**	**232**

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions

	Group and Bank	
	31 March 2025	31 December 2024
	EUR '000	EUR '000
Long-term loans under loan programmes	1,140,524	1,143,620
Short-term loans and reverse repo transactions	98,000	92,000
Accrued interest	915	891
Deferred recognition of loan origination fees	(3,232)	(3,064)
	1,236,207	1,233,447
Loss allowances	(7,421)	(7,638)
	1,228,786	**1,225,809**

The following tables sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts:

31 March 2025				**Group and Bank**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	1,209,052	26,088	1,067	1,236,207
Loss allowances	(4,464)	(2,138)	(819)	(7,421)
Balance as of 31 March 2025	**1,204,588**	**23,950**	**248**	**1,228,786**

31 December 2024				**Group and Bank**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	1,204,042	28,337	1,068	**1,233,447**
Loss allowances	(4,523)	(2,295)	(820)	**(7,638)**
Balance as of 31 December 2024	**1,199,519**	**26,042**	**248**	**1,225,809**

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions (continued)

The movements in the loss allowances on loans to financial institutions may be summarized as follows:

		Group and Bank
	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Dec 31, 2024 EUR '000
Balance as of 1 January	7,638	6,727
Net (decrease)/increase of loss allowances on loans to financial institutions	(217)	911
Total recognised through Income Statement (Note 8)	*(217)*	*911*
Balance at the end of the reporting period	**7,421**	**7,638**

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions (continued)

Loans to financial institutions, impaired for loss allowances, by purpose of the loan programs:

	Group and Bank	
	31 March 2025 EUR '000	**31 December 2024 EUR '000**
EU Projects	52,885	52,086
Financial Restructuring	4,757	4,602
Pre-Export Finance	135	135
Public Sector Investment	199,886	190,432
Private Sector Investment	219,448	201,756
Youth, Female, Start-up Entrepreneurship	13,740	12,560
Working Capital	15,758	14,146
Working Capital – COVID 19 measures and CRISIS 2022	2,705	3,094
Loan programme for reconstruction and development of the economy	51,350	55,484
Export financing	118,834	121,758
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	74,533	77,482
Loan programme for small and medium-sized enterprises	386,390	409,954
Loan programme for war-torn and demolished housing and business facilities	103	131
Other	98,000	92,000
Accrued interest	915	891
Deferred recognition of loan fees	(3,232)	(3,064)
	1,236,207	1,233,447
Loss allowances	(7,421)	(7,638)
	1,228,786	**1,225,809**

Average interest rates for total loans to financial institutions are stated at 0.61% (1 January - 31 March 2024: 0.54%) and average interest's rates for loans under HBOR loan programmes excluding the liquidity reserve are stated at 0.56% (1 January - 31 March 2024: 0.42%).

Average interest rates reflect the ratio of interest income generated from the mentioned placements and average assets.

Item "Other" refers to reverse repo agreements in the total amount of EUR 98,000 thousand (31 December 2024: EUR 92,000 thousand). The above placements are collateralized by securities in the amount of EUR 103,538 thousand (31 December 2024: EUR 97,235 thousand).

(All amounts are expressed in thousands of Euros)

12. Loans to other customers

Loans to other customers, impaired for loss allowances, may be summarized by sectors as follows:

	Group and Bank	
	31 March 2025 EUR '000	**31 December 2024 EUR '000**
Domestic companies	1,778,537	1,806,108
State-owned companies	169,174	171,981
Public sector	704,138	701,615
Foreign companies	8,265	8,596
Other	53,016	53,840
Accrued interest	48,216	51,552
Deferred recognition of loan origination fees	(15,744)	(13,714)
	2,745,602	2,779,978
Loss allowances	(464,158)	(471,542)
	2,281,444	**2,308,436**

The following tables sets out information about the credit quality of financial assets measured at amortised cost, The amounts in the table represent gross carrying amounts:

31 March 2025	**Stage 1**	**Stage 2**	**Stage 3**	**POCI Stage 2**	**POCI Stage 3**	**Group and Bank Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	1,790,049	318,490	434,722	35,961	166,380	**2,745,602**
Loss allowances	(43,100)	(96,052)	(276,960)	(635)	(47,411)	**(464,158)**
Balance as of 31 March 2025	**1,746,949**	**222,438**	**157,762**	**35,326**	**118,969**	**2,281,444**

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI Stage 2**	**POCI Stage 3**	**Group and Bank Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	1,784,722	331,819	434,597	39,892	188,948	**2,779,978**
Loss allowances	(44,398)	(102,830)	(277,261)	(761)	(46,292)	**(471,542)**
Balance as of 31 December 2024	**1,740,324**	**228,989**	**157,336**	**39,131**	**142,656**	**2,308,436**

(All amounts are expressed in thousands of Euros)

12. Loans to other customers (continued)

The movements in the loss allowances on loans to other customers may be summarized as follows:

		Group and Bank
	Jan 1 - Mar 31, 2025	**Jan 1 - Dec 31, 2024**
	EUR '000	**EUR '000**
Balance as of 1 January	471,542	470,757
Net (decrease) of loss allowances on loans to other customers and interest	(10,392)	(2,583)
Total recognised through Income Statement (Note 8)	*(10,392)*	*(2,583)*
Net foreign exchange gain/loss on loss allowances	(827)	537
Write-offs	(68)	(2,235)
Transfer to off-balance sheet records	-	(3,984)
Unwinding – changes due to the lapse of time	844	315
Interest transferred from the off-balance sheet records and other	3,059	8,735
Balance at the end of the reporting period	**464,158**	**471,542**

Net foreign exchange gain/loss on loss allowances are shown within net gains/(losses) from financial activities in the Income Statement.

The write-off of receivables in the amount of EUR 68 thousand (31 December 2024: EUR 2,235 thousand) relates mostly to the permanent derecognition from the business records, partial discharge of debt and reaching of settlement in accordance with the Methodology for the Write-Off of Receivables and discharge of a part of penalty interest.

The transfer to the off-balance sheet records in the amount of EUR 0 thousand was (31 December 2024: EUR 3,984 thousand) performed on the basis of the prescribed criteria in the Methodology for the Write-off of Receivables.

(All amounts are expressed in thousands of Euros)

12. Loans to other customers (continued)

Loans to other customers, net of loss allowances, may be summarized by loan programme as follows:

	Group and Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000
EU Projects	111,469	97,039
Financial Restructuring	103,515	105,324
Pre-Export Finance	2,756	3,090
Public Sector Investment	315,274	307,501
Private Sector Investment	420,441	401,241
Youth, Female, Start-up Entrepreneurship	10,431	9,271
Working Capital	231,957	239,521
Working Capital – COVID 19 measures and CRISIS 2022	401,170	435,086
Loan programme for reconstruction and development of the economy	196,180	203,649
Export financing	370,413	377,654
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	431,388	445,375
Loan programme for small and medium-sized enterprises	77,561	81,015
Other	40,575	36,374
Accrued interest	48,216	51,552
Deferred recognition of loan origination fees	(15,744)	(13,714)
	2,745,602	2,779,978
Loss allowances	(464,158)	(471,542)
	2,281,444	**2,308,436**

Average interest rates on loans to other customers are stated at 1.99% (1 January – 31 March 2024: 1.94%).
Average interest rates reflect the ratio of interest income from generated the mentioned placements and average asset.

Item "Other" refers to reverse repo agreements in the total amount of EUR 6,160 thousand (31 December 2024: EUR 1,550 thousand). The above placements are collateralized by securities in the amount of EUR 6,577 thousand (31 December 2024: EUR 1,640 thousand).

(All amounts are expressed in thousands of Euros)

13. Financial assets at fair value through profit or loss

	Group and Bank	
	31 March 2025 EUR '000	**31 December 2024 EUR '000**
Loans at FVPL:		
Mezzanine loans	32,668	32,233
	32,668	**32,233**
Investments in investment funds:		
Investments in investment funds at FVPL	36,086	34,529
	36,086	**34,529**
Unlisted equity instruments:		
Depository receipt - DR	42	42
	42	**42**
Derivative financial assets-positive fair value	-	**243**
	68,796	**67,047**

Non-listed equity securities in the amount of EUR 42 thousand (31 December 2024 EUR 42 thousand) relate to depository receipts (DR) of the Fortenova Group STAK Stichting taken over through the Settlement under the Extraordinary Administration Proceedings against the company Agrokor d.d. et al.

As at 31 March 2025, a positive fair value of derivative financial instruments was stated in the amount of EUR 0 thousand (31 December 2024: EUR 243 thousand).

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income

		Group		Bank
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Debt instruments:				
Listed debt instruments:				
Bonds of the Republic of Croatia	201,344	221,308	195,830	215,756
Corporate bonds	577	571	-	-
Treasury bills of the Ministry of Finance	29,819	11,919	29,819	11,919
Accrued interest	1,932	3,304	1,891	3,262
	233,672	**237,102**	**227,540**	**230,937**
Unlisted debt instruments:				
Corporate bonds	70	73	70	73
Convertible bonds - CB	137	137	137	137
Accrued interest	2	2	2	2
	209	**212**	**209**	**212**
Equity instruments:				
Unlisted equity instruments:				
Investments in shares of foreign legal entities - SWIFT	8	8	8	8
Shares of foreign financial institutions – EIF	8,065	8,065	8,065	8,065
	8,073	**8,073**	**8,073**	**8,073**
	241,954	**245,387**	**235,822**	**239,222**

Non-listed convertible bonds (CB) of the Fortenova Group TopCo B.V. in the amount of EUR 137 thousand (31 December 2024: EUR 137 thousand) have been taken over through the Settlement under the Extraordinary Administration Proceedings against the company Agrokor d.d. et al.

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income (continued)

The following tables sets out information about the credit quality of financial assets measured at FVOCI. The amounts in the table represent gross carrying amounts:

31 March 2025				Group				Bank
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	233,744	-	137	**233,881**	227,612	-	137	**227,749**
Balance as of 31 March 2025	**233,744**	-	**137**	**233,881**	**227,612**	-	**137**	**227,749**

31 December 2024				Group				Bank
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	237,177	-	137	**237,314**	231,012	-	137	**231,149**
Balance as of 31 December 2024	**237,177**	-	**137**	**237,314**	**231,012**	-	**137**	**231,149**

Changes in the loss allowances of financial assets at fair value through other comprehensive income, do not impair the carrying value of financial assets, may be summarized as follows:

		Group		Bank
	Jan 1 - Mar 31, 2025	Jan 1 - Dec 31, 2024	Jan 1 - Mar 31, 2025	Jan 1 - Dec 31, 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	425	454	414	442
Net (release) of loss allowances	(3)	(29)	(3)	(28)
Total recognised through Income Statement (Note 8)	*(3)*	*(29)*	*(3)*	*(28)*
Balance at the end of the reporting period	**422**	**425**	**411**	**414**

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income (continued)

The following text contains investment breakdown:

	Date of issue	Date of maturity	Interest rate (%)	Group 31 March 2025 EUR '000	Group 31 December 2024 EUR '000	Bank 31 March 2025 EUR '000	Bank 31 December 2024 EUR '000
Debt instruments:							
Listed debt instruments:							
Bonds of the Republic of Croatia:							
RHMF-O-267E	15.7.2022.	15.7.2026	2.13	20,962	20,828	20,962	20,827
XS1117298916	11.3.2015.	11.3.2025.	3.0	24,005	38,711	24,005	38,711
XS1843434876	19.6.2019.	19.6.2029.	1.125	1,870	1,868	1,870	1,868
RHMF-O-257A	9.7.2015.	9.7.2025.	4.5	1,120	1,120	-	-
RHMF-O-26CA	14.12.2015.	14.12.2026.	4.25	5,163	5,147	4,084	4,069
RHMF-O-273N	10.3.2025.	10.3.2027.	2.65	36,346	-	36,346	-
RHMF-O-277N	12.7.2024.	12.7.2027.	3.3	40,600	40,612	40,600	40,612
RHMF-O-282A	7.2.2017.	7.2.2028.	2.875	1,587	1,586	1,334	1,333
RHMF-O-287A	5.7.2021.	5.7.2028.	0.5	5,691	5,670	5,691	5,670
RHMF-O-297A	9.7.2018.	9.7.2029.	2.38	394	392	-	-
RHMF-O-303A	10.3.2025.	10.3.2030.	3.0	10,903	-	10,903	
RHMF-O-34BA	27.11.2019.	27.11.2034.	1.0	1,773	1,789	-	-
RHMF-O-347A	12.7.2024.	12.7.2034.	3.5	10,290	10,425	10,290	10,425
RHMF-O-403E	3.3.2020.	3.3.2040.	1.25	895	919	-	-
RHMF-O-253A	3.3.2020.	3.3.2025.	0.25	-	15,503	-	15,503
RHMF-O-253B	8.3.2023.	8.3.2025.	3.65	-	37,159	-	37,159
RHMFO33BA	24.11.2023.	24.11.2033.	3.75	39,745	39,579	39,745	39,579
Corporate bonds:							
JDGL-O-29CA	3.12.2024.	3.12.2029.	4.13	404	399	-	-
HRATGRO25CA5	11.12.2020.	11.12.2025.	0.88	172	172	-	-
Treasury bills up to 182 days			2.773	29,819	11,919	29,819	11,919
Accrued interest				1,933	3,304	1,891	3,262
				233,672	**237,102**	**227,540**	**230,937**
Unlisted debt instruments:							
Corporate bonds:							
LNGU-O-31AE	24.7.2015.	15.10.2031.	4.5	70	73	70	73
Bonds of foreign corporate:							
Fortenova Group TopCo B.V.	1.4.2019.	1.4.2029.	2.5	137	137	137	137
Accrued interest				2	2	2	2
				209	**212**	**209**	**212**
Equity instruments:							
Unlisted equity instruments:							
Investments in shares of foreign legal entities - SWIFT				8	8	8	8
Investments in shares of foreign financial institutions - EIF				8,065	8,065	8,065	8,065
				8,073	**8,073**	**8,073**	**8,073**
Total				**241,954**	**245,387**	**235,822**	**239,222**

(All amounts are expressed in thousands of Euros)

15. Foreclosed assets

	Group and Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000
Foreclosed assets, net	2,210	2,140
	2,210	**2,140**

In the reporting period 2025, acquisition of property took place with present value in the amount od EUR 70 thousand, acquisition value of EUR 70 thousand and provisions of EUR 0 thousand, and relates to land plot (in 2024, acquisition of property took place with present value in the amount of EUR 260 thousand, acquisition value of EUR 260 thousand and provisions of EUR 0 thousand).

In the first quarter 2025, there was no sale of foreclosed assets (in 2024, sale of foreclosed assets took place with present value in the amount of EUR 330 thousand, acquisition value of EUR 566 thousand and provisions of EUR 236 thousand and relates to land plot in the amount of EUR 2 thousand and buildings in the amount of EUR 328 thousand.

In the reporting period 2025, foreclosed assets was transferred to lease on the item Investments in property in the amount of EUR 299 thousand (2024: EUR 303 thousand), which is presented under Other assets due to immaterial significance.
In the reporting period, this property was depreciated in the amount of EUR 4 thousand (2024: EUR 14 thousand).

The fair value of total foreclosed assets at the beginning of the reporting period stood at EUR 3,521 thousand and the end of the reporting period at EUR 3,591 thousand.

(All amounts are expressed in thousands of Euros)

16. Other assets

	Group		Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Fees receivable	3,428	3,334	3,428	3,334
Other receivables	2,391	2,319	2,391	2,319
Prepaid expenses	846	585	817	568
Accrued income	1,572	1,458	1,572	1,458
Assets related to reinsurance contracts	570	683	-	-
Receivables for risk assessment fees	31	48	-	-
Deferred tax assets	118	111	-	-
Leased assets	1,005	1,210	1,005	1,210
Other assets	343	321	353	338
	10,304	10,069	9,566	9,227
Loss allowances	(4,278)	(4,268)	(4,270)	(4,260)
	6,026	**5,801**	**5,296**	**4,967**

Lease assets are recognised in accordance with the application of the IFRS 16 and depreciation during the year stood at EUR 205 thousand for the Group and Bank.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts:

31 March 2025					**Group**					**Bank**
	Stage 1	**Stage 2**	**Stage 3**	**POCI Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	1,996	12	4,368	44	**6,420**	1,395	12	4,368	44	5,819
Loss allowances	(12)	(2)	(4,230)	(34)	**(4,278)**	(4)	(2)	(4,230)	(34)	(4,270)
Balance as of 31 March 2025	**1,984**	**10**	**138**	**10**	**2,142**	**1,391**	**10**	**138**	**10**	**1,549**

31 December 2024					**Group**					**Bank**
	Stage 1	**Stage 2**	**Stage 3**	**POCI Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI Stage 3**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	2,035	12	4,295	42	**6,384**	1,304	12	4,295	42	**5,653**
Loss allowances	(11)	(1)	(4,221)	(35)	**(4,268)**	(3)	(1)	(4,221)	(35)	**(4,260)**
Balance as of 31 December 2024	**2,024**	**11**	**74**	**7**	**2,116**	**1,301**	**11**	**74**	**7**	**1,393**

(All amounts are expressed in thousands of Euros)

16. Other assets (continued)

The following text contains the breakdown of positions stated as credit risk:

	Group		Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Fees receivable	3,428	3,334	3,428	3,334
Other receivables	2,391	2,319	2,391	2,319
Assets related to insurance contracts	570	683	-	-
Receivables for risk assessment fees	31	48	-	-
	6,420	6,384	5,819	5,653
Loss allowance	(4,278)	(4,268)	(4,270)	(4,260)
Subtotal – assets exposed to credit risk	**2,142**	**2,116**	**1,549**	**1,393**

The movements in the loss allowances on other assets may be summarized as follows:

	Group		Bank	
	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Dec 31, 2024 EUR '000	Jan 1 - Mar 31, 2025 EUR '000	Jan 1 - Dec 31, 2024 EUR '000
Balance as of 1 January	4,268	4,393	4,260	4,385
Net increase of loss allowances on other assets	11	314	11	315
Total recognised through Income statement (Note 8)	*11*	*314*	*11*	*315*
Write-offs	(1)	(434)	(1)	(434)
Transfer to off-balance sheet records	-	(14)	-	(14)
Net foreign exchange gain/loss on loss allowances	(2)	7	(2)	7
Other adjustments	2	2	2	1
Balance at the end of the reporting period	**4,278**	**4,268**	**4,270**	**4,260**

Net foreign exchange gain/loss on loss allowances are shown within net gains/(losses) from financial activities in the Income Statement.

(All amounts are expressed in thousands of Euros)

17. Deposits from customers

	Group and Bank	
	31 March 2025 EUR '000	**31 December 2024 EUR '000**
Account of the Ministry of Finance of the Republic of Croatia	3,706	4,252
Special purpose accounts of the companies	10,992	11,917
State institutions' deposits	27,290	34,764
Other deposits	6,391	44,538
	48,379	95,471
Accrued interest	7	41
	48,386	**95,512**

The account of the Ministry of Finance of the Republic of Croatia relates to the Export Insurance Guarantee Fund comprising of reinsurance premiums paid for export insurance operations of EUR 3,706 thousand (31 December 2024: EUR 4,252 thousand).

Special purpose accounts of the companies relate to the inflow of funds and disposition of the advance payment funds paid to the company's account in relation to the issued guarantees of HBOR for the repayment of advance for export transactions. The funds of the advance are used exclusively for the specified purpose of implementation of an export contract, with the consent of HBOR.

State institution's demand deposits relate to the Bank's operations carried out for and on behalf of the Ministry of Finance, the Ministry of the Sea, Transport and Infrastructure, the Ministry of Agriculture, the Ministry of Regional Development and EU Funds, the company Vodovod i kanalizacija d.o.o., Split and the Croatian Agency for SMEs, Innovations and Investments ("HAMAG-BICRO").

HBOR does not pay interest on the above deposits.

(All amounts are expressed in thousands of Euros)

18. Borrowings

		Group and Bank
	31 March 2025	31 December 2024
	EUR '000	EUR '000
Balance as of 1 January	2,283,672	2,248,771
New borrowings	205,000	689,684
Repayments	(210,063)	(655,843)
Net foreign exchange gain/loss	(576)	1,060
	2,278,033	2,283,672
Accrued interest	8,263	7,621
Deferred fees	(2,880)	(3,025)
	2,283,416	**2,288,268**

		Group and Bank
	31 March 2025	31 December 2024
	EUR '000	EUR '000
Borrowings from foreign financial institutions	1,763,033	1,818,672
Borrowings from domestic institutions	515,000	465,000
	2,278,033	2,283,672
Accrued interest	8,263	7,621
Deferred recognition of fees	(2,880)	(3,025)
	2,283,416	**2,288,268**

(a) Borrowings from foreign financial institutions relate to long-term loans from special financial institutions, mainly the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

(b) Borrowings from domestic institutions relate to a loans from the Ministry of Finance of the Republic of Croatia and domestic financial institutions.

(All amounts are expressed in thousands of Euros)

19. Provisions for guarantees, commitments and other liabilities

		Group and Bank
	31 March 2025	31 December 2024
	EUR '000	EUR '000
Provisions for guarantees and commitments	9,809	12,913
Provisions for other liabilities	10,014	10,455
	19,823	**23,368**

The movements in the loss allowances on guarantees, commitments and other liabilities may be summarized as follows:

		Group		Bank
	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	12,913	14,637	12,913	14,637
Net (release) of loss allowances on guarantees	(300)	(3,517)	(300)	(3,517)
Total recognised through Income Statement (Note 8)	*(300)*	*(3,517)*	*(300)*	*(3,517)*
Neta (release)/increase of loss allowances on commitments	(2,871)	1,883	(2,871)	1,883
Total recognised through Income Statement (Note 8)	*(2,871)*	*1,883*	*(2,871)*	*1,883*
Net foreign exchange on loss allowances	67	(90)	67	(90)
Balance at the end of the reporting period - Provisions for guarantees and commitments	**9,809**	**12,913**	**9,809**	**12,913**
Balance as of 1 January	10,455	9,745	10,455	9,743
Net (release)/increase of loss allowances on other liabilities	(441)	120	(441)	120
Total recognised through Income Statement (Note 8)	*(441)*	*120*	*(441)*	*120*
Unrealised actuarial gains/(losses)	-	592	-	592
Other adjustments	-	(2)	-	-
Balance at the end of the reporting period - Provisions for other liabilities	**10,014**	**10,455**	**10,014**	**10,455**

Net foreign exchange gain/loss on loss allowances are shown within net gains/ (losses) from financial activities in the Income Statement.

Out of the total provisions for guarantees and commitments, the amount of EUR 250 thousand relates to financial institutions (31 December 2024: EUR 217 thousand), EUR 9,359 thousand relates to domestic companies (31 December 2024: EUR 12,436 thousand), EUR 101 thousand relates to the public sector (31 December 2024: EUR 90 thousand), EUR 0 thousand relates to state-owned companies (31 December 2024: EUR 76 thousand) and EUR 99 thousand relates to other (31 December 2024: EUR 94 thousand).

(All amounts are expressed in thousands of Euros)

20. Other liabilities

	Group		Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Liabilities in respect of subsidized interest (a)	25,330	26,653	25,330	26,653
Deferred recognition of interest income (b)	49,980	46,624	49,980	46,624
Accrued salaries	1,598	1,603	1,553	1,563
Liabilities to suppliers	611	339	589	317
Liabilities for prepaid receivables	677	1,931	677	1,931
Liabilities for remaining coverage	1,032	1,053	-	-
Liabilities for incurred losses	1,661	1,633	-	-
Deferred tax liabilities	-	-	-	-
Corporate income tax-current liability	43	46	-	-
Lease liabilities	1,186	1,375	1,098	1,281
Other liabilities	8,223	6,941	8,157	6,880
Derivative financial liabilities	13	15	13	15
	90,354	**88,213**	**87,397**	**85,264**

(a) Liabilities in respect of subsidized interest represent advances taken in respect of interest subsidies on loans, which are provided for final customers at a lower interest rate in accordance with the following programmes implemented by HBOR for and on behalf of the Republic of Croatia. These liabilities include:

- EUR 19,635 thousand in respect of the Programme of Preferential Financing through HBOR's Loan Programmes (31 December 2024: EUR 22,568 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to micro, small and medium-sized business entities in the amount of EUR 450 thousand (31 December 2024: EUR 35 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to mid-cap entities and large business entities in the amount of EUR 1,343 thousand (31 December 2024: EUR 90 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to public sector entities in the amount of EUR 185 thousand (31 December 2024: EUR 56 thousand),
- Working Capital financial instrument – Measure for Entrepreneurs in Wood Processing and Furniture Production Activities in the amount of EUR 3,718 thousand (31 December 2024: EUR 3,904 thousand).

(b) Deferred recognition of interest income of EUR 49,980 thousand (31 December 2024: EUR 46,624 thousand) consists of state subsidies for interest in respect of loans which are provided and drawn down by final borrowers at lower interest rates and are in repayment stage.

(All amounts are expressed in thousands of Euros)

21. Guarantees and commitments

In its regular activities, the Group contracts various commitments and contingent liabilities. The purpose of these instruments is to ensure that the funds are available to a customer when required.

These obligations contain credit risk and are therefore part of the overall risk of the Group although they are not recognised in the Statement of financial position.

Group and Bank

	31 March 2025 EUR '000	**31 December 2024 EUR '000**
Guarantees issued	46,941	59,473
Guarantees issued in foreign currency	9,231	4,846
Undrawn loans	483,911	480,198
EIF – subscribed, not called up capital	10,400	10,400
EIF CROGIP Contracted Liability	23,860	24,860
EIF FRC2 Contracted Liability	38	43
	574,381	579,820
Provisions for guarantees and commitments	(9,809)	(12,913)
	564,572	**566,907**

The following tables set out information about the credit quality of guarantees and commitments. For loan commitments and financial guarantee contracts, the amounts in the tables represent the amount committed or guaranteed:

31 March 2025 **Group and Bank**

	Stage 1	**Stage 2**	**Stage 3**	**POCI**		**Without stage**	**Total**
				Stage 2	**Stage 3**		
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	504,433	23,661	9,706	-	1,928	355	**540,083**
Loss allowances	(2,424)	(4,571)	(1,951)	-	(863)	-	**(9,809)**
Balance as of 31 March 2025	**502,009**	**19,090**	**7,755**	**-**	**1,065**	**355**	**530,274**

31 December 2024 **Group and Bank**

	Stage 1	**Stage 2**	**Stage 3**	**POCI**		**Without stage**	**Total**
				Stage 2	**Stage 3**		
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Gross amount	495,126	28,183	18,896	-	2,312	-	**544,517**
Loss allowances	(2,604)	(7,298)	(1,996)	-	(1,015)	-	**(12,913)**
Balance as of 31 December 2024	**492,522**	**20,885**	**16,900**	**-**	**1,297**	**-**	**531,604**

21. Guarantees and commitments (continued)

Guarantees

Issued guarantees and open letters of credit represent the liability to the Bank to make payments on behalf of customers if the customer is unable to honour its commitments towards third parties or in the event of a specific act, generally related to the export or import of goods and other purposes specified in the contracts with the customers. Guarantees and letters of credit bear the same credit risk as loans.

Bank guarantees are, to the extent of 3%, collateralized by the guarantees, deposits and bank guarantees.

Commitments upon undrawn loans

The Bank has an obligation to disburse funds for loans and revolving loans upon committed undrawn loans. The expiry date of disbursement or other termination clause is determined by the contract. Disbursements are exercised in several withdrawals, depending on the purpose of the loan, phase of the project or documentation needed for disbursement. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash outflows.
Committed undrawn loans include less potential credit risk than loans, since most commitments depend upon meeting specific terms and conditions by the customers in order to use the funds. The Bank monitors the terms to maturity of loan commitments.

(All amounts are expressed in thousands of Euros)

22. Related-party transactions

Related parties are companies that directly or indirectly, through one or more intermediaries, control, or are controlled by, the reporting company.

The most of related-party transactions relate to the transactions with the Republic of Croatia, the 100% owner of the Bank and state-owned companies over which the Republic of Croatia has the controlling influence.

All transactions stated were carried out under usual/regular conditions of the Bank.

As of 31 March 2025 and 31 December 2024 balances arising from transactions with related parties, including the Bank's key management personnel, include the following:

a) Related-party transactions

Group	Assets	Liabilities	Assets	Liabilities
	31 March 2025	31 March 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	271,875	300,110	278,299	406,562
Government funds, executive authorities and agencies	578,781	31,379	584,979	33,536
State-owned companies	138,506	776	138,822	934
Key management personnel	182	434	238	393
Total	**989,344**	**332,699**	**1,002,338**	**441,425**

Group	Income	Expense	Income	Expense
	Jan 1 – Mar 31 2025	Jan 1 – Mar 31 2025	Jan 1 – Mar 31 2024	Jan 1 – Mar 31 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	2,234	3,682	2,051	3,368
Government funds, executive authorities and agencies	3,063	9	3,608	17
State-owned companies	4,595	438	7,888	813
Key management personnel	2	451	2	352
Total	**9,894**	**4,580**	**13,549**	**4,550**

(All amounts are expressed in thousands of Euros)

22. Related-party transactions (continued)

a) Related-party transactions (continued)

Bank	Assets	Liabilities	Assets	Liabilities
	31 March 2025	31 March 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	271,875	300,110	278,299	406,562
Government funds, executive authorities and agencies	573,227	31,375	579,373	33,530
State-owned companies	138,505	774	138,821	931
Subsidiary companies	7,449	-	7,449	-
Key management personnel	182	415	238	374
Total	**991,238**	**332,674**	**1,004,180**	**441,397**

Bank	Income	Expense	Income	Expense
	Jan 1 – Mar 31 2025	Jan 1 – Mar 31 2025	Jan 1 – Mar 31 2024	Jan 1 – Mar 31 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	2,234	3,682	2,051	3,368
Government funds, executive authorities and agencies	3,027	8	3,545	12
State-owned companies	4,595	432	7,888	810
Key management personnel	2	389	2	289
Total	**9,858**	**4,511**	**13,486**	**4,479**

Assets include loans to other customers, debt instruments at amortised cost, financial assets at fair value through other comprehensive income, other assets and off-balance sheet exposure relating to commitments.

Liabilities include liabilities for deposits, salaries, provisions on behalf of retirement and jubilee awards of key management and other liabilities.

Income includes interest income, fee income and reversal of impairment losses and provisions.

Expenses include expenses for key management salaries, impairment loss and provisions.

(All amounts are expressed in thousands of Euros)

22. Related-party transactions (continued)

b) Collateral received

	Group		Bank	
	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
The Republic of Croatia	1,017,922	1,068,419	1,013,841	1,064,179
State agencies	85,584	88,896	85,584	88,896
Total	**1,103,506**	**1,157,315**	**1,099,425**	**1,153,075**

Collateral received relates to first-class collateral instruments received as security for HBOR's placements comprising the Republic of Croatia guarantees, HAMAG-BICRO guarantees, insurance policies of export transactions against political and/or commercial risks and statutory guarantees in cases when the Republic of Croatia or other state executive body guarantees the liabilities of certain borrowers pursuant to provisions of certain laws.

Pursuant to the Quota Reinsurance Contract between HBOR, in the name and for the account of the Republic of Croatia, and HKO d.d., reinsurance is carried out, i.e. cover is provided for a proportional part (quota reinsurance) of political and commercial risks under export loans and receivables arising from the export of goods and services. The Reinsurer covers all non-marketable (non-market) risks assumed by the Insurer, i.e. Croatian Credit Insurance, joint stock insurance company, in the range from 15% to 90% of the insured amount.

c) Salaries of key management personnel

Key members of the Group's and the Bank's management include members of the Management Board, senior executive directors, head of the Management Board Office, executive directors, assistant director, advisors to the Management Board and an authorised agent (proxy).
Salaries include compensation paid for regular work, annual vacation, national holidays, paid leave, sick leave, benefits payable for past service and payments under contractual agreements. Salaries for the Group in the reporting period amounted to EUR 449 thousand (1 January to 31 March 2024: EUR 347 thousand), and for the Bank EUR 389 thousand (1 January to 31 March 2024: EUR 289 thousand).

Remuneration for the work of the members of the Supervisory Board in the reporting period amounted to EUR 2 thousand for the Group (1 January to 31 March 2024: EUR 5 thousand) and for the Bank EUR 0 thousand (1 January to 31 March 2024: EUR 0 thousand) and it relates to the members of supervisory boards at subsidiaries who were appointed by HBOR.

23. Risk management

Based on the Act on the Croatian Bank for Reconstruction and Development, the Bank is obliged to mitigate business risks directed by the principles of banking operations.

In the process of risk management, the Bank continuously identifies, estimates, measures, monitors, contains and controls the risks to which it is or might be exposed in the course of business and reports about them to the relevant authorities. By the mentioned procedures and corresponding internal documents, a comprehensive and complete risk management system is provided.

The most significant risks the Bank is exposed in its day-to-day business are credit risk, liquidity risk, interest rate risk, foreign exchange risk, operational risk and outsourcing risk. These risks are managed daily in accordance with the policies, ordinances, methodologies, instructions and systems of limits, controls and decisions/conclusions of the Supervisory Board, the Management Board and the risk management committees.

The Bank implements sensitivity analyses and scenario analyses, provided that one or several risk factors are changed in regular or stressful circumstances, and HBOR's bodies in charge are informed of the respective results. The systems of pro-active risk management are continuously developed for the purpose of reducing possible future risks.

23.1. Overview of the most important risks

Credit risk

The Bank controls credit risk through its policies and prescribed the ordinance, which prescribe internal control systems with aim of acting on the risk preventively.

The credit risk management system is the most important part of the HBOR business policy and is an important factor of its operation strategy.

Liquidity risk, currency risk and interest rate risk

The Bank ensures quality management of liquidity, currency and interest rate risks through the Asset and Liability Management Committee. The management of these risks implies a reduction of interest rate risk, currency risk and liquidity risk to the lowest possible level. The majority of the Bank's organisational units are included, directly and indirectly, in the operations of the Asset and Liability Management Committee in order to ensure a high-quality, integrated and comprehensive system for the management of these risks.

Liquidity risk

The basic principles for managing HBOR's liquidity risk are determined in the internal documents as well as in the decisions and conclusions made by the Supervisory Board, the Management Board and the Asset and Liability Management Committee.

In order to manage liquidity risk, the Bank has established a system of limits and early warning signals, monitors and controls limit utilisation, maintains the adequate level of liquidity reserve, continuously monitors current and planned liquidity, ensures Euro and foreign currency funds necessary for timely settlement of liabilities and for disbursements of approved loans and planned loan approvals. In terms of liquidity risk management, the maturity matching of existing and planned placements and their sources is strived to be achieved. The Bank does not hold deposits of citizens and is therefore not exposed to wide daily fluctuations in liquidity.

The Bank monitors liquidity risk by implementing the sensitivity analyses and scenario analyses in regular or stressful business conditions. Procedures for liquidity crisis indication or occurrence are determined by the Ordinance on Liquidity Risk Management.

23. Risk management (continued)

23.1. Overview of the most important risks (continued)

Interest rate risk

The basic principles for managing the Bank's interest rate risk are determined in the internal documents as well as in the decisions and conclusions made by the Management Board and the Asset and Liability Management Committee. For the purpose of measurement and monitoring of interest rate risk, the Bank carries out interest rate gap analysis, calculates the change in economic value of capital, the change in net interest income and the basis point value (BPV). Interest rate gap is calculated for certain periods according to the possibilities of interest rate changes and is used for presenting the sensitivity of the Bank to the changes in interest rates under regular and stress conditions. A detailed breakdown of interest rates by currency, type and interest rate level is also carried out and the projections of developments in average weighted interest rates on sources and placements are made. Furthermore, in addition to harmonising interest rates on sources and placements, current market conditions and movements in forecasted market indicators are also monitored.

Currency risk

The basic principles for managing HBOR's currency risk are determined in the internal acts as well as in the decisions and conclusions made by the Management Board and the Asset and Liability Management Committee. Methods for the measurement, i.e. assessment, monitoring and management of currency risk have been established, limits and early warning signals as well as proceedings both for cases of crisis indication and occurrence have been determined, and reports necessary for comprehensive perception of this risk have been defined.

For the purposes of measuring exposure to currency risk, the open foreign currency position is monitored. In addition to the daily monitoring of the open foreign currency position and the projections of its developments, for the purposes of assessing and measuring the currency risk, the risk value is calculated, and reports are regularly submitted to the bodies in charge on maximum possible losses on significant currencies. Sensitivity analyses in regular or stressful business conditions are also performed.

Operational risk

HBOR has established a framework for the management of operational risk that is aligned with the regulations prescribed by the Croatian National Bank applicable to the operations of the Bank as the special financial institution and with the good banking practices in the area of risk management.

The basic principles of operational risk management were identified in the umbrella act, Operational Risk Management Policies, the structure of management and accountability in the system was set up, the approach for the calculation of capital requirements for operational risk was determined, the reporting system was established as well as the manners of establishing, managing and monitoring the exposure to operational risk.
The management system covers the operational risk at business changes, new products and significant changes to existing products as well as the operational risk at the outsourcing of activities.

The Committee for IT management is in charge of monitoring IT system performance with the purpose of IT resources management by setting the appropriate level of efficiency and security of IT for providing, among other things, appropriate management of risks arising from IT technology utilisation.
The Head of IT System Security function is in charge of monitoring the security of the IT system. Within this function, a system for the management of HBOR's business continuity was established.

In the first quarter of 2025, no operational risk events were identified that would significantly affect HBOR's exposure to operational risk. The event from the previous period (earthquake in Zagreb in 2020, which resulted in damage to HBOR's main office building) had an impact on operations during the first quarter of 2025 as works for the renovation of the building began, and the effects of that event are continuously recorded in the operational risk event database.

23. Risk management (continued)

23.1. Overview of the most important risks (continued)

Operational risk (continued)

In order to adequately manage IT security, HBOR has initiated compliance with the Regulation (EU) – The Digital Operational Resilience Act (DORA) on a voluntary basis, since HBOR is not obliged to implement the Regulation.

ESG risks

ESG risks are risks of negative financial impact arising as a result of the existing or future impact of environmental, social or governance factors (ESG factors) on other contracting parties or invested assets. HBOR's approach to managing ESG risks is focused on identifying them, understanding of their severity and probability of occurrence, as well as determining how to manage them. In this process, the assessment of environmental climate risk is a priority, which includes, among others, a review of compliance with environmental and climate requirements. The project/investment compliance is checked from the point of view of: legality, relevant environmental legislation of the EU and the Republic of Croatia, requirements of the green transition principle relating to environmental goals, requirements of the DNSH principle and other requirements (Paris Agreement, OECD guidelines, InvestEU, etc.), depending on the loan programme that is implemented and on the source of finance and subsidies.

Outsourcing risk

HBOR manages the outsourcing risk on the basis of internal documents that are in compliance with the regulations for credit institutions to the extent applicable to HBOR as a special financial institution. The internal documents that determine the management of this risk determine also the procedures for carrying out the outsourced activities, the rules for managing relations with service providers and minimizing of outsourcing risks.

The central records of outsourced activities have been established, and reports on materially significant outsourced activities are submitted to the Management Board and the Supervisory Board of the Bank on an annual basis.

In the first quarter of 2025, the activities of harmonising internal documents and improving the outsourcing risk management system started in accordance with good business practice and regulations to the extent applicable to HBOR as a special financial institution.

23. Risk management (continued)

23.2. Strategy and risk management systems

The Supervisory Board is responsible for monitoring the appropriateness and effectiveness of the risk management process in the Group. The Supervisory Board gives consent to HBOR's Risk Management Strategy that lays out the main principles and standards of risk management and defines the tendency towards risk-taking.

The Management Board of the Bank is responsible for implementing the risk management strategy and establishing an effective and reliable risk management system. In order to accomplish its task, the Management Board delegated their risk management authority to three committees.

Risk management committees

- **Assets and Liabilities Management Committee (ALCO) –** manages liquidity risk, interest rate risk and currency risk within the framework of the Liquidity Risk Management Ordinance, the Currency Risk Management Ordinance and the Interest Rate Risk Management Procedures, Trading Book Ordinance, the Assets and Liabilities Management Policies as well as other documents of the Bank that regulate this area,
-
- **Credit Risk Evaluation and Measurement Committee –** manages credit risk within the framework set through the accepted Credit Risk Management Policy, Credit Risk Management Ordinance, methodologies and other internal acts that cover issues related to credit risk,
- **HBOR Information System Management Committee –** manages the resources of the information system and adequately manages the risks that result from the use of information technology,
- **The Sustainable Finance Committee –** manages the development of sustainable finance in the Bank, as well as the integration of environmental, social and governance risks within the framework of HBOR risk management.

The Risk Management Division

The Risk Management Division is a permanent risk control function, which is functionally and organisationally independent of the business processes and activities in which the risk occurs or is monitored and supervised. It is responsible for controlling, determining, measuring, assessing and supervising the risks to which HBOR is exposed or could be exposed in its business operations.

The Risk Management Division carries out its role by performing risk analyses and evaluations or measurements, developing risk management ordinances, policies and methodologies, supervising and monitoring their application, recommending and controlling the accepted exposure limits, giving suggestions and recommendations for adequate risk management as well as reporting to the relevant authorities.

The risk management strategy is directed towards achieving and maintaining the system that would provide quality and efficiency in risk management, towards further developing and improving the system in line with the banking regulations and the relevant recommendations and guidelines by taking into account the specific features of HBOR as a development and export bank and a special financial institution.

23. Risk management (continued)

23.2. Strategy and risk management systems (continued)

Risk measurement and reporting systems

When assessing or measuring risk, historical data, business plans, current and expected market conditions and the specific characteristics of the Bank as a special financial institution are taken into account.

The results of risk assessments or measurements, analyses carried out and stress test are presented at the meetings of the Risk Management Committee,and the Management Board. For the purpose of risk monitoring and control, systems of limits are introduced for the management of credit risk, liquidity risk, interest rate risk and currency risk.

Bodies in charge are systematically reported on the quality of the loan portfolio, high exposure and the highest permissible exposure, capital adequacy, collection of receivables and risk placements, changes in internal ratings of commercial banks and measures taken in case of rating deterioration, a number of liquidity status indicators and projections of open foreign currency positions, the impact of changes in foreign exchange rates and interest rates on operating results, interest rate gap, projections of average weighted rates for sources and placements of financial institutions, etc. The reporting dynamics and the risk measurement and assessment methodologies are prescribed by the Bank's internal acts.

23.3. Credit risk

The Bank controls credit risk by way of policies and ordinance or the management of this risk that determine internal control systems aiming to act preventively.

The credit risk management system is the crucial part of the Bank's business policy and an important strategic factor of business conduct. Therefore this area is regulated by the Credit Risk Management Policy and the Credit Risk Management Ordinance that are applied on all phases of the credit process (from development of new bank products to loan applications, monitoring of client's business operations and final loan repayments).

In addition to the Credit Risk Management Ordinance, methodologies have been adopted as separate internal documents intended for the assessment of operations of various client target groups.

In the case of direct lending, the Credit Risk Assessment Methodology is used to determine creditworthiness, and it consists of:

- Credit Rating Assessment Methodology for Companies,
- Methodology for the Assessment of Operations of Clients that Keep their Business Records in Accordance with the Income Tax Act,
- Methodology for Project Finance,
- Credit Scoring Methodology,
- Methodology for Risk Assessment of Branches of Activities and,
- Methodology for the Assessment of Collaterals.

The Credit Rating Assessment Methodology for Companies consists of three models that is based on the size of a client and its existing operations. Methodology for the Assessment of Operations of Clients that Keep their Business Records in Accordance with the Income Tax Act is used for the assessment of credit risk of craftsmen, farmers, sole traders etc., also on the basis of their existing operations.

23. Risk management (continued)

23.3. Credit risk (continued)

The Methodology for Project Finance is used for the assessment of the credit risk of a project based on the data from the client's investment study, respectively. It is used in the process of approving placements to clients or groups of connected clients in the case of future gross exposure of HBOR above EUR 400 thousand on the basis of 3 models of assessment related to the investment activity:

- service activities (e.g. hotel construction, rental facilities),
- renewable energy sources,
- other industries that do not belong to the previous two models.

The Credit Scoring Methodology is used in the process of approving the placements to clients in the case of future gross exposure to clients and groups of connected clients to which HBOR will be exposed in the amount of up to EUR 400 thousand.

Pursuant to the HBOR Act, the Bank on-lends part of its placements via commercial banks or leasing companies. The assessment of commercial banks is based on the Methodology for the Evaluation and Selection of Banks and the Methodology for the Evaluation and Selection of Foreign Banks, whereas the assessment of leasing companies is based on the Methodologies for the Evaluation and Selection of Leasing Companies.

With an objective of facilitating the availability of HBOR's funds, and part of its placements is placed through the risk sharing model, under which commercial banks and HBOR participate in the financing of clients in accordance with in advance agreed proportions.

The Bank, as a developmental financial institution, supports growth and development of the Croatian economy through investment. For this reason, the clients most often come with applications for credit monitoring of development investment projects. In order to minimize risk and objectively estimate economic sustainability of the project as well as a return on investment, the Bank is constantly improving existing organizational and technical solutions, reports and internal acts and proposes new organization regulations and implementation instructions.

Through continuous monitoring and evaluation of clients' business operations, HBOR tries to identify difficulties in their business operations in time. For clients with difficulties, the Bank tries to find appropriate ways to collect receivables by considering the possibilities of alternative repayment terms with a view to continue the production process and employment increase. Special emphasis is placed on identifying and monitoring reasons for bad debts, and procedures for prevention are built in operational procedures with a view to decreasing the share of high risk placements.

For the purpose of risk monitoring and control, the systems of limits have been established for the management of credit risk. High exposure limits and amounts of maximum permitted credit exposure to individual borrowers and persons related to borrowers have been established.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.1. Risk related to loan commitments

Bank clients can be issued guarantees and letters of credit (also from loan proceeds) in accordance with the same procedure as prescribed for loan commitments to direct clients.

All guarantees are monitored on the basis of validity periods, whereas letters of credit with deferred payment terms are monitored on the basis of maturities. In the case of performance-related guarantees, the probability of payment under guarantees is monitored by keeping track of the fulfilment of payment terms and conditions under guarantees (under commercial contracts, control of use of funds for dedicated purposes, etc.)

In the case of calling for payment, the Bank shall make a payment on behalf of client. For the Bank, such obligations generate exposures to risks that are similar to credit risks and they are mitigated by the same procedures that are applied to loans.

23.3.2. Impairment assessment

Impairment is formed in accordance with the International Financial Reporting Standard 9, banking regulations applicable to HBOR, as well as internal ordinances and work methodologies.

On the basis of the assessed level of credit risk and the manner of calculating expected credit losses, client exposures are classified to the following categories:

- Stage 1 – includes exposures to clients in non-default status, i.e. low-credit-risk clients with respect to whom no significant increase in credit risk has been established,
- Stage 2 – includes exposures to clients in increased credit risk status, i.e. with respect to whom a significant increase in credit risk has been established since initial recognition,
- Stage 3 – includes exposures to clients in default status, i.e. with respect to whom there is objective evidence of value impairment.

A separate category is purchased or originated credit impaired asset (POCI) that is recognised initially in case of new commitments and significantly modified loans of clients in default status.

During the contractual relationship with a client, the level of expected credit losses of client is estimated. The estimation is carried out on the basis of the following three criteria:

- Debtor's creditworthiness
- Due fulfilment of obligations, and
- Quality of collateral.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

For the entire duration of contractual relationship, debtor's creditworthiness is assessed in order to identify possible changes in the client's (debtor's) financial position, i.e. the probability of deterioration in its creditworthiness. When establishing client's creditworthiness, the group of related entities is also taken into account due to the effect of contamination, i.e. the possibility of the transfer of risk among related entities. Creditworthiness of client is monitored through:

- Changes in financial rating of client as well as of clients and groups of entrepreneurs connected with the client,
- Criteria whose objective is to identify financial difficulties of client,
- Criteria contained in the client watch list, and
- Criteria for identification of increased credit risk.

A client is considered to duly meet its obligations if it settles all of its obligations fully (principal, interest, commissions, fees and other charges) in the amounts and within the deadlines determined in the respective contracts, where all placements and of-balance sheet liabilities of a client are considered as one, and only exceptionally and occasionally upon the expiry of the maturity date, provided that:

- the delay in settling the debtor's obligations is not more than 30 days and
- is not materially significant.

Collateral assessment is based on the quality of collateral and the assessed value as well as expected period of collection through collateral.

23.3.2.1. Definition of default status and exit from default status

Default status of an individual client occurs when one or both of the following conditions are met:

- it is considered probable that client will not settle its obligations towards HBOR entirely without taking into account the possibility of collection through collateral activation,
- clients is more than 90 days overdue in settling its due obligation under any significant loan liability.

The materiality threshold is EUR 100 for citizens, and EUR 500 for other clients, while the relative threshold is 1% of the client's due liabilities in relation to the total amount of all balance sheet exposures of the Bank to an individual client, excluding exposures based on equity investments.

When assessing the probability of a debtor not settling its obligations entirely, the following elements are considered:

- recognised impairment for credit losses due to identified significant deterioration in credit quality of debtor,
- selling of credit exposure at a considerable economic loss,
- rescheduling or restructuring of credit exposure owing to financial difficulties of debtor,
- bankruptcy or similar proceedings (pre-bankruptcy settlement, liquidation) against debtor,
- appointment of extraordinary administration, revoke of operating license, application of early intervention measures,
- cancellation of contract,
- payment under the guarantee by HBOR,
- it is estimated that the default status of the connected client will cause the default status of the debtor.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.1. Definition of default status and exit from default status (continued)

When determining a default status, in addition to the aforementioned, the relations within a group of related entities are also considered if the default status has been established with regard to one of the debtors within the respective group of related entities that results in the spreading of the default status on other entities within the same group.

All financial instruments of client in default status are classified to Stage 3.

Placements to clients in default status due to a material delay in the payment of obligations for more than 90 days can be classified to the rehabilitated category if 150 days have lapsed from the moment of non-existence of the default status trigger. During the 150-day trial period, client must not be more than 30 days overdue in the payment of obligations in a materially significant amount.

After the lapse of 150 days, only those clients are considered to have been cured who are found not to be in financial difficulties. If there are signs of default status recurrence, the status is not changed until a genuine and permanent improvement in the credit quality of client.

Restructured exposures caused by financial difficulties and repayment problems can be classified as cured after the lapse of one year from the last occurrence of the following events:

- restructuring day,
- default status establishment date,
- grace period expiry if approved under the restructuring process.

During the one-year trial period, the exposures that meet all of the following conditions can be classified to non-default status exposures:

- debtor has duly settled, upon maturity, at least the amount of restructured obligations in the amount of those due at the moment of the restructuring implementation,
- debtor has been regularly settling due obligations in accordance with the repayment schedule (or up to 30 days overdue),
- default status is not probable to occur,
- there are no overdue obligations after restructuring,
- there is no doubt that the debtor will continue to settle its obligations upon maturity.

All of the above conditions have to be satisfied also for the new placements to the same client. Only the placements to client that is not in financial difficulties can be reclassified to the cured category.

Financial instruments of rehabilitated/recovered clients are classified into performing exposures after all conditions of the probation period have been met. All placements of clients after forbearance /restructuring are considered forborne for two years from the moment when classified as performing exposures, and in that period, they are classified as Stage 2.

All clients that were not approved concessions due to financial difficulties, and HBOR's exposure to them ceased to be non-performing, are after their recovery classified into low credit risk or increased credit risk status.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.2. Bank's procedure of internal rating and probability of default (PD) assessment

The approach used for the modelling of PD is based on TTC (Through-the-Cycle) migration matrices for exposures in homogenous groups of direct borrowers and others. Risk categories (bucket) have been identified, and the movements of exposures among the aforementioned categories are analysed.

Risk categories for the aforementioned exposures are defined on the basis of the days overdue and the restructured exposure status. Before the modelling of PD, the data for the preceding relevant period are collected.

On the occasion of the modelling of PD, the movement of exposures among the following categories is analysed:

- from 0 to 30 days overdue – category 1,
- from 31 to 90 days overdue – category 2,
- more than 90 days overdue and restructuring – default status event.

On the basis of the matrices of exposure movements from category to category, a PD 12-month value is calculated. PD marginal values are calculated by further multiplication of matrices, and they are used for vector creation. PD borderline value vector is the basis for the calculation of a lifelong PD. The value of a lifelong PD depends on the tenor, i.e. the remaining period until maturity of individual exposure.

Approach based on external rating published by external credit rating agencies has been used for the calculation of PD for exposures from homogenous categories of financial institutions and central government and local and regional government.

For exposures to domestic financial institutions, owing to the fact that there is no external rating for all financial institutions in the Group portfolio, the existing internal ratings for domestic financial institutions have been mapped against the external rating, where a financial institution that has an external rating has been used as the mapping starting point, due to which the Group's internal rating has been made equal to the rating of S&P: "BBB+". In this way, the upper limit has been established for domestic financial institutions at the level of the government rating. Distribution of PD value for the other internal ratings is determined on the basis of the method of linear interpolation.

Ratings of external credit rating agencies are used for exposures to foreign financial institutions and, therefore, the appropriate PD value from their matrices is used, and if non-existing, the internal rating is used, i.e. the rules are applied that are identical to those applied to domestic financial institutions.

The value of 12-month PD is assessed by multiplying TTC matrix with itself. The value of lifelong PD is the cumulative value of marginal PD values or the sum of borderline PD values depending on the exposure tenor.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.3. Exposure at default

For the purpose of modelling exposures at the moment of the occurrence of default status (Exposure at Default, hereinafter: EAD), or for the purpose of calculating credit conversion parameter (Credit Conversion Factor, hereinafter: CCF) and prepayment ratio, the data for the preceding five-year period are taken into account.

Pursuant to the mentioned historical data, the established ratio of premature collection almost equals zero and the loan conversion factor equals 1.

EAD is calculated for each contract. There are two approaches to the calculation of EAD if there is:

- a repayment schedule for exposure – based on the cash flow from the repayment schedule,
- no repayment schedule for exposure – based on exposure amount on the reporting date.

For exposures classified in risk Stage 1 and for exposures due, EAD is equal to the current exposure.

For exposures not yet due, lifelong EAD is calculated based on the repayment schedule, taking into account the amounts and the maturity period, but not later than until the final date of exposure maturity (tenor).

23.3.2.4. Loss given default

For groups of direct borrowers and others, loss at the moment of occurrence of the status of non-fulfilment of obligations (Loss Given Default, hereinafter: LGD) is estimated based on transactions after the date of occurrence of loss given default. Each transaction is discounted on the date of occurrence of loss given default by an appropriate discount rate, and the discount factor depends on the time elapsed. All increases after the date of occurrence of loss given default are cumulated with an individual exposure. The result of the mentioned calculation is the collection rate for each exposure in a homogenous group, and the total collection rate for a single homogenous group is comprised of the weighted average of collection rates of all individual exposures.

The probability of exit from the loss given default status is also taken into consideration in the calculation of LGD.

A report of external credit rating agencies is used as foundation for determining LGDs for the groups central government and local and regional government and financial institutions. In the annual reports on the occurrence of loss given default and collection status, credit rating agencies publish both historical and market rates of collection. The market rate of collection is the market price of a bond as compared to its value immediately before or at the moment of bond default. Based on market rates of collection for senior unsecured debt, issuer-weighted recovery rate is determined.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.5. Significant increase in credit risk

In order to establish the credit risk status of clients, changes are monitored continuously, but at least once a year, for all Bank clients. All placements to the client, where an increased credit risk has been identified or in case of individually significant clients, whose exposure exceeds EUR 400 thousand and are on the client watch list, on the next reporting date, all financial instruments of the client with increased credit risk are classified to Stage 2 based on the observed criteria such as:

- client's delay in the settlement of any significant obligation due towards HBOR more than 30 days (and less than 90 days),
- the client is in financial difficulties, but is not in LGD status,
- deterioration of rating, low credit rating of the client,
- non-compliance with contractual provisions
- loss of key buyers or suppliers etc.

Exit from the increased credit risk status is conditional on non-existence of all the criteria based on which the client has been grouped into the respective status upon the occurrence of the risk, and verification of all indicators is made at least once a year within the framework of the annual monitoring of the client. Deactivation of a portion of indicators can be carried out after six months. Indicators of an increased credit risk are active for a year, after which they have to be checked, and based on the monitoring results, left activated or deactivated. The result of a change in the client's status is the reclassification of its financial instruments to Stage 1 or its staying in Stage 2.

Financial instruments of the client with an investment rating of external credit rating agencies are deemed financial instruments of low credit risk. All exposures to the Republic of Croatia and units of local and regional government (ULRG), the Croatian National Bank, the European Investment Bank (EIB) and other development banks are also deemed financial instruments of clients with low credit risk. Financial instruments of clients with low credit risk are always grouped into Stage 1.

23.3.2.6. Grouping financial assets measured on a collective basis

Financial instruments of the client are evaluated on a collective basis for all exposures to clients classified into risk Stages 1 and 2 as well as into the risk Stage 3 and POCI assets of clients belonging to the small loan portfolio. The risk of POCI assets of clients that are not in the default status is assessed on a collective basis.

For the purpose of identifying a significant increase in credit risk and recognition of loss allowances for impairment on a collective basis, financial instruments are grouped into the following groups, based on the common features of credit risk, for the purpose of easier evaluation of a significant increase in credit risk:

- financial institutions,
- central government and local and regional government,
- direct borrowers – large,
- direct borrowers – small and medium-sized,
- direct borrowers – micro,
- direct borrowers – citizens,
- others.

23 Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.6. Grouping financial assets measured on a collective basis (continued)

By grouping financial instruments into homogeneous groups, it is ensured that in case of a significant increase in credit risk, the goal of recognising expected credit losses during the entire lifetime of a financial instrument is attained, even if the evidence on such significant increase in credit risk is still not available on the level of an individual instrument.

23.3.3. Analysis of input for ECL model within the framework of impact of macroeconomic conditions on PD

When including any information about the future, available sources (Croatian National Bank, Croatian Bureau of Statistics) on macroeconomic conditions are used with a view to projecting their impact on the current value of risk parameters.

Based on a historical analysis of impact of macroeconomic conditions and the available macroeconomic forecasts, a potential impact of future movement of macroeconomic conditions on the value of risk parameters is established by using the scenarios with related probabilities of occurrence of an individual scenario.

When estimating expected credit losses through the application of previous experiences on credit losses, the data on earlier credit losses rates are applied to the entire portfolio of direct loans; and through the application of a certain method, connecting of a single group of financial instruments with the data on earlier experience on credit losses in the groups of financial instruments with similar characteristics of credit risk has been made possible as well as with important relevant data reflecting the current status.

The expected credit losses reflect the Bank's expectations in respect of credit losses. However, when the Group, during the estimation of such expected credit losses, considers all reasonable and reliable data that are available with no necessary costs and efforts, the Bank also considers appropriate market data on the credit risk of a certain financial instrument or similar financial instruments.

For the calculation of expected credit losses, the Bank uses a large number of macroeconomic conditions, for one of which (GDP real growth rate) correlations on total PDs have been established for the entire portfolio of direct loans.

In order to determine the impact of future macroeconomic conditions on expected credit losses, by analysis based on historical data, the connection between macroeconomic conditions and PD is identified. After that, the impact of macroeconomic forecasts on PD values is estimated and the ratio is calculated, by means of which the estimated value of PD in two scenarios, an optimistic and a pessimistic one, is corrected.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.4. Quantitative analysis of the reliability of the information used to calculate the ECL allowance

For the application of macroeconomic factors, the Bank uses a methodology with the level of reliability of 90%.

23.3.5. Overview of modified and restructured loans

Any amendment to the contractual provisions resulting in the conversion of contractual cash flows from financial assets is deemed to be modification.

A change of placement terms and conditions includes changes to certain contractual terms defined, mostly for the purpose of adaptation to changes during the implementation of an investment, and possibly also during repayments, and not caused by financial difficulties of the client. The amended terms would most frequently be accepted when approved if known or are the result of circumstances not controlled by the client.

Any changes in contractual obligations, by which a concession is made to the client that is considered to be in financial difficulties, are deemed to be rescheduling or restructuring. Concession may relate to any of the following measures:

- change of earlier contractual terms and conditions that are considered impossible to be met by the client and lead to the loss of its ability to settle liabilities and which would not be approved if the borrower had no financial difficulties (e.g. interest rate reduction, reduction or cancellation of interest income, change in principal amount, change or prolongation of repayment terms etc.)
- complete or partial refinancing of placements that would not be approved if the debtor had no financial difficulties.

Evidence on concession includes the following:

- the difference in favor of the client between the changed terms and conditions of the contract and former terms and conditions of the contract,
- inclusion of more favorable terms and conditions in the changed contract as compared to the terms and conditions that other debtors with a similar risk profile in the Bank portfolio could have obtained.

Rescheduling is considered any change of the originally agreed loan terms and conditions due to temporary financial difficulties of the client. Restructuring is considered any change of the originally agreed loan terms and conditions due to significant financial difficulties of the client that needs financial, business and operational restructuring, i.e. the client that is already in default.

23.3.6. Analysis of risk concentration

Through its development loan programmes, the Bank encompasses the area of the entire Republic of Croatia. Credit risk is spread across geographic areas, industries, sectors and loan programmes. The Bank seeks to avoid excessive concentration of credit risk and support the development of less developed areas of the Republic of Croatia through more favorable terms and conditions and new loan programmes (products) in accordance with the national strategy of development of certain activities.

Through financing of different sectors by stimulating production and development with the purpose of developing the Croatian economy, the Bank is creating a better base for repayment of loans and minimization of risk.

As of 31 March 2025, the highest credit exposure of the Group to one debtor equaled EUR 331,765 thousand (31 December 2024: EUR 317,654 thousand) and of the Bank equaled EUR 327,645 thousand (31 December 2024: EUR 313,675 thousand) without considering the effect of mitigation through collateral received.

As a special financial institution, the Bank performs its development role by granting loans to final borrowers via commercial banks with which it has entered into co-operation agreements.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.7. Risk-Sharing Model

The Risk-Sharing Model covers the manner of implementing HBOR's loan programmes in cooperation with commercial banks, where HBOR assumes a portion of direct lending risk (e.g. 50%), whereas the commercial bank assumes the risk associated with the other part of the loan (irrespective of whether it is financed from HBOR's funds or from commercial bank's funds).

Loans according to the risk-sharing models under HBOR loan programmes (primarily loans for investments and restructuring, and to a lesser extent for liquidity) are implemented in such a way that commercial banks involved in such transactions are still agents (administrative, payment and collateral agents), but HBOR conducts the usual procedure as for any other direct loan and enters, both exposures and collateral, into the business records after contracting or implementing the collateral for placements.

HBOR monitors its clients or groups of related parties to which it has a gross exposure of more than EUR 400 thousand under the procedure for direct loans, however, taking into account that very often HBOR does not have a direct contact with its clients, HBOR uses quarterly reports or obtain necessary information from commercial banks.

23.3.8. Collaterals and other credit quality (creditworthiness) improvement

Collateral for the Bank's placements are:

1. obligatory (bills of exchange and debentures),
2. ordinary (lien or transfer of ownership for security purposes on immovable property, ships, boats, yachts and airplanes, bank guarantees, guarantees of the Republic of Croatia, guarantees of local and regional government units, guarantees of HAMAG-BICRO (Croatian Agency for SMSs, Innovation and Investment), security in the form of a transfer of funds or an insurance policy against the risk of non-payment of receivables), and
3. other collateral (lien or transfer of ownership for security purposes on movable property (except for ships, boats, yachts and airplanes), bills of exchange or guarantees of other companies with solid creditworthiness, transfer of ownership or lien on shares or interests in company, assignment of collectible receivables, endorsement of property and/or personal insurance policy, debt securities, pledge of trade mark or brand, etc.).

All Bank placements covered with obligatory collateral are to be secured also with at least one of the ordinary collateral instruments. The amount of placement that is possibly not secured with an ordinary collateral instrument shall generally be secured with one of the other collateral instruments. The choice of eligible collaterals does not depend on the coverage achieved only, but also on the risks identified, with more marketable and more valuable collaterals being preferred.

Collaterals are classified according to quality to five categories. The evaluation of collateral is based on quality that is estimated based on its marketability, documentation and possibility of supervision by the Bank as well as the possibility of enforced collection.

When deciding on loan approval, weak creditworthiness cannot be replaced by quality collateral, except when the security instruments are first class instruments: guarantees from the Republic of Croatia, guarantees of local/regional authorities (ULRG), guarantees from HAMAG-BICRO, loan insurance policy and when the Republic of Croatia, ULRG or other government authorities guarantee for clients implicitly.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.8. Collateral and other credit enhancements (creditworthiness) (continued)

For the purpose of mitigation of credit risk and reduction of business costs, and in compliance with the Act on the Croatian Bank for Reconstruction and Development, the Bank approves part of its placements through financial institutions. As collateral for placements approved to final customers through financial institutions, the Bank uses mandatory collateral from commercial banks/leasing companies. The financial institution is obliged to deliver them based on the Mutual business cooperation agreement, but not for each individual placement to the final customer based on that Agreement. In the individual contracts for placements to the final customers, the use of obligatory collateral delivered with the Agreement on mutual business cooperation is contracted. As the financial institutions take on the risk of default by the final customer, they are given the option to contract sufficient collateral with the final customer/leasing company.

Where the loan is approved through a commercial bank, depending on the financial institution's internal rating, the Bank contracts a sub-mortgage. In this case, either the commercial bank transfers the ownership over the collateral, while the Bank takes a mortgage over the same collateral, or the commercial bank forms a mortgage on the collateral, while the Bank takes a sub-mortgage on the same collateral.

By signing the Agreement on mutual business cooperation, a transfer of any claims the commercial bank may have towards the final customer is made to HBOR. Pursuant to the Agreement, the commercial bank authorises HBOR to unilaterally inform the bank in written form that, in the case of the commercial bank's insolvency or threat of liquidation, untimely repayments or default on the commitments agreed in the individual contract on interbank loan or actual (insolvent or regular) liquidation, the Bank assumes the receivable towards the final customer from the commercial bank, with the effect of assignment of receivables instead of contract fulfilment.

Additionally, based on the Agreement on mutual business cooperation and based on the said unilateral statement, the commercial bank authorises HBOR that HBOR may, without having to obtain any further consent or approval from the commercial bank, enter itself into all public registers, books or records as the creditor instead of the commercial bank under any security arrangements for assigned receivables as well as under any other proceedings.

From the moment of the assignment, the final customer is obliged to make all payments related to the assigned receivable directly to HBOR. Should the commercial bank receive any payments in the name of collection of receivables per particular placement, the bank is obliged to immediately transfer the funds to HBOR.

All direct placements are mainly secured with a transfer of ownership or with a mortgage over real estate and, if is possible, the Bank obtains as security against credit risk a guarantee from HAMAG-BICRO, a guarantee from EIF (European Investment Fund), a guarantee from the local and regional authority, a guarantee from the Republic of Croatia, etc.

The Bank has the right to verify the appraisal of the collateral value and such a confirmed appraisal is considered as the final collateral value.

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.8. Collateral and other credit enhancements (creditworthiness) (continued)

The calculation of the coverage of placement by collateral, the impairment factors applied during placement approval and monitoring, and the minimum coverage of placement at approval are determined by the Methodology for the Calculation of the Coverage of Placements by Collateral.

The Bank continually monitors the value of collaterals by re-estimation or confirmation/verification of the value. Monitoring of the value of mortgaged real estate is performed once a year for business real estate, and once every three years for residential buildings. The Bank has formed a special organizational unit for:

- evaluation and verification of already appraised and offered collateral (real estate and movables),
- technical and technological analysis of investment projects, and
- financial supervision over the withdrawal of loan funds for the purpose of the controlling implementation of the investment project.

In the event that it is not possible for the Bank to collect from regular operations, the Bank starts collection from the collateral at its disposal. This encompasses initiating collection from the obligatory collateral, then from first-class, unconditional collateral payable on first demand and then from the mortgage or fiduciary ownership of the real estate or movable property, including their repossession with a view to decreasing or fully settling the Bank's receivables. The Bank does not use repossessed assets for business purposes.

In the case of risk-sharing models, collateral is created by commercial banks depending on the type of the model:

- in accordance with their own internal documents and good banking practices, and, consequently, HBOR's documents and collateral ratios prescribed in them do not apply,
- or collateral is created by commercial banks and HBOR for their respective shares in the loan in accordance with their own documents, decisions and/or procedures,

Write-offs

Write-off is performed in accordance with the Methodology for Write-Off of Receivables.
The criteria for considering the write-off of receivables can be classified into 3 main groups:
A. exhaustion of all available forms of regular and compulsory collection;
B. implementation of settlement, sale of receivables or restructuring of placements;
C. difficult social and/or medical condition of the debtor (and/or the co-debtor, guarantor).

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure

The table below shows the highest net credit risk exposures in the Statement of Financial Position and in guarantees and commitments as of the reporting date, before the effect of mitigation through collateral received:

	Group		Bank	
	Highest exposure 31 March 2025 EUR '000	Highest exposure 31 December 2024 EUR '000	Highest exposure 31 March 2025 EUR '000	Highest exposure 31 December 2024 EUR '000
Assets				
Cash on hand and current accounts with banks	29,601	46,061	28,877	45,543
Deposits with other banks	104,457	93,871	101,062	90,410
Loans to financial institutions	1,228,786	1,225,809	1,228,786	1,225,809
Loans to other customers	2,281,444	2,308,436	2,281,444	2,308,436
Financial assets at fair value through profit or loss	32,668	32,476	32,668	32,476
Financial assets at fair value through other comprehensive income	233,881	237,314	227,749	231,149
Other assets	2,142	2,116	1,549	1,393
Total	**3,912,979**	**3,946,083**	**3,902,135**	**3,935,216**
Guarantees and commitments				
Issued guarantees	41,795	54,084	41,795	54,084
Issued guarantees in foreign currency	7,782	3,406	7,782	3,406
Undrawn loans	480,697	474,114	480,697	474,114
Total	**530,274**	**531,604**	**530,274**	**531,604**
Total credit risk exposure	**4,443,253**	**4,477,687**	**4,432,409**	**4,466,820**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received, is as follows:

Group

31 March 2025	Republic of Croatia EUR '000	EU countries EUR '000	Other countries EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	29,493	70	38	29,601
Deposits with other banks	55,247	49,210	-	104,457
Loans to financial institutions	1,228,786	-	-	1,228,786
Loans to other customers	2,273,217	751	7,476	2,281,444
Financial assets at fair value through profit or loss	32,668	-	-	32,668
Financial assets at fair value through other comprehensive income	233,744	137	-	233,881
Other assets	1,093	1,048	1	2,142
Total	**3,854,248**	**51,216**	**7,515**	**3,912,979**
Guarantees and commitments				
Issued guarantees	41,795	-	-	41,795
Issued guarantees in foreign currency	7,782	-	-	7,782
Undrawn loans	480,692	-	5	480,697
Total	**530,269**	**-**	**5**	**530,274**
Total credit risk exposure	**4,384,517**	**51,216**	**7,520**	**4,443,253**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received, is as follows:

Group 31 December 2024	Republic of Croatia	EU countries	Other countries	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	45,691	183	187	46,061
Deposits with other banks	71,262	22,609	-	93,871
Loans to financial institutions	1,225,809	-	-	1,225,809
Loans to other customers	2,299,953	801	7,682	2,308,436
Financial assets at fair value through profit or loss	32,476	-	-	32,476
Financial assets at fair value through other comprehensive income	237,177	137	-	237,314
Other assets	1,077	1,039	-	2,116
Total	**3,913,445**	**24,769**	**7,869**	**3,946,083**
Guarantees and commitments				
Issued guarantees	54,084	-	-	54,084
Issued guarantees in foreign currency	3,406	-	-	3,406
Undrawn loans	474,110	-	4	474,114
Total	**531,600**	**-**	**4**	**531,604**
Total credit risk exposure	**4,445,045**	**24,769**	**7,873**	**4,477,687**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received (continued):

Bank 31 March 2025	Republic of Croatia EUR '000	EU countries EUR '000	Other countries EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	28,769	70	38	28,877
Deposits with other banks	51,852	49,210	-	101,062
Loans to financial institutions	1,228,786	-	-	1,228,786
Loans to other customers	2,273,217	751	7,476	2,281,444
Financial assets at fair value through profit or loss	32,668	-	-	32,668
Financial assets at fair value through other comprehensive income	227,612	137	-	227,749
Other assets	501	1,048	-	1,549
Total	**3,843,405**	**51,216**	**7,514**	**3,902,135**
Guarantees and commitments				
Issued guarantees	41,795	-	-	41,795
Issued guarantees in foreign currency	7,782	-	-	7,782
Undrawn loans	480,692	-	5	480,697
Total	**530,269**	**-**	**5**	**530,274**
Total credit risk exposure	**4,373,674**	**51,216**	**7,519**	**4,432,409**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received (continued):

Bank 31 December 2024	Republic of Croatia	EU countries	Other countries	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	45,173	183	187	45,543
Deposits with other banks	67,801	22,609	-	90,410
Loans to financial institutions	1,225,809	-	-	1,225,809
Loans to other customers	2,299,953	801	7,682	2,308,436
Financial assets at fair value through profit or loss	32,476	-	-	32,476
Financial assets at fair value through other comprehensive income	231,012	137	-	231,149
Other assets	354	1,039	-	1,393
Total	**3,902,578**	**24,769**	**7,869**	**3,935,216**
Guarantees and commitments				
Issued guarantees	54,084	-	-	54,084
Issued guarantees in foreign currency	3,406	-	-	3,406
Undrawn loans	474,110	-	4	474,114
Total	**531,600**	**-**	**4**	**531,604**
Total credit risk exposure	**4,434,178**	**24,769**	**7,873**	**4,466,820**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, according to industry, net exposure, before and after the effect of mitigation through collateral received:

Group	Highest exposure	Highest exposure after the effect of mitigation through collateral received	Highest exposure	Highest exposure after the effect of mitigation through collateral received
	31 March 2025	31 March 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,547,697	-	1,572,780	-
Water and electric supply and other infrastructure	534,021	408,480	505,448	380,244
Tourism	424,879	29,915	397,965	15,263
Transport, warehousing and connections	314,313	48,793	318,505	51,632
Shipbuilding	142,713	6,737	175,722	9,381
Agriculture and fishery	88,978	29,615	100,099	30,987
Food industry	115,478	15,443	124,339	16,897
Construction industry	350,203	12,601	348,065	7,882
Other industry	167,563	35,082	164,329	36,999
Public administration	239,768	239,379	244,498	244,099
Education	7,230	6,844	7,518	7,107
Manufacture of basic metals and fabricated metal products, except machinery and equipment	51,963	10,108	52,918	10,006
Manufacture of chemicals and chemical products	9,549	795	11,465	964
Manufacture of other non-metallic mineral products	25,090	5,553	27,337	6,027
Pharmaceutical industry	60,342	353	62,341	2,326
Manufacture of motor vehicles, trailers and semi - trailers	10,488	352	11,257	369
Manufacture of electrical equipment	38,559	27,540	39,858	27,780
Manufacture of machinery and equipment	37,299	3,369	37,016	2,816
Other	277,120	83,707	276,227	84,988
Total credit risk exposure	**4,443,253**	**964,666**	**4,477,687**	**935,767**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, according to industry, net exposure, before and after the effect of mitigation through collateral received:

Bank	Highest exposure 31 March 2025 EUR '000	Highest exposure after the effect of mitigation through collateral received 31 March 2025 EUR '000	Highest exposure 31 December 2024 EUR '000	Highest exposure after the effect of mitigation through collateral received 31 December 2024 EUR '000
Financial intermediation and insurance	1,543,577	-	1,568,801	-
Water and electric supply and other infrastructure	534,021	408,480	505,448	380,244
Tourism	424,879	29,915	397,965	15,263
Transport, warehousing and connections	314,306	48,787	318,498	51,624
Shipbuilding	142,713	6,737	175,722	9,381
Agriculture and fishery	88,976	29,613	100,096	30,984
Food industry	115,460	15,425	124,317	16,875
Construction industry	350,039	12,437	347,883	7,699
Other industry	167,514	35,033	164,266	36,936
Public administration	233,636	233,247	238,333	237,934
Education	7,230	6,844	7,518	7,107
Manufacture of basic metals and fabricated metal products, except machinery and equipment	51,953	10,098	52,907	9,995
Manufacture of chemicals and chemical products	9,549	795	11,465	964
Manufacture of other non-metallic mineral products	25,090	5,553	27,337	6,027
Pharmaceutical industry	60,246	257	62,241	2,226
Manufacture of motor vehicles, trailers and semi - trailers	10,488	352	11,257	369
Manufacture of electrical equipment	38,559	27,540	39,858	27,780
Manufacture of machinery and equipment	37,299	3,369	37,016	2,816
Other	276,874	83,460	275,892	84,654
Total credit risk exposure	**4,432,409**	**957,942**	**4,466,820**	**928,878**

Concentration of assets and guarantees and commitments according to industry for both years has been compiled in accordance with the National Classification of Activities 2007 ("NKD 2007").
As of 1 January 2025, the Decision on the National Classification of Activities 2025 – NKD 2025 has been in force. For statistical and analytical purposes of official statistics of the Republic of Croatia, in the transitional period, until 31 December 2027, the Decision on the National Classification of Activities 2007 – NKD 2007 will be used simultaneously as well.

In the preparation of the Note, a combined approach is applied, which takes into consideration business activities of a debtor, retains the names of activities different from those in the National Classification of Activities and unites similar business activities.

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

The fair value of collateral for the Group as of 31 March 2025 amounted to EUR 3,478,587 thousand (31 December 2024: EUR 3,541,920 thousand) and for the Bank EUR 3,474,467 thousand (31 December 2024: EUR 3,537,942 thousand).

Net highest exposure as of 31 March 2025 for the Group amounted to EUR 964,666 thousand (31 December 2024: EUR 935,767 thousand) and for the Bank EUR 957,942 thousand (31 December 2024: EUR 928,878 thousand).

In the total net highest exposure after the effect of mitigation through collateral received as of 31 March 2025, the credit risk of EUR 549,382 thousand for the Group (31 December 2024: EUR 521,744 thousand) and EUR 543,832 thousand for the Bank (31 December 2024: EUR 516,151 thousand) is not covered with ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia for the Group and the Bank of EUR 44,157 thousand (31 December 2024: EUR 47,172 thousand), from local (regional) authorities of EUR 258,605 thousand (31 December 2024: EUR 223,698 thousand), state-owned companies for whose commitments the Republic of Croatia guarantees jointly and unconditionally of EUR 13,525 thousand (31 December 2024: EUR 14,340 thousand), government funds of EUR 5 thousand (31 December 2024: EUR 4 thousand), government bonds and Treasury bills of the Ministry of Finance of EUR 233,090 thousand for the Group and EUR 227,540 thousand for the Bank (31 December 2024: EUR 236,530 thousand for the Group and EUR 230,937 thousand for the Bank).

Part of the placements with net exposure relates to placements provisionally and partially covered with collateral and the further increase in exposure has been stopped pending the submission of the full collateral necessary for compliance with the requested collateral coverage ratio.

Financial intermediation includes mainly commercial bank.

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows:

Group 31 March 2025	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk POCI		Not subject to IFRS 9	Net exposure of total portfolio	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3	Net exposure of portfolio after the effect of mitigation through collateral received POCI		Not subject to IFRS 9 after the effect of mitigation through collateral received	Net exposure of total portfolio after the effect of mitigation through collateral received
				risk Stage 2	risk Stage 3						risk Stage 2	risk Stage 3		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets														
Cash on hand and current accounts with banks	29,601	-	-	-	-	-	29,601	-	-	-	-	-	-	-
Deposits with other banks	104,457	-	-	-	-	-	104,457	-	-	-	-	-	-	-
Loans to financial institutions	1,204,588	23,950	248	-	-	-	1,228,786	-	-	-	-	-	-	-
Loans to other customers	1,746,949	222,438	157,762	35,326	118,969	-	2,281,444	424,356	39,027	7,970	24	2,355	-	473,732
Financial assets at fair value through profit or loss	-	-	-	-	-	32,668	32,668	-	-	-	-	-	133	133
Financial assets at fair value through other comprehensive income	233,744	-	137	-	-	-	233,881	233,744	-	137	-	-	-	233,881
Other assets	1,984	10	138	-	10	-	2,142	787	10	61	-	10	-	868
Total	3,321,323	246,398	158,285	35,326	118,979	32,668	3,912,979	658,887	39,037	8,168	24	2,365	133	708,614
Guarantees and commitments														
Issued guarantees	33,729	4,883	3,183	-	-	-	41,795	33,700	4,883	3,183	-		-	41,766
Issued guarantees in foreign currency	53	3,157	4,572	-	-	-	7,782	52	3,157	24	-	-	-	3,233
Undrawn loans	468,227	11,050	-	-	1,065	355	480,697	206,488	4,210	-	-	-	355	211,053
Total	502,009	19,090	7,755	-	1,065	355	530,274	240,240	12,250	3,207	-	-	355	256,052
Total credit risk exposure	3,823,332	265,488	166,040	35,326	120,044	33,023	4,443,253	899,127	51,287	11,375	24	2,365	488	964,666

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows:

Group 31 December 2024	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk POCI		Not subject to IFRS 9	Net exposure of total portfolio	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3	Net exposure of portfolio after the effect of mitigation through collateral received POCI		Not subject to IFRS 9 after the effect of mitigation through collateral received	Net exposure of total portfolio after the effect of mitigation through collateral received
				risk Stage 2	risk Stage 3						risk Stage 2	risk Stage 3		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets														
Cash on hand and current accounts with banks	46,061	-	-	-	-	-	46,061	-	-	-	-	-	-	-
Deposits with other banks	93,871	-	-	-	-	-	93,871	-	-	-	-	-	-	-
Loans to financial institutions	1,199,519	26,042	248	-	-	-	1,225,809	-	-	-	-	-	-	-
Loans to other customers	1,740,324	228,989	157,336	181,787	-	-	2,308,436	415,588	40,409	10,231	25	2,627	-	468,880
Financial assets at fair value through profit or loss	-	-	-	-	-	32,476	32,476	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	237,177	-	137	-	-	-	237,314	237,177	-	137	-	-	-	237,314
Other assets	2,024	11	74	7	-	-	2,116	880	11	74	-	7	-	972
Total	**3,318,976**	**255,042**	**157,795**	**181,794**	**-**	**32,476**	**3,946,083**	**653,645**	**40,420**	**10,442**	**25**	**2,634**	**-**	**707,166**
Guarantees and commitments														
Issued guarantees	32,206	5,561	16,317	-	-	-	54,084	32,111	5,561	2,480	-	-	-	40,152
Issued guarantees in foreign currency	55	3,351	-	-	-	-	3,406	54	3,351	-	-	-	-	3,405
Undrawn loans	460,261	11,973	583	1,297	-	-	474,114	180,667	4,377	-	-	-	-	185,044
Total	**492,522**	**20,885**	**16,900**	**1,297**	**-**	**-**	**531,604**	**212,832**	**13,289**	**2,480**	**-**	**-**	**-**	**228,601**
Total credit risk exposure	**3,811,498**	**275,927**	**174,695**	**183,091**	**-**	**32,476**	**4,477,687**	**866,477**	**53,709**	**12,922**	**25**	**2,634**	**-**	**935,767**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows:

Bank 31 March 2025	**Net exposure of portfolio - risk Stage 1**	**Net exposure of portfolio - risk Stage 2**	**Net exposure of portfolio - risk Stage 3**	**Net exposure of portfolio of risk POCI**		**Not subject to IFRS 9**	**Net exposure of total portfolio**	**Net exposure of portfolio after the effect of mitigation through collateral received Stage 1**	**Net exposure of portfolio after the effect of mitigation through collateral received Stage 2**	**Net exposure of portfolio after the effect of mitigation through collateral received Stage 3**	**Net exposure of portfolio after the effect of mitigation through collateral received POCI**		**Not subject to IFRS 9 after the effect of mitigation through collateral received**	**Net exposure of total portfolio after the effect of mitigation through collateral received**
				risk Stage 2	**risk Stage 3**						**risk Stage 2**	**risk Stage 3**		
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Assets														
Cash on hand and current accounts with banks	28,877	-	-	-	-	-	28,877	-	-	-	-	-	-	-
Deposits with other banks	101,062	-	-	-	-	-	101,062	-	-	-	-	-	-	-
Loans to financial institutions	1,199,519	26,042	248	-	-	-	1,225,809	-	-	-	-	-	-	-
Loans to other customers	1,740,324	228,989	157,336	35,326	118,969	-	2,281,444	424,356	39,027	7,970	24	2,355	-	473,732
Financial assets at fair value through profit or loss	-	-	-	-	-	32,668	32,668	-	-	-	-	-	133	133
Financial assets at fair value through other comprehensive income	227,612	-	137	-	-	-	227,749	227,612	-	137	-	-	-	227,749
Other assets	1,391	10	138	-	10	-	1,549	195	10	61	-	10	-	276
Total	**3,310,479**	**246,398**	**158,285**	**35,326**	**118,979**	**32,668**	**3,902,135**	**652,163**	**39,037**	**8,168**	**24**	**2,365**	**133**	**701,890**
Guarantees and commitments														
Issued guarantees	33,729	4,883	3,183	-	-	-	41,795	33,700	4,883	3,183	-	-	-	41,766
Issued guarantees in foreign currency	53	3,157	4,572	-	-	-	7,782	52	3,157	24	-	-	-	3,233
Undrawn loans	468,227	11,050	-	-	1,065	355	480,697	206,488	4,210	-	-	-	355	211,053
Total	**502,009**	**19,090**	**7,755**	**-**	**1,065**	**355**	**530,274**	**240,240**	**12,250**	**3,207**	**-**	**-**	**355**	**256,052**
Total credit risk exposure	**3,812,488**	**265,488**	**166,040**	**35,326**	**120,044**	**33,023**	**4,432,409**	**892,403**	**51,287**	**11,375**	**24**	**2,365**	**488**	**957,942**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows:

Bank 31 December 2024	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk POCI		Not subject to IFRS 9	Net exposure of total portfolio	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3	Net exposure of portfolio after the effect of mitigation through collateral received POCI		Not subject to IFRS 9 after the effect of mitigation through collateral received	Net exposure of total portfolio after the effect of mitigation through collateral received
				risk Stage 2	risk Stage 3						risk Stage 2	risk Stage 3		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets														
Cash on hand and current accounts with banks	45,543	-	-	-	-	-	45,543	-	-	-	-	-	-	-
Deposits with other banks	90,410	-	-	-	-	-	90,410	-	-	-	-	-	-	-
Loans to financial institutions	1,199,519	26,042	248	-	-	-	1,225,809	-	-	-	-	-	-	-
Loans to other customers	1,740,324	228,989	157,336	39,131	142,656	-	2,308,436	415,588	40,409	10,231	25	2,627	-	468,880
Financial assets at fair value through profit or loss	-	-	-	-	-	32,476	32,476	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	231,012	-	137	-	-	-	231,149	231,012	-	137	-	-	-	231,149
Other assets	1,301	11	74	-	7	-	1,393	156	11	74	-	7	-	248
Total	**3,308,109**	**255,042**	**157,795**	**39,131**	**142,663**	**32,476**	**3,935,216**	**646,756**	**40,420**	**10,442**	**25**	**2,634**	**-**	**700,277**
Guarantees and commitments														
Issued guarantees	32,206	5,561	16,317	-	-	-	54,084	32,111	5,561	2,480	-	-	-	40,152
Issued guarantees in foreign currency	55	3,351	-	-	-	-	3,406	54	3,351	-	-	-	-	3,405
Undrawn loans	460,261	11,973	583	-	1,297	-	474,114	180,667	4,377	-	-	-	-	185,044
Total	**492,522**	**20,885**	**16,900**	**-**	**1,297**	**-**	**531,604**	**212,832**	**13,289**	**2,480**	**-**	**-**	**-**	**228,601**
Total credit risk exposure	**3,800,631**	**275,927**	**174,695**	**39,131**	**143,960**	**32,476**	**4,466,820**	**859,588**	**53,709**	**12,922**	**25**	**2,634**	**-**	**928,878**

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

As at 31 March 2025 in the total net highest exposure of the Group and the Bank after the effect of mitigation through collateral received, the amount of loans to other customers of EUR 316,242 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 44,112 thousand, local and regional authorities of EUR 258,605 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 13,525 thousand.

As at 31 March 2025 the amount of financial assets at fair value through other comprehensive income is not covered by ordinary collateral but it relates to government bonds and treasury bills of the Ministry of Finance of EUR 233,090 thousand for the Group and EUR 227,540 thousand for the Bank.

As at 31 March 2025 other assets of EUR 50 thousand are not covered by ordinary collateral, but relate to receivables from the Republic of Croatia and the government funds.

As at 31 December 2024 in the total net highest exposure of the Group and the Bank after the effect of mitigation through collateral received, the amount of loans to other customers of EUR 285,197 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 47,159 thousand, local and regional authorities of EUR 223,698 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 14,340 thousand.

As at 31 December 2024 the amount of financial assets at fair value through other comprehensive income is not covered by ordinary collateral but it relates to government bonds and treasury bills of the Ministry of Finance of EUR 236,530 thousand for the Group and EUR 230,937 thousand for the Bank.

As at 31 December 2024 other assets of EUR 17 thousand are not covered by ordinary collateral, but relate to receivables from the Republic of Croatia and the government funds.

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument by risk category:

Cash on hand and current accounts with banks

Group **31 March 2025**	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2025	144	-	-	-	**144**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(63)	-	-	-	**(63)**
Balance at 31 March 2025	**81**	-	-	-	**81**

Group **31 December 2024**	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	159	-	-	-	**159**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(15)	-	-	-	**(15)**
Balance at 31 December 2024	**144**	-	-	-	**144**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Cash on hand and current accounts with banks (continued)

Bank **31 March 2025**	**Stage 1** EUR '000	**Stage 2** EUR '000	**Stage 3** EUR '000	**POCI** EUR '000	**Total** EUR '000
Balance at 1 January 2025	143	-	-	-	**143**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(64)	-	-	-	**(64)**
Balance at 31 March 2025	**79**	-	-	-	**79**

Bank **31 December 2024**	**Stage 1** EUR '000	**Stage 2** EUR '000	**Stage 3** EUR '000	**POCI** EUR '000	**Total** EUR '000
Balance at 1 January 2024	158	-	-	-	**158**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(15)	-	-	-	**(15)**
Balance at 31 December 2024	**143**	-	-	-	**143**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Deposits with other banks

Group

31 March 2025	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2025	237	-	-	-	**237**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(121)	-	-	-	**(121)**
Balance at 31 March 2025	**116**	**-**	**-**	**-**	**116**

Group

31 December 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	221	-	-	-	**221**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	16	-	-	-	**16**
Balance at 31 December 2024	**237**	**-**	**-**	**-**	**237**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

ii. Allowances (continued)

Deposits with other banks

Bank

31 March 2025	**Stage 1 EUR '000**	**Stage 2 EUR '000**	**Stage 3 EUR '000**	**POCI EUR '000**	**Total EUR '000**
Balance at 1 January 2025	232	-	-	-	**232**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(121)	-	-	-	**(121)**
Balance at 31 March 2025	**111**	**-**	**-**	**-**	**111**

Bank

31 December 2024	**Stage 1 EUR '000**	**Stage 2 EUR '000**	**Stage 3 EUR '000**	**POCI EUR '000**	**Total EUR '000**
Balance at 1 January 2024	218	-	-	-	**218**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	14	-	-	-	**14**
Balance at 31 December 2024	**232**	**-**	**-**	**-**	**232**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Loans to financial institutions

Group and Bank

31 March 2025	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2025	4,523	2,295	820	-	**7,638**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(59)	(157)	(1)	-	**(217)**
Balance at 31 March 2025	**4,464**	**2,138**	**819**	**-**	**7,421**

Group and Bank

31 December 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	4,163	1,707	857	-	**6,727**
Transfer to Stage 1	382	(382)	-	-	-
Transfer to Stage 2	(186)	186	-	-	-
Transfer to Stage 3					
Net increase/(release) of loss allowance	164	784	(37)	-	**911**
Balance at 31 December 2024	**4,523**	**2,295**	**820**	**-**	**7,638**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Loans to other customers

Group and Bank **31 March 2025**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2025	44,398	102,830	277,261	47,053	**471,542**
Transfer to Stage 1	3,353	(3,152)	(201)	-	-
Transfer to Stage 2	(395)	396	(1)	-	-
Transfer to Stage 3	(8)	(859)	867	-	-
Net (release) of loss allowance	(4,234)	(3,156)	(935)	(2,067)	**(10,392)**
Write-offs	-	-	(68)	-	**(68)**
Unwinding – changes due to the lapse of time	(11)	(7)	422	440	**844**
Other	-	-	-	3,059	**3,059**
Net foreign exchange gain/loss on loss allowances	(3)	-	(385)	(439)	**(827)**
Balance at 31 March 2025	**43,100**	**96,052**	**276,960**	**48,046**	**464,158**

Group and Bank **31 December 2024**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2024	42,543	128,588	267,359	32,267	**470,757**
Transfer to Stage 1	36,600	(35,952)	(648)	-	-
Transfer to Stage 2	(6,025)	10,149	(4,124)	-	-
Transfer to Stage 3	-	(31,330)	22,358	8,972	-
Net (release)/increase of loss allowance	(28,419)	31,816	(4,880)	(1,100)	**(2,583)**
Write-offs	(288)	-	(5,931)	-	**(6,219)**
Unwinding – changes due to the lapse of time	(17)	(441)	2,434	(1,661)	**315**
Other	-	-	-	8,735	**8,735**
Net foreign exchange gain/loss on loss allowances	4	-	693	(160)	**537**
Balance at 31 December 2024	**44,398**	**102,830**	**277,261**	**47,053**	**471,542**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Financial assets at fair value through other comprehensive income

Group **31 March 2025**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2025	230	-	195	-	**425**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(3)	-	-	-	**(3)**
Balance at 31 March 2025	**227**	**-**	**195**	**-**	**422**

Group **31 December 2024**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2024	223	-	231	-	**454**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	7	-	(36)	-	**(29)**
Net foreign exchange gain/loss on loss allowances	-	-	-	-	-
Balance at 31 December 2024	**230**	**-**	**195**	**-**	**425**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Financial assets at fair value through other comprehensive income (continued)

Bank **31 March 2025**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2025	219	-	195	-	**414**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(3)	-	-	-	**(3)**
Balance at 31 March 2025	**216**	**-**	**195**	**-**	**411**

Bank **31 December 2024**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2024	211	-	231	-	**442**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	8	-	(36)	-	**(28)**
Balance at 31 December 2024	**219**	**-**	**195**	**-**	**414**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Other assets

Group

31 March 2025	**Stage 1 EUR '000**	**Stage 2 EUR '000**	**Stage 3 EUR '000**	**POCI EUR '000**	**Total EUR '000**
Balance at 1 January 2025	11	1	4,221	35	**4,268**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Net increase/(release) of loss allowance	1	1	12	(3)	**11**
Write-offs	-	-	(1)	-	**(1)**
Net foreign exchange gain/loss on loss allowances	-	-	(2)	-	**(2)**
Other adjustments	-	-	-	2	**2**
Balance at 31 March 2025	**12**	**2**	**4,230**	**34**	**4,278**

Group

31 December 2024	**Stage 1 EUR '000**	**Stage 2 EUR '000**	**Stage 3 EUR '000**	**POCI EUR '000**	**Total EUR '000**
Balance at 1 January 2024	27	1	4,330	35	**4,393**
Transfer to Stage 1	19	-	(19)	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Net increase/(release) of loss allowance	(16)	-	331	(1)	**314**
Write-offs	(20)	-	(428)	-	**(448)**
Net foreign exchange gain/loss on loss allowances	-	-	7	-	**7**
Other adjustments	1	-	-	1	**2**
Balance at 31 December 2024	**11**	**1**	**4,221**	**35**	**4,268**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Other assets (continued)

Bank **31 March 2025**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2025	3	1	4,221	35	**4,260**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Net increase/(release) of loss allowance	1	1	12	(3)	**11**
Write-offs	-	-	(1)	-	**(1)**
Net foreign exchange gain/loss on loss allowances	-	-	(2)	-	**(2)**
Other adjustments	-	-	-	2	**2**
Balance at 31 March 2025	**4**	**2**	**4,230**	**34**	**4,270**

Bank **31 December 2024**	**Stage 1** **EUR '000**	**Stage 2** **EUR '000**	**Stage 3** **EUR '000**	**POCI** **EUR '000**	**Total** **EUR '000**
Balance at 1 January 2024	19	1	4,330	35	**4,385**
Transfer to Stage 1	19	-	(19)	-	**-**
Transfer to Stage 2	-	-	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Net increase/(release) of loss allowance	(15)	-	331	(1)	**315**
Write-offs	(20)	-	(428)	-	**(448)**
Net foreign exchange gain/loss on loss allowances	-	-	7	-	**7**
Other adjustments	-	-	-	1	**1**
Balance at 31 December 2024	**3**	**1**	**4,221**	**35**	**4,260**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Guarantees and commitments

Group and Bank 31 March 2025	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2025	2,604	7,298	1,996	1,015	**12,913**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	(2)	2	-	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Net (release) of loss allowance	(178)	(2,799)	(41)	(152)	**(3,170)**
Net foreign exchange gain/loss on loss allowances	-	70	(4)	-	**66**
Balance at 31 March 2025	**2,424**	**4,571**	**1,951**	**863**	**9,809**

Group and Bank 31 December 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	4,243	5,380	4,574	440	**14,637**
Transfer to Stage 1	-	-	-	-	**-**
Transfer to Stage 2	(207)	1,407	(1,200)	-	**-**
Transfer to Stage 3	-	-	-	-	**-**
Net increase/(release) of loss allowance	(1,433)	602	(1,378)	575	**(1,634)**
Net foreign exchange gain/loss on loss allowances	1	(91)	-	-	**(90)**
Balance at 31 December 2024	**2,604**	**7,298**	**1,996**	**1,015**	**12,913**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk

The table below provides an analysis of total assets, total liabilities and total guarantees and commitments as of 31 March 2025 and 31 December 2024 placed into relevant maturity groupings based on the remaining period as at the Statement of Financial Position date related to the contractual maturity date, as follows:

Group **31 March 2025**	**Up to 1 month** **EUR '000**	**1 to 3 months** **EUR '000**	**3 months to 1 year** **EUR '000**	**1 to 3 years** **EUR '000**	**Over 3 years** **EUR '000**	**Total** **EUR '000**
Assets						
Cash on hand and current accounts with banks	29,601	-	-	-	-	29,601
Deposits with other banks	103,371	-	-	-	1,086	104,457
Loans to financial institutions*	76,006	75,787	148,151	353,586	575,256	1,228,786
Loans to other customers	264,484	78,458	285,980	565,086	1,087,436	2,281,444
Financial assets at fair value through profit or loss	9,181	-	-	32,668	26,947	68,796
Financial assets at fair value through other comprehensive income	233,930	1,892	1,304	1,092	3,73[illegible]	241,954
Property, plant and equipment and intangible assets	-	-	-	-	5,166	5,166
Foreclosed assets	-	90	154	437	1,529	2,210
Other assets	2,278	198	1,815	1,614	121	6,026
Total assets	**718,851**	**156,425**	**437,404**	**954,483**	**1,701,277**	**3,968,440**
Liabilities						
Deposits from customers	14,495	7	22,937	296	10,651	48,386
Borrowings	29,693	71,390**	261,897	683,332	1,237,104	2,283,416
Provisions for guarantees, commitments and other liabilities	8,414	562	1,832	4,943	4,072	19,823
Other liabilities	37,097	2,676	10,836	21,792	17,953	90,354
Total liabilities	**89,699**	**74,635**	**297,502**	**710,363**	**1,269,780**	**2,441,979**
Liquidity gap	**629,152**	**81,790**	**139,902**	**244,120**	**431,497**	**1,526,461**
Guarantees and commitments						
Issued guarantees	46,941	-	-	-	-	46,941
Issued guarantees in foreign currency	9,231	-	-	-	-	9,231
Undrawn loans	483,911	-	-	-	-	483,911
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	729	1,433	6,370	11,724	3,604	23,860
EIF FRC2 Contracted Liability	5	-	7	12	14	38
Total guarantees and commitments	**551,217**	**1,433**	**6,377**	**11,736**	**3,618**	**574,381**

The items with undefined maturity are included in terms over 3 years.

**Receivables of EUR 98,000 thousand relate to reverse REPO agreements. The maturity of part of receivables was prolonged after the Statement of Financial Position date, and an amount of EUR 31,000 thousand was placed in the 1 to 3 months maturity category.*

***Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.*

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk

Group 31 December 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets						
Cash on hand and current accounts with banks	46,061	-	-	-	-	46,061
Deposits with other banks	92,412	-	-	-	1,459	93,871
Loans to financial institutions*	70,457	66,111	155,368	353,499	580,374	1,225,809
Loans to other customers	210,666	122,184	261,901	611,803	1,101,882	2,308,436
Financial assets at fair value through profit or loss	9,241	129	-	32,233	25,444	67,047
Financial assets at fair value through other comprehensive income	235,958	3,264	1,317	1,080	3,768	245,387
Property, plant and equipment and intangible assets	-	-	-	-	5,095	5,095
Foreclosed assets	-	148	317	467	1,208	2,140
Other assets	2,225	183	1,639	1,637	117	5,801
Total assets	**667,020**	**192,019**	**420,542**	**1,000,719**	**1,719,347**	**3,999,647**
Liabilities						
Deposits from customers	54,375	41	29,752	299	11,045	95,512
Borrowings	31,460	55,735**	277,619	695,465	1,227,989	2,288,268
Provisions for guarantees, commitments and other liabilities	10,471	710	2,400	5,627	4,160	23,368
Other liabilities	38,208	2,783	11,512	20,531	15,179	88,213
Total liabilities	**134,514**	**59,269**	**321,283**	**721,922**	**1,258,373**	**2,495,361**
Liquidity gap	**532,506**	**132,750**	**99,259**	**278,797**	**460,974**	**1,504,286**
Guarantees and commitments						
Issued guarantees	59,473	-	-	-	-	59,473
Issued guarantees in foreign currency	4,846	-	-	-	-	4,846
Undrawn loans	480,198	-	-	-	-	480,198
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	145	2,005	6,450	11,724	4,536	24,860
EIF FRC2 Contracted Liability	5	-	3	16	19	43
Total guarantees and commitments	**555,067**	**2,005**	**6,453**	**11,740**	**4,555**	**579,820**

The items with undefined maturity are included in terms over 3 years.

**Receivables of EUR 92,000 thousand relate to reverse REPO agreements. The maturity of part of receivables was prolonged after the Statement of Financial Position date, and an amount of EUR 30,000 thousand was placed in the 1 to 3 months maturity category.*

***Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.*

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

The table below provides an analysis of total assets, total liabilities and total guarantees and commitments as of 31 March 2025 and 31 December 2024 placed into relevant maturity groupings based on the remaining period as at the Statement of Financial Position date related to the contractual maturity date, as follows:

Bank 31 March 2025	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
Assets						
Cash on hand and current accounts with banks	28,877	-	-	-	-	28,877
Deposits with other banks	99,976	-	-	-	1,086	101,062
Loans to financial institutions*	76,006	75,787	148,151	353,586	575,256	1,228,786
Loans to other customers	264,484	78,458	285,980	565,086	1,087,436	2,281,444
Financial assets at fair value through profit or loss	9,181	-	-	32,668	26,947	68,796
Financial assets at fair value through other comprehensive income	233,930	1,892	-	-	-	235,822
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	4,966	4,966
Foreclosed assets	-	90	154	437	1,529	2,210
Other assets	1,648	195	1,815	1,614	24	5,296
Total assets	**714,102**	**156,422**	**436,100**	**953,391**	**1,704,693**	**3,964,708**
Liabilities						
Deposits from customers	14,495	7	22,937	296	10,651	48,386
Borrowings	29,693	71,390**	261,897	683,332	1,237,104	2,283,416
Provisions for guarantees, commitments and other liabilities	8,414	562	1,832	4,943	4,072	19,823
Other liabilities	37,097	2,478	8,077	21,792	17,953	87,397
Total liabilities	**89,699**	**74,437**	**294,743**	**710,363**	**1,269,780**	**2,439,022**
Liquidity gap	**624,403**	**81,985**	**141,357**	**243,028**	**434,913**	**1,525,686**
Guarantees and commitments						
Issued guarantees	46,941	-	-	-	-	46,941
Issued guarantees in foreign currency	9,231	-	-	-	-	9,231
Undrawn loans	483,911	-	-	-	-	483,911
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	729	1,433	6,370	11,724	3,604	23,860
EIF FRC2 Contracted Liability	5	-	7	12	14	38
Total guarantees and commitments	**551,217**	**1,433**	**6,377**	**11,736**	**3,618**	**574,381**

The items with undefined maturity are included in terms over 3 years.

**Receivables of EUR 98,000 thousand relate to reverse REPO agreements. The maturity of part of receivables was prolonged after the Statement of Financial Position date, and an amount of EUR 31,000 thousand was placed in the 1 to 3 months maturity category.*

***Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.*

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

Bank 31 December 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets						
Cash on hand and current accounts with banks	45,543	-	-	-	-	45,543
Deposits with other banks	88,951	-	-	-	1,459	90,410
Loans to financial institutions*	70,457	66,111	155,368	353,499	580,374	1,225,809
Loans to other customers	210,666	122,184	261,901	611,803	1,101,882	2,308,436
Financial assets at fair value through profit or loss	9,241	129	-	32,233	25,444	67,047
Financial assets at fair value through other comprehensive income	235,958	3,264	-	-	-	239,222
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	4,882	4,882
Foreclosed assets	-	148	317	467	1,208	2,140
Other assets	1,483	183	1,639	1,637	25	4,967
Total assets	**662,299**	**192,019**	**419,225**	**999,639**	**1,722,723**	**3,995,905**
Liabilities						
Deposits from customers	54,375	41	29,752	299	11,045	95,512
Borrowings	31,460	55,735**	277,619	695,465	1,227,989	2,288,268
Provisions for guarantees, commitments and other liabilities	10,471	710	2,400	5,627	4,160	23,368
Other liabilities	38,208	2,589	8,757	20,531	15,179	85,264
Total liabilities	**134,514**	**59,075**	**318,528**	**721,922**	**1,258,373**	**2,492,412**
Liquidity gap	**527,785**	**132,944**	**100,697**	**277,717**	**464,350**	**1,503,493**
Guarantees and commitments						
Issued guarantees	59,473	-	-	-	-	59,473
Issued guarantees in foreign currency	4,846	-	-	-	-	4,846
Undrawn loans	480,198	-	-	-	-	480,198
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	145	2,005	6,450	11,724	4,536	24,860
EIF FRC2 Contracted Liability	5	-	3	16	19	43
Total guarantees and commitments	**555,067**	**2,005**	**6,453**	**11,740**	**4,555**	**579,820**

The items with undefined maturity are included in terms over 3 years.

**Receivables of EUR 92,000 thousand relate to reverse REPO agreements. The maturity of part of receivables was prolonged after the Statement of Financial Position date, and an amount of EUR 30,000 thousand was placed in the 1 to 3 months maturity category.*

*** Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.*

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

The table below indicates the remaining contractual maturity of financial liabilities, whereas the guarantees and commitments of the Group are classified in the category "up to 1 month", owing to the possibility of a premature call to meet a liability (undiscounted amounts):

Group 31 March 2025	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**Over 3 years**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Financial liabilities						
Deposits from customers	14,495	7	22,937	296	10,651	48,386
Borrowings	35,261	71,514	295,925	769,983	1,378,355	2,551,038
Provisions for guarantees, commitments and other liabilities	8,414	562	1,832	4,943	4,072	19,823
Other liabilities	37,097	2,676	10,836	21,792	17,953	90,354
Total	**95,267**	**74,759**	**331,530**	**797,014**	**1,411,031**	**2,709,601**
Guarantees and commitments						
Issued guarantees	46,941	-	-	-	-	46,941
Issued guarantees in foreign currency	9,231	-	-	-	-	9,231
Undrawn loans	483,911	-	-	-	-	483,911
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	729	1,433	6,370	11,724	3,604	23,860
EIF FRC2 Contracted Liability	5	-	7	12	14	38
Total guarantees and commitments	**551,217**	**1,433**	**6,377**	**11,736**	**3,618**	**574,381**

Group 31 December 2024	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**Over 3 years**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Financial liabilities						
Deposits from customers	54,375	41	29,752	299	11,045	95,512
Borrowings	37,038	53,712	318,952	793,561	1,392,921	2,596,184
Provisions for guarantees, commitments and other liabilities	10,471	710	2,400	5,627	4,160	23,368
Other liabilities	38,208	2,783	11,512	20,531	15,179	88,213
Total	**140,092**	**57,246**	**362,616**	**820,018**	**1,423,305**	**2,803,277**
Guarantees and commitments						
Issued guarantees	59,473	-	-	-	-	59,473
Issued guarantees in foreign currency	4,846	-	-	-	-	4,846
Undrawn loans	480,198	-	-	-	-	480,198
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	145	2,005	6,450	11,724	4,536	24,860
EIF FRC2 Contracted Liability	5	-	3	16	19	43
Total guarantees and commitments	**555,067**	**2,005**	**6,453**	**11,740**	**4,555**	**579,820**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

The table below indicates the remaining contractual maturity of financial liabilities, whereas the guarantees and commitments of the Group are classified in the category "up to 1 month", owing to the possibility of a premature call to meet a liability (undiscounted amounts):

Bank **31 March 2025**	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**Over 3 years**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Financial liabilities						
Deposits from customers	14,495	7	22,937	296	10,651	48,386
Borrowings	35,261	71,514	295,925	769,983	1,378,355	2,551,038
Provisions for guarantees, commitments and other liabilities	8,414	562	1,832	4,943	4,072	19,823
Other liabilities	37,097	2,478	8,077	21,792	17,953	87,397
Total	**95,267**	**74,561**	**328,771**	**797,014**	**1,411,031**	**2,706,644**
Guarantees and commitments						
Issued guarantees	46,941	-	-	-	-	46,941
Issued guarantees in foreign currency	9,231	-	-	-	-	9,231
Undrawn loans	483,911	-	-	-	-	483,911
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	729	1,433	6,370	11,724	3,604	23,860
EIF FRC2 Contracted Liability	5	-	7	12	14	38
Total guarantees and commitments	**551,217**	**1,433**	**6,377**	**11,736**	**3,618**	**574,381**

Bank **31 December 2024**	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**Over 3 years**	**Total**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Financial liabilities						
Deposits from customers	54,375	41	29,752	299	11,045	95,512
Borrowings	37,038	53,712	318,952	793,561	1,392,921	2,596,184
Provisions for guarantees, commitments and other liabilities	10,471	710	2,400	5,627	4,160	23,368
Other liabilities	38,208	2,589	8,757	20,531	15,179	85,264
Total	**140,092**	**57,052**	**359,861**	**820,018**	**1,423,305**	**2,800,328**
Guarantees and commitments						
Issued guarantees	59,473	-	-	-	-	59,473
Issued guarantees in foreign currency	4,846	-	-	-	-	4,846
Undrawn loans	480,198	-	-	-	-	480,198
EIF – subscribed, not called up	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	145	2,005	6,450	11,724	4,536	24,860
EIF FRC2 Contracted Liability	5	-	3	16	19	43
Total guarantees and commitments	**555,067**	**2,005**	**6,453**	**11,740**	**4,555**	**579,820**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk

Management of market risks at the Bank implies the reduction of interest rate risk and the currency risk to a minimal level.

23.5.1. Interest rate risk

The following tables demonstrate the sensitivity of the Group to the interest rate risk as of 31 March 2025 and 31 December 2024 on the basis of known dates of changes in prices of assets and liabilities to which floating and fixed interest rates are applied. Periods of interest rates changes are determined on the basis of residual maturity and contracted period when interest rates change, depending on which is shorter.

Assets and liabilities on which interest is not charged are placed into the non-interest bearing category. The tables below demonstrate the estimation of Group's interest rate risk exposure as of 31 March 2025 and 31 December 2024 which may not be indicative for the positions in other periods.

Group 31 March 2025	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Non-interest bearing EUR '000	Total EUR '000	Fixed interest rate EUR '000
Assets								
Cash on hand and current accounts with banks	29,601	-	-	-	-	-	29,601	29,601
Deposits with other banks	103,361	-	-	-	-	1,096	104,457	103,361
Loans to financial institutions	75,153	94,633	145,270	347,720	565,122	888	1,228,786	1,207,742
Loans to other customers	243,071	102,816	285,663	553,670	1,073,343	22,881	2,281,444	2,173,990
Financial assets at fair value through profit or loss	-	-	-	32,668	-	36,128	68,796	32,668
Financial assets at fair value through other comprehensive income	2	29,819	1,312	104,439	96,375	10,007	241,954	231,947
Other assets	-	-	-	-	-	6,026	6,026	-
Total assets	**451,188**	**227,268**	**432,245**	**1,038,497**	**1,734,840**	**77,026**	**3,961,064**	**3,779,309**
Liabilities								
Deposits from customers	7	-	-	-	-	48,379	48,386	7
Borrowings	29,692	63,316	322,519	671,146	1,188,480	8,263	2,283,416	2,209,958
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	19,823	19,823	-
Other liabilities	-	-	-	-	-	90,354	90,354	-
Total liabilities	**29,699**	**63,316**	**322,519**	**671,146**	**1,188,480**	**166,819**	**2,441,979**	**2,209,965**
Interest rate gap	**421,489**	**163,952**	**109,726**	**367,351**	**546,360**	**(89,793)**	**1,519,085**	**1,569,344**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Group 31 December 2024	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Non-interest bearing EUR '000	Total EUR '000	Fixed interest rate EUR '000
Assets								
Cash on hand and current accounts with banks	46,061	-	-	-	-	-	46,061	46,061
Deposits with other banks	92,370	-	-	-	-	1,501	93,871	92,370
Loans to financial institutions	69,607	85,346	152,427	347,364	570,236	829	1,225,809	1,204,788
Loans to other customers	190,511	144,330	304,097	555,241	1,088,168	26,089	2,308,436	2,199,677
Financial assets at fair value through profit or loss	-	-	-	32,233	-	34,814	67,047	32,233
Financial assets at fair value through other comprehensive income	3	103,293	1,324	66,608	62,781	11,378	245,387	234,009
Other assets	-	-	-	-	-	5,801	5,801	-
Total assets	**398,552**	**332,969**	**457,848**	**1,001,446**	**1,721,185**	**80,412**	**3,992,412**	**3,809,138**
Liabilities								
Deposits from customers	44,448	-	-	-	-	51,064	95,512	44,448
Borrowings	31,459	48,309	336,241	684,238	1,180,400	7,621	2,288,268	2,220,444
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	23,368	23,368	-
Other liabilities	-	-	-	-	-	88,213	88,213	-
Total liabilities	**75,907**	**48,309**	**336,241**	**684,238**	**1,180,400**	**170,266**	**2,495,361**	**2,264,892**
Interest rate gap	**322,645**	**284,660**	**121,607**	**317,208**	**540,785**	**(89,854)**	**1,497,051**	**1,544,246**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

The following tables demonstrate the sensitivity of HBOR to the interest rate risk as of 31 March 2025 and 31 December 2024 on the basis of known dates of changes in prices of assets and liabilities to which floating and fixed interest rates are applied. Periods of interest rates changes are determined on the basis of residual maturity and contracted period when interest rates change, depending on which is shorter.

Assets and liabilities on which interest is not charged are placed into the non-interest bearing category. The tables below demonstrate the estimation of HBOR´s interest rate risk exposure as of as of 31 March 2025 and 31 December 2024 which may not be indicative for the positions in other periods.

Bank **31 March 2025**	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Non-interest bearing**	**Total**	**Fixed interest rate**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Assets								
Cash on hand and current accounts with banks	28,877	-	-	-	-	-	28,877	28,877
Deposits with other banks	99,966	-	-	-	-	1,096	101,062	99,966
Loans to financial institutions	75,153	94,633	145,270	347,720	565,122	888	1,228,786	1,207,742
Loans to other customers	243,071	102,816	285,663	553,670	1,073,343	22,881	2,281,444	2,173,990
Financial assets at fair value through profit or loss	-	-	-	32,668	-	36,128	68,796	32,668
Financial assets at fair value through other comprehensive income	2	29,819	8	103,347	92,680	9,966	235,822	225,856
Other assets	-	-	-	-	-	5,296	5,296	-
Total assets	**447,069**	**227,268**	**430,941**	**1,037,405**	**1,731,145**	**76,255**	**3,950,083**	**3,769,099**
Liabilities								
Deposits from customers	7	-	-	-	-	48,379	48,386	7
Borrowings	29,692	63,316	322,519	671,146	1,188,480	8,263	2,283,416	2,209,958
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	19,823	19,823	-
Other liabilities	-	-	-	-	-	87,397	87,397	-
Total liabilities	**29,699**	**63,316**	**322,519**	**671,146**	**1,188,480**	**163,862**	**2,439,022**	**2,209,965**
Interest rate gap	**417,370**	**163,952**	**108,422**	**366,259**	**542,665**	**(87,607)**	**1,511,061**	**1,559,134**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Bank 31 December 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non-interest bearing	Total	Fixed interest rate
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
Cash on hand and current accounts with banks	45,543	-	-	-	-	-	45,543	45,543
Deposits with other banks	88,926	-	-	-	-	1,484	90,410	88,926
Loans to financial institutions	69,607	85,346	152,427	347,364	570,236	829	1,225,809	1,204,788
Loans to other customers	190,511	144,330	304,097	555,241	1,088,168	26,089	2,308,436	2,199,677
Financial assets at fair value through profit or loss	-	-	-	32,233	-	34,814	67,047	32,233
Financial assets at fair value through other comprehensive income	3	103,293	8	65,527	59,054	11,337	239,222	227,885
Other assets	-	-	-	-	-	4,967	4,967	-
Total assets	**394,590**	**332,969**	**456,532**	**1,000,365**	**1,717,458**	**79,520**	**3,981,434**	**3,799,052**
Liabilities								
Deposits from customers	44,448	-	-	-	-	51,064	95,512	44,448
Borrowings	31,459	48,309	336,241	684,238	1,180,400	7,621	2,288,268	2,220,444
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	23,368	23,368	-
Other liabilities	-	-	-	-	-	85,264	85,264	-
Total liabilities	**75,907**	**48,309**	**336,241**	**684,238**	**1,180,400**	**167,317**	**2,492,412**	**2,264,892**
Interest rate gap	**318,683**	**284,660**	**120,291**	**316,127**	**537,058**	**(87,797)**	**1,489,022**	**1,534,160**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Total assets and total liabilities on the basis of a possibility of changes in interest rates (fixed or variable):

	Group		Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Assets				
Fixed interest rate assets	3,779,309	3,809,138	3,769,099	3,799,052
Variable interest rate assets	104,729	102,862	104,729	102,862
Non-interest bearing	77,026	80,412	76,255	79,520
Total	**3,961,064**	**3,992,412**	**3,950,083**	**3,981,434**
Liabilities				
Fixed interest rate liabilities	2,209,965	2,264,892	2,209,965	2,264,892
Variable interest rate liabilities	65,195	60,203	65,195	60,203
Non-interest bearing	166,819	170,266	163,862	167,317
Total liabilities	**2,441,979**	**2,495,361**	**2,439,022**	**2,492,412**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Sensitivity analysis

Assumptions used in preparing the interest risk sensitivity analysis relate to possible changes in reference interest rates in order to assess the hypothetical effect on HBOR's profit.

Volatility of reference interest rates in the previous 12 months comparing to the reporting date has been determined using the standard deviation method on the daily changes of the reference interest rates linked to EUR and USD. On the basis of the above volatility, possible changes in reference interest rates linked to EUR and USD have been established and used in the sensitivity analysis.

The analysis presents the sensitivity of interest rates to reasonably expected changes in basis points of variable interest rates. All other variables remain constant.

The sensitivity of profit is influenced by hypothetical changes in interest rates during a period of one year based on interest bearing assets and liabilities with a variable interest rate.

Currency	Increase in b.p. Mar 31, 2025	Effect on profit Mar 31, 2025	Increase in b.p. Dec 31, 2024	Effect on profit Dec 31, 2024
		EUR '000		EUR '000
EUR	+0.2	1	+0.2	1
USD	+0.1	-	+0.1	-

Currency	Decrease in b.p. Mar 31, 2025	Effect on profit Mar 31, 2025	Decrease in b.p. Dec 31, 2024	Effect on profit Dec 31, 2024
		EUR '000		EUR '000
EUR	-0.2	(1)	-0.2	(1)
USD	-0.1	-	-0.1	-

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Total assets and total liabilities as of 31 March 2025 and 31 December 2024 in EUR and foreign currencies can be shown as follows:

Group **31 March 2025**	**EUR** **EUR '000**	**USD** **EUR '000**	**Other foreign currencies** **EUR '000**	**Total** **EUR '000**
Assets				
Cash on hand and current accounts with banks	29,530	54	17	29,601
Deposits with other banks	101,031	3,426	-	104,457
Loans to financial institutions	1,228,786	-	-	1,228,786
Loans to other customers	2,268,484	12,581	379	2,281,444
Financial assets at fair value through profit or loss	65,539	3,257	-	68,796
Financial assets at fair value through other comprehensive income	241,954	-	-	241,954
Property, plant and equipment and intangible assets	5,166	-	-	5,166
Foreclosed assets	2,210	-	-	2,210
Other assets	6,026	-	-	6,026
Total assets	**3,948,726**	**19,318**	**396**	**3,968,440**
Liabilities				
Deposits from customers	46,182	2,204	-	48,386
Borrowings	2,266,340	17,076	-	2,283,416
Provisions for guarantees, commitments and other liabilities	18,373	93	1,357	19,823
Other liabilities	90,354	-	-	90,354
Total liabilities	**2,421,249**	**19,373**	**1,357**	**2,441,979**
Currency gap	**1,527,477**	**(55)**	**(961)**	**1,526,461**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Group 31 December 2024	EUR EUR '000	USD EUR '000	Other foreign currencies EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	45,832	209	20	46,061
Deposits with other banks	92,915	956	-	93,871
Loans to financial institutions	1,225,809	-	-	1,225,809
Loans to other customers	2,272,023	13,838	22,575	2,308,436
Financial assets at fair value through profit or loss	63,954	3,093	-	67,047
Financial assets at fair value through other comprehensive income	245,387	-	-	245,387
Property, plant and equipment and intangible assets	5,095	-	-	5,095
Foreclosed assets	2,140	-	-	2,140
Other assets	5,801	-	-	5,801
Total assets	**3,958,956**	**18,096**	**22,595**	**3,999,647**
Liabilities				
Deposits from customers	79,949	15,563	-	95,512
Borrowings	2,269,796	18,472	-	2,288,268
Provisions for guarantees, commitments and other liabilities	21,928	-	1,440	23,368
Other liabilities	88,213	-	-	88,213
Total liabilities	**2,459,886**	**34,035**	**1,440**	**2,495,361**
Currency gap	**1,499,070**	**(15,939)**	**21,155**	**1,504,286**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Total assets and total liabilities as of 31 March 2025 and 31 December 2024 in EUR and foreign currencies can be shown as follows:

Bank 31 March 2025	EUR	USD	Other foreign currencies	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	28,806	54	17	28,877
Deposits with other banks	97,636	3,426	-	101,062
Loans to financial institutions	1,228,786	-	-	1,228,786
Loans to other customers	2,268,484	12,581	379	2,281,444
Financial assets at fair value through profit or loss	65,539	3,257	-	68,796
Financial assets at fair value through other comprehensive income	235,822	-	-	235,822
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	4,966	-	-	4,966
Foreclosed assets	2,210	-	-	2,210
Other assets	5,296	-	-	5,296
Total assets	**3,944,994**	**19,318**	**396**	**3,964,708**
Liabilities				
Deposits from customers	46,182	2,204	-	48,386
Borrowings	2,266,340	17,076	-	2,283,416
Provisions for guarantees, commitments and other liabilities	18,373	93	1,357	19,823
Other liabilities	87,397	-	-	87,397
Total liabilities	**2,418,292**	**19,373**	**1,357**	**2,439,022**
Currency gap	**1,526,702**	**(55)**	**(961)**	**1,525,686**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Bank

31 December 2024	EUR EUR '000	USD EUR '000	Other foreign currencies EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	45,314	209	20	45,543
Deposits with other banks	89,454	956	-	90,410
Loans to financial institutions	1,225,809	-	-	1,225,809
Loans to other customers	2,272,023	13,838	22,575	2,308,436
Financial assets at fair value through profit or loss	63,954	3,093	-	67,047
Financial assets at fair value through other comprehensive income	239,222	-	-	239,222
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	4,882	-	-	4,882
Foreclosed assets	2,140	-	-	2,140
Other assets	4,967	-	-	4,967
Total assets	**3,955,214**	**18,096**	**22,595**	**3,995,905**
Liabilities				
Deposits from customers	79,949	15,563	-	95,512
Borrowings	2,269,796	18,472	-	2,288,268
Provisions for guarantees, commitments and other liabilities	21,928	-	1,440	23,368
Other liabilities	85,264	-	-	85,264
Total liabilities	**2,456,937**	**34,035**	**1,440**	**2,492,412**
Currency gap	**1,498,277**	**(15,939)**	**21,155**	**1,503,493**

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk (continued)

Sensitivity analysis

Sensitivity analysis of the Bank's total assets and total liabilities to fluctuations in foreign exchange rates is carried out for those foreign currencies that represent Bank's significant currencies as at the reporting date.

An assumption of reasonably possible fluctuations in USD exchange rates against EUR was used in the foreign currency risk sensitivity analysis, with the other variables remaining stable, in order to assess the hypothetical effect on HBOR's profit as of 31 March 2025.

Volatility of the exchange rate EUR/USD, determined using the standard deviation method on the changes of the foreign exchange rate EUR/USD, equalled 6.69%.

The effect of the assumed changes in the foreign exchange rate EUR/USD by total asset and total liabilities items denominated or indexed to USD on HBOR's profits is stated below.

	Change in currency rate Mar 31, 2025 %	Effect on profit Mar 31, 2025 EUR' 000	Change in currency rate Dec 31, 2024 %	Effect on profit Dec 31, 2024 EUR' 000
USD	+6.69	(7)	+5.85	877
USD	-6.69	8	-5.85	(986)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities

The accounting policy on fair value measurements is discussed in Note 4.1.

24.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value

Below is a breakdown of the financial assets at fair value based on IFRS 9 classification on 31 March 2025 and 31 December 2024.

Group		31 March 2025	
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
Loans at FVPL:			
Mezzanine loans	-	-	32,668
Investments in investment funds:			
Investments in investment funds at fair value through profit or loss	36,086	-	-
Equity instruments:			
Listed equity instruments:			
Investments in corporate shares			
Unlisted equity instruments:			
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	-	-
Total financial assets at fair value through profit or loss	**36,086**	**-**	**32,710**
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
Listed debt instruments:			
Bonds of the Republic of Croatia	201,344	-	-
Corporate bonds	577	-	-
Treasury bills of the Ministry of Finance	29,819		-
Accrued interest	1,932	-	-
Unlisted debt instruments:			
Corporate bonds	-	-	70
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	**233,672**	**-**	**209**
Unlisted equity instruments:			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
Total equity instruments	**-**	**8,073**	**-**
Total financial assets at fair value through other comprehensive income	**233,672**	**8,073**	**209**
Derivative financial liabilities			
FX swap	-	-	-
Total liabilities	**-**	**-**	**-**

Treasury bills of the Ministry of Finance are presented at level 1 of the fair value hierarchy using the quoted purchase ("bid") prices on Bloomberg, and the market quoted price is applied as a valuation technique.

Debt Instruments: Corporate Bonds were classified within Level 3 of the fair value hierarchy. The valuation technique used was the method of the discounted cash flows based on market interest rates, spread linked to internal credit-rating and internally determined spread linked to financial instrument liquidity.

OTC FX swap is not quoted in the active market, and its price is calculated in accordance with the generally accepted model using current market parameters derived from the foreign exchange spot rate and the difference in interest rates of the contracted maturity for the foreign currencies that are the subject matter of the contract.

There were no transfers between the levels in the reporting period.

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities

24.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value (continued)

Group		31 December 2024	
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
Loans at FVPL:			
Mezzanine loans	-	-	32,233
Investments in investment funds:			
Investments in investment funds at fair value through profit or loss	34,529	-	-
Equity instruments:			
Listed equity instruments:			
Investments in corporate shares			
Unlisted equity instruments:			
Investments in corporate shares	-	-	-
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	243	-
Total financial assets at fair value through profit or loss	**34,529**	**243**	**32,275**
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
Listed debt instruments:			
Bonds of the Republic of Croatia	221,308	-	-
Corporate bonds	571	-	-
Treasury bills of the Ministry of Finance	11,919	-	-
Accrued interest	3,304	-	-
Unlisted debt instruments:			
Corporate bonds	-	-	73
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	**237,102**	**-**	**212**
Unlisted equity instruments:			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
Total equity instruments	**-**	**8,073**	**-**
Total financial assets at fair value through other comprehensive income	**237,102**	**8,073**	**212**
Derivative financial liabilities			
FX swap	-	15	-
Total liabilities	**-**	**15**	**-**

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities

24.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value (continued)

Bank			31 March 2025
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
Loans at FVPL:			
Mezzanine loans	-	-	32,668
Investments in investment funds:			
Investments in investment funds at fair value through profit or loss	36,086	-	-
Equity instruments:			
Listed equity instruments:			
Investments in corporate shares			
Unlisted equity instruments:			
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	-	-
Total financial assets at fair value through profit or loss	**36,086**	**-**	**32,710**
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
Listed debt instruments:			
Bonds of the Republic of Croatia	195,830	-	-
Treasury bills of the Ministry of Finance	29,819	-	-
Accrued interest	1,891	-	-
Unlisted debt instruments:			
Corporate bonds	-	-	70
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	**227,540**	**-**	**209**
Unlisted equity instruments:			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
Total equity instruments	**-**	**8,073**	**-**
Total financial assets at fair value through other comprehensive income	**227,540**	**8,073**	**209**
Derivative financial liabilities			
FX swap	-	-	-
Total liabilities	**-**	**-**	**-**

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities

24.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value (continued)

Bank	31 December 2024		
	Level 1	Level 2	Level 3
	EUR '000	EUR '000	EUR '000
Financial assets at fair value through profit or loss:			
Loans at FVPL:			
Mezzanine loans	-	-	32,233
Investments in investment funds:			
Investments in investment funds at fair value through profit or loss	34,529	-	-
Equity instruments:			
Listed equity instruments:			
Investments in companies' shares			
Unlisted equity instruments:			
Investments in companies' shares	-	-	-
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	243	-
Total financial assets at fair value through profit or loss	**34,529**	**243**	**32,275**
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
Listed debt instruments:			
Bonds of the Republic of Croatia	215,756	-	-
Treasury bills of the Ministry of Finance	11,919	-	-
Accrued interest	3,262	-	-
Unlisted debt instruments:			
Corporate bonds	-	-	73
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	**230,937**	**-**	**212**
Unlisted equity instruments:			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
Total equity instruments	**-**	**8,073**	**-**
Total financial assets at fair value through other comprehensive income	**230,937**	**8,073**	**212**
Derivative financial liabilities			
FX swap	**-**	**15**	**-**
Total liabilities	**-**	**15**	**-**

23. Fair value of financial assets and financial liabilities (continued)

23.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value (continued)

23.1.1. Level 3 - fair value

a) Mezzanine loans

For the assessment of fair value of mezzanine loans, the method of discounting expected future cash flows is used.
Due to their contractual characteristics, mezzanine loans do not pass the SPPI test. Characteristics due to which mezzanine loans do not pass the SPPI test are as follows:

- the debtor has the right of premature repayment of mezzanine debt to the creditor,
- in the case of realisation of contractually defined indicators of the debtor's performance (debtor's net debt to average EBITDA ratio for the previous three years must be lower than the limit) over the predetermined period, creditor of the mezzanine debt has the right, but not the obligation, to covert a mezzanine debt to a „senior debt",
- the creditor of the mezzanine debt has the right, but not the obligation, to require from the debtor, to pay the due amount of mezzanine debt into the debtor's equity (increase in equity capital of the debtor by the entry of right-claim)
- the debtor has the option to close the debt through refinancing by another creditor
- if all the possibilities of mezzanine debt closing have not been implemented, the mezzanine debt can be closed from the sale of ships owned by the debtor and
- in case of premature closing of mezzanine debt by repayment, refinancing or converting the mezzanine debt into equity, interest on mezzanine debt is calculated from the date of premature closing of mezzanine debt, i.e. until mezzanine debt exists in such form.

Due to the above-mentioned characteristics of the mezzanine loan, the assessment of fair value of these loans was carried out in accordance with the precautionary principle, according to which income is recognised only when it is actually incurred, and expenses also when they are possible, under the assumption that the regular operations of debtor are continued in the future. This is a situation in which the Bank would, upon the final maturity of the mezzanine loan, convert its receivables into the debtor's equity.

On 31 March 2025, the market price of ordinary shares of the debtor that the Bank could subscribe amounted to EUR 3,257 thousand, assuming that the market price of the shares included all market expectations related to future operations of the issuer. Given that the calculation was made on the assumption that the debtor's mezzanine debt had been converted into the debtor's equity on 31 March 2025, there is no need to discount the market value of the debtor's ordinary shares that the Bank could subscribe and in this way of settlement, the estimated fair value of the mezzanine loan on 31 March 2025 amounted to EUR 3,257 thousand, i.e. USD 3,516 thousand at the exchange rate on 31 March 2025.

Based on the Decision in the pre-bankruptcy proceedings, HBOR took over 50% of the debtor's claims as senior debt and 50% of claims as mezzanine debt. Mezzanine debt is stated in the amount of EUR 3,257 thousand.

The Bank has placed a mezzanine loan in the amount of EUR 30,000 thousand. As at 31 March 2025, the fair value of this mezzanine debt stood at EUR 29,278 thousand (31 December 2024: EUR 29,140 thousand). The fair value was calculated using the data from the Bloomberg platform - the curves required for revaluation and the projection of variable interest rate with the use of liquidity risk premium.

As at 31 March 2025, the total fair value of the mezzanine debt stood at EUR 32,668 thousand (31 December 2024: EUR 32,233 thousand).

23. Fair value of financial assets and financial liabilities (continued)

23.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value (continued)

23.1.1. Level 3 - fair value (continued)

b) Corporate bonds that are allocated to Level 3

(i) Techniques of valuation and significant input data that are not visible

For the assessment of fair value of illiquid corporate bonds in the HBOR portfolio, the method of discounted cash flow of bonds is used. The fair value of bonds is the present value of all future cash flows of bonds calculated by applying the discount rate defined as yield on risk-free investments increased by the premium of specific credit risk for the respective bond and the premium for bond liquidity risk.

The discount rate on risk-free investments is calculated as linearly interpolated/extrapolated yield of Croatian bonds of the same duration and of the same foreign currency as the bonds valued. The source of information on the yields on bonds of the Republic of Croatia is the Bloomberg information system.

The premium of the specific risk amount for the respective bond depends on HBOR's internal credit rating of the bond issuer, i.e. if the issuer is a member of a business group, the risk premium depends on internal credit rating of the parent company.

ii) Sensitivity analysis of corporate bond with the stated potential effect on profit/loss as at 31 March 2025, under the assumption of a change in discount rate (yield) of 2% and 10%

Under the assumption that the market interest rates change by 2% compared with those in effect as at 31 March 2025, the impacts would be as follows:

a) In the case of a decrease in market yield on no-risk investment (linearly interpolated/extrapolated yield on bonds of the Republic of Croatia of the same duration and the same currency as the respective bond) by 2%, the discount rate would equal 15.56%, the bond price would be 44.17%, which would result in an increase in HBOR's generated profits of EUR 0.9 thousand.
b) In the case of an increase in market yield on no-risk investment (linearly interpolated/extrapolated yield on bonds of the Republic of Croatia of the same duration and the same currency as the corporate bond) by 2%, the discount rate would equal 19.56%, the bond price would be 43.04%, which would result in a decrease in HBOR's generated profits of EUR 0.9 thousand.

The change in interest rates defined in the "Decision on the Management of Interest Rate Risk in the Bank Book", which is applied when calculating standard interest rate shock, is used as the basis for the change in the market interest rate of 2% compared with the market terms and conditions in effect as at 31 March 2025. "Standard interest rate shock is a parallel positive or negative change in interest rates on a reference yield curve of 200 basis points by applying the lower limit rate of 0%, except for the cases in which negative interest rate can be achieved."

In the case of a decrease in expected cash flows on corporate bonds of 10%, the generated profit of HBOR would decrease by EUR 7 thousand.

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognized and measured at fair value (continued)

24.1.1. Level 3 - fair value (continued)

c) Adjustment of fair value of Level 3:

i) The fair value of Level 3 financial assets measured at fair value upon initial recognition – mezzanine loans:

Group and Bank	Mar 31, 2025 EUR '000	Mar 31, 2024 EUR '000
Balance as at 1 January	**32,233**	**33,698**
Increase/decrease in fair value through profit or loss	536	(534)
Net foreign exchange	(101)	108
Balance as of 31 March	**32,668**	**33,272**

ii) The fair value of Level 3 financial assets measured at fair value upon initial recognition – unlisted debt securities:

Group and Bank	Mar 31, 2025 EUR '000	Mar 31, 2024 EUR '000
Balance as at 1 January	**212**	**278**
Increase in fair value through other comprehensive income	2	3
Principal due date	(5)	(5)
Accrued interest	-	-
Balance as of 31 March	**209**	**276**

25. Reporting by segments

General information on segments is given in relation to business segments of the Group.
Since the Group does not allocate administrative costs and interest by segments, the profitability of segments is not presented.

Assets and liabilities by segments are presented in net terms, i.e. gross after impairment and provisioning, and before the effect of mitigation through collateral received.

Business operations of segments are divided in terms of organisation and management. Each segment as a whole provides various products and services and operates in various markets.

Business segments:

The Group has following business segments:

Segment:	**Business activities of the segment include:**
Banking activities	Financing reconstruction and development of the Croatian economy, financing of infrastructure, export promotion, support for the development of small and medium-sized companies, environmental protection, and export credit insurance of Croatian goods and services against non-market risks for and on behalf of the Republic of Croatia.
Insurance activities	Insurance of foreign and domestic short-term receivables of business entities relating to deliveries of goods and services.
Other	Preparation of analyses, credit risk assessment and providing information on creditworthiness.

(All amounts are expressed in thousands of Euros)

25. Reporting by segments (continued)

Jan 1 – Mar 31, 2025	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
Net interest income	15,905	59	-	-	15,964
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	217	-	-	-	217
Net fee income	290	-	86	-	376
Net income/(expenses) from financial operations	1,222	-	-	-	1,222
Impairment gain	-	-	-	-	-
Net premium earned	-	582	-	-	582
Other income	162	88	12	(12)	250
Income from operating activities	**17,796**	**729**	**98**	**(12)**	**18,611**
Operating costs	(7,913)	(242)	(90)	12	(8,233)
Impairment loss and provisions	15,585	-	(1)	-	15,584
Subsidy cost at the expense of HBOR's operations	(2,610)	-	-	-	(2,610)
Expenses for insured cases	-	-	-	-	
Net change in provisions	-	(86)	-	-	(86)
Other expenses	-	(398)	-	-	(398)
Operating expenses	**5,062**	**(726)**	**(91)**	**12**	**4,257**
Profit before income tax	22,858	3	7	-	22,868
Income tax	-	-	-	-	-
Profit for the year	**22,858**	**3**	**7**	**-**	**22,868**
31 March 2025					
Assets of segment	3,964,708	11,112	139	(7,519)	3,968,440
Total assets	**3,964,708**	**11,112**	**139**	**(7,519)**	**3,968,440**
Liabilities of segment	2,439,022	2,936	26	(5)	2,441,979
Total equity	1,525,686	8,176	74	(7,475)	1,526,461
Total liabilities and total equity	**3,964,708**	**11,112**	**100**	**(7,480)**	**3,968,440**

Intra-group transactions are presented under "Unallocated".

The Group decided to apply a simple approach of stating operating segments by taking into consideration the main business model of each member of the Group as previously described in this Note.

(All amounts are expressed in thousands of Euros)

25. Reporting by segments (continued)

Jan 1 – Mar 31, 2024	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
Net interest income	16,935	61	-	-	16,996
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	139	-	-	-	139
Net fee income	270	-	82	-	352
Net income/(expenses) from financial operations	41	-	-	-	41
Impairment gain	5,939	4	-	-	5,943
Net premium earned	-	628	-	-	628
Other income	1,265	84	10	(9)	1,350
Income from operating activities	**24,589**	**777**	**92**	**(9)**	**25,449**
Operating costs	(6,745)	(229)	(75)	9	(7,040)
Impairment loss and provisions	-	-	-	-	-
Subsidy cost at the expense of HBOR's operations	(264)	-	-	-	(264)
Expenses for insured cases	-	-	-	-	-
Net change in provisions	-	(82)	-	-	(82)
Other expenses	-	(473)	-	-	(473)
Operating expenses	**(7,009)**	**(784)**	**(75)**	**9**	**(7,859)**
Profit before income tax	17,580	(7)	17	-	17,590
Income tax	-	-	-	-	-
Profit for the year	**17,580**	**(7)**	**17**	**-**	**17,590**
31 December 2024					
Assets of segment	3,995,905	11,124	193	(7,575)	3,999,647
Total assets	**3,995,905**	**11,124**	**193**	**(7,575)**	**3,999,647**
Liabilities of segment	2,492,412	2,923	86	(60)	2,495,361
Total equity	1,503,493	8,145	67	(7,419)	1,504,286
Total liabilities and total equity	**3,995,905**	**11,068**	**153**	**(7,479)**	**3,999,647**

Intra-group transactions are presented under "Unallocated".

(All amounts are expressed in thousands of Euros)

26. Capital management

The primary objectives of the Bank's capital management are to ensure the presumptions of going concern and to respect regulatory and contracted demands imposed by creditors regarding a certain capital adequacy level.

The Group has identified the regulatory capital as a manageable capital category.

Regulatory capital is the funding source amount that is maintained for the purpose of safe and stable operations, i.e. for the purpose of fulfilling the obligations towards the creditors.

HBOR's regulatory capital is the sum of the equity capital and the supplementary capital.

HBOR ensures that it has at all times an amount of capital adequate to the types, scope and complexity of operations it performs and the risks it is or could be exposed to in its operations.
HBOR's total capital ratio is calculated as the ratio between the regulatory capital and the total:

- 1. amount of credit risk weighted exposure (prescribed by the Methodology for the Calculation of HBOR's Total Capital Ratio), and
- 2. amount of initial capital requirements for market risks, settlement risk and operational risk (prescribed by the Methodology for the Calculation of HBOR's Total Capital Ratio) multiplied by 12.5.

The total capital ratio is calculated on the basis of the internal methodology based on the regulatory framework in accordance with Basel II calculation requirements, on the application of certain provisions of the banking regulations in effect depending on the possibilities of HBOR's system and with further strategic focus on its development in accordance with the banking regulations in effect as applicable to HBOR as a development and export bank of the Republic of Croatia.

Risk appetite relates to the level and type of risk that HBOR is willing to take in order to achieve the goals of its business strategy, and it is always determined within the defined risk bearing capacity that represents the highest level of risk that HBOR can take considering its capital base, its risk management and control ability and regulatory restrictions if prescribed and applicable to HBOR.

Within the framework of defining the risk appetite at the strategic level, a minimum acceptable total capital ratio of 20% was determined.

The text to follow contains a breakdown of capital adequacy ratio as at 31 March 2025 and 31 December 2024.

	Group		Bank	
	31 March 2025 EUR '000	31 December 2024 EUR '000	31 March 2025 EUR '000	31 December 2024 EUR '000
Total regulatory capital	**1,520,766**	**1,498,852**	**1,520,817**	**1,498,634**
Credit risk weighted exposure amount	2,341,271	2,398,598	2,338,988	2,396,236
Capital requirements for operating risk	144,263	144,263	139,138	139,138
Capital requirements for currency risk	-	-	-	-
Total capital requirements	**2,485,534**	**2,542,861**	**2,478,126**	**2,535,374**
	%	%	%	%
Capital adequacy ratio	**61.18**	**58.94**	**61.37**	**59.11**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Own funds needed for ensuring capital adequacy according to regulatory requirements	**298,264**	**305,143**	**297,375**	**304,245**

Appendix - Financial Performance of the HKO Group
Statement of Profit or Loss and Other Comprehensive Income
for the period 1 January – 31 March

(All amounts are expressed in thousands of Euros)

	31 Mar, 2025 EUR '000	31 Mar, 2024 EUR '000
Income from insurance contracts	**668**	**711**
Premium earned		
Gross premium written	-	-
Premium impairment allowance originated and reserved on collection	-	-
Gross outward reinsurance premium	-	-
Net premium written	**-**	**-**
Changes in the gross unearned premium reserve	-	-
Changes in the gross unearned premium reserve, reinsurer's share	-	-
Net premium earned	**-**	**-**
Fee and commission income	-	-
Net investment income	59	62
Other operating income	2	2
Net income	**729**	**775**
Expenses from insurance contracts	**(597)**	**(654)**
Net result of (passive) reinsurance contracts	**(121)**	**(114)**
Gross expense for returned premiums	-	-
Reinsurer's share	-	-
Gross reserve for returned premiums	-	-
Reinsurer's share	-	-
Net expense and reserve for returned premiums	**-**	**-**
Claims incurred	-	-
Claims incurred, reinsurer's share	-	-
Change in the claims provision	-	-
Change in the claims provision, reinsurer's share	-	-
Net claims incurred	**-**	**-**
Marketing and provision expenses	-	-
Administrative expenses	-	-
Other operating expenses	(1)	3
Net exchange differences other than those on financial instruments	-	-
Profit before income tax	**10**	**10**
Income tax	-	-
Profit for the period	**10**	**10**
Other comprehensive income		
Items that are not transferred subsequently to profit or loss:	**-**	**-**
Total items that are not transferred subsequently to profit or loss	**-**	**-**
Items that may be reclassified subsequently to profit or loss:		
Gains on revaluation of financial assets available for sale	8	16
Decrease in the fair value of financial assets available for sale	(41)	(50)
Transfer of realized gains on asset available for sale to profit or loss	-	-
Deferred tax	5	6
Total items that may be reclassified subsequently to profit or loss:	**(28)**	**(28)**
Other comprehensive income after income tax	**(28)**	**(28)**
Total comprehensive income after income tax	**(18)**	**(18)**
Attributable to:		
Equity holder of the parent	(18)	(18)

Appendix - Financial Performance of the HKO Group
Statement of Financial Position
as of

(All amounts are expressed in thousands of Euros)

	Mar 31, 2025 EUR '000	Dec 31, 2024 EUR '000
Assets		
Non-current assets		
Property and equipment	139	146
Intangible assets	61	67
Deferred tax assets	100	91
Total non-current assets	**300**	**304**
Current assets		
Investments available for sale	6,132	6,165
Deposits with banks	3,396	3,461
Assets related to insurance contracts	570	683
Receivables from insurance operations	-	-
Other receivables	59	59
Cash and cash equivalents	724	518
Total current assets	**10,881**	**10,886**
Total assets	**11,181**	**11,190**
Equity and liabilities		
Equity		
Share capital	7,648	7,648
Retained earnings and reserves	1,091	806
Other reserves	(526)	(498)
Profit for the period	10	285
Total equity	**8,223**	**8,241**
Technical provisions		
Liabilities for remaining coverage	1,033	1,053
Liabilities for incurred claims	1,661	1,633
Gross technical provisions	-	-
Technical provisions, reinsurer's share	-	-
	2,694	**2,686**
Current liabilities		
Liabilities from insurance operations	-	-
Deferred and current tax liability	43	46
Other liabilities	221	217
Total liabilities	**264**	**263**
Total equity and liabilities	**11,181**	**11,190**

Appendix - Financial Performance of the HKO Group
Statement of Cash Flows
for the period 1 January – 31 March

(All amounts are expressed in thousands of Euros)

	31 Mar, 2025 EUR '000	31 Mar, 2024 EUR '000
Operating activities		
Profit before income tax	10	10
Adjustments to reconcile to net cash from and used in operating activities:		
Depreciation	20	21
Impairment loss and provisions	1	(3)
Income tax	(12)	(12)
Accrued interest	15	(8)
Other	-	-
Premiun/discount from FVOCI	-	3
Operating profit before working capital changes	*34*	*11*
Changes in operating assets and liabilities:		
Net realized loss on assets available for sale	50	20
Decrease of discount in assets available for sale and assets held to maturity	-	-
Premium receivables	113	(80)
Net (increase) in other assets	-	(16)
Net decrease of assets and liabilities from insurance operations	-	-
Net increase/(decrease) in technical provisions	7	(74)
Net increase in other liabilities	48	105
Net cash provided/(used in) from operating activities	**252**	**(34)**
Investment activities		
Net purchase of assets available for sale	(38)	-
Net purchase of property, plant and equipment and intangible assets	(8)	(145)
Net cash (used in) investment activities	**(46)**	**(145)**
Financing activities		
Net increase in founder's capital	-	-
Other adjustments	-	9
Net cash provided from financing activities	**-**	**9**
Effect of foreign currency to cash and cash equivalents		
Net foreign exchange	-	-
Net effect	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	206	(170)
Balance as of 1 January	518	590
Net increase/(decrease) in cash	206	(170)
Balance as of 31 March	**724**	**420**

Appendix - Financial Performance of the HKO Group
Statement of Changes in Equity
for the period 1 January – 31 March

(All amounts are expressed in thousands of Euros)

	Share capital EUR '000	Retained earnings and reserves EUR '000	Other reserves EUR '000	Profit/(loss) for the period EUR '000	Total equity attributable to the equity holders of the Company EUR '000	Total equity EUR '000
Balance as of 1 January 2024	**7,648**	**663**	**(611)**	**105**	**7,805**	**7,805**
Profit for the period	-	-	-	10	**10**	**10**
Other comprehensive income/loss	-	-	(28)	-	**(28)**	**(28)**
Total comprehensive income/loss	-	-	**(28)**	**10**	**(18)**	**(18)**
Transfer of profit 2023 to retained earnings	-	105	-	(105)	-	-
Other adjustments	15	23	(22)	-	**16**	**16**
Balance as of 31 March 2024	**7,663**	**791**	**(661)**	**10**	**7,803**	**7,803**
Balance as of 1 January 2025	**7,648**	**806**	**(498)**	**285**	**8,241**	**8,241**
Profit for the period	-	-	-	10	**10**	**10**
Other comprehensive income	-	-	(28)	-	**(28)**	**(28)**
Total comprehensive income	-	-	(28)	10	**(18)**	**(18)**
Transfer of profit 2024 to retained earnings	-	285	-	(285)	-	-
Other adjustments	-	-	-	-	-	-
Balance as of 31 March 2025	**7,648**	**1,091**	**(526)**	**10**	**8,223**	**8,223**