

CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Unaudited Condensed Separate and Consolidated Interim Financial Statements for the Period 1 January – 30 June 2025

Zagreb, August 2025

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

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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 – 30 June 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 125 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.

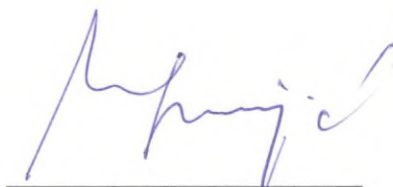
The Management Board has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and the Group and to prevent and detect fraud and other irregularities.

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 125 have been approved by the Management Board on 21 August 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**

Zagreb, 21 August 2025



Condensed Consolidated Interim Financial Statements of the Group
Income Statement for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2025		2024	
		Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Interest income calculated using the effective interest method	5	29,997	58,141	28,937	56,009
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		376	593	160	299
Interest expense	6	(12,006)	(24,186)	(11,984)	(22,060)
Net interest income		18,367	34,548	17,113	34,248
Fee and commission income		585	1,112	590	1,079
Fee and commission expense		(88)	(325)	(119)	(338)
Net fee and commission income		497	787	471	741
Net gains/(losses) on financial operations		3,911	5,133	313	354
Other income		1,863	2,695	1,533	3,511
		24,638	43,163	19,430	38,854
Employee expenses	7 a)	(4,822)	(9,682)	(4,480)	(8,740)
Depreciation and amortisation	7 b)	(568)	(1,067)	(500)	(1,005)
Other expenses	7 c)	(3,512)	(6,784)	(2,847)	(5,595)
Subsidy cost at the expense of HBOR's operations		(3,415)	(6,025)	(50)	(314)
Impairment gains and provisions	8	19,745	35,329	9,346	15,289
Profit before income tax		32,066	54,934	20,899	38,489
Income tax		-	-	-	-
Profit for the period		32,066	54,934	20,899	38,489
Attributable to:					
Owner of the Bank		32,066	54,934	20,899	38,489

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Profit or Loss and Other Comprehensive Income for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	2025		2024	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Profit for the period	32,066	54,934	20,899	38,489
Other comprehensive income Items that may be reclassified subsequently to profit or loss:				
Net changes in financial assets at fair value through other comprehensive	1,869	1,171	807	239
Deferred tax – other comprehensive income	6	11	(2)	4
Total items that may be reclassified subsequently to profit or loss	1,875	1,182	805	243
Other comprehensive income after income tax	1,875	1,182	805	243
Total comprehensive income after income tax	33,941	56,116	21,704	38,732
Attributable to:				
Owner of the Bank	33,941	56,116	21,704	38,732

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)

		30 June 2025	31 December 2024
	Notes	EUR '000	EUR '000
Assets			
Cash on hand and current accounts with banks	9	23,671	46,061
Deposits with other banks	10	121,993	93,871
Loans to financial institutions	11	1,281,325	1,225,809
Loans to other customers	12	2,195,698	2,308,436
Financial assets at fair value through profit or loss	13	74,413	67,047
Financial assets at fair value through other comprehensive income	14	273,914	245,387
Property, plant and equipment and intangible assets		6,500	5,095
Foreclosed assets	15	2,429	2,140
Other assets	16	5,627	5,801
Total assets		3,985,570	3,999,647
Liabilities			
Deposits from customers	17	46,378	95,512
Borrowings	18	2,277,371	2,288,268
Provisions for guarantees, commitments, and other liabilities	19	23,848	23,368
Other liabilities	20	77,571	88,213
Total liabilities		2,425,168	2,495,361
Equity			
Founder's capital		961,889	961,889
Retained earnings and reserves		539,127	498,945
Other reserves		2,814	1,632
Profit for the period		54,934	40,182
Guarantee fund		1,638	1,638
Total equity		1,560,402	1,504,286
Total liabilities and total equity		3,985,570	3,999,647

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Cash Flows for the period 1 January - 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Operating activities			
Profit before income tax		54,934	38,489
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		1,067	1,005
Income tax		-	-
Impairment gain and provisions		(35,329)	(15,289)
Subsidy cost at the expense of HBOR's operations		6,025	-
Accrued interest		11,670	(1,923)
Deferred fees		5,259	1,890
Net (loss) from trading with derivative financial instruments		(160)	(162)
Other changes in assets at fair value		3,864	(377)
<i>Operating profit/(loss) before working capital changes</i>		<i>47,330</i>	<i>23,633</i>
<i>Changes in operating assets and liabilities:</i>			
Net (increase) in deposits with other banks, before impairment		(28,221)	(27,269)
Net (increase)/decrease in loans to financial institutions, before impairment		(57,000)	4,018
Net decrease in loans to other customers, before loss impairment		121,066	24,834
Net (increase)/decrease in foreclosed assets		(289)	342
Net (increase)/decrease in other assets, before impairment		(221)	3,621
Net (decrease)/increase in deposits from banks and companies		(49,097)	36,373
Net (decrease) in other liabilities, before provisions		(10,667)	(15,590)
Net cash provided from operating activities		22,901	49,962
Investment activities			
Purchase of financial assets at fair value through profit or loss		(3,859)	(3,343)
Sale of financial assets at fair value through profit or loss		117	-
Purchase of financial assets at fair value through other comprehensive income		(162,591)	(45,552)
Sale of financial assets at fair value through other comprehensive income		133,461	29,010
Net purchase of property, plant and equipment and intangible assets		(2,059)	(907)
Net cash (used in) investment activities		(34,931)	(20,792)
Financing activities			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		295,000	306,220
Decrease in borrowings – repayments of principal		(302,928)	(346,088)
Other		(653)	(4,735)
Net cash (used in) from financing activities		(8,581)	(44,603)
Effect of foreign currency to cash and cash equivalents			
Net foreign exchange		(1,860)	636
Net effect		(1,860)	636
Net (decrease) in cash and cash equivalents		(22,471)	(14,797)
Cash and cash equivalents balance as of 1 January, before impairment		46,205	42,292
Net (decrease) in cash and cash equivalents		(22,471)	(14,797)
Cash and cash equivalents balance as of 30 June before impairment	9	23,734	27,495
Additional note - Operational cash flows			
Interest paid		25,162	19,531
Interest received		61,108	44,622

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Changes in Equity for the period 1 January - 30 June

(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	-	-	-	38,489	-	38,489
Other comprehensive income	-	-	243	-	-	243
Total comprehensive income	-	-	243	38,489	-	38,732
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,947	-	(29,947)	-	-
Balance as of 30 June 2024	958,889	498,945	(1,334)	38,489	1,638	1,496,627
Balance as of 1 January 2025	961,889	498,945	1,632	40,182	1,638	1,504,286
Profit for the period	-	-	-	54,934	-	54,934
Other comprehensive income	-	-	1,182	-	-	1,182
Total comprehensive income	-	-	1,182	54,934	-	56,116
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2024 to retained earnings	-	40,182	-	(40,182)	-	-
Balance as of 30 June 2025	961,889	539,127	2,814	54,934	1,638	1,560,402

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

Condensed Separate Interim Financial Statements of the Bank
Income Statement for the period 1 January - 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2025		2024	
		Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Interest income calculated using the effective interest method	5	29,939	58,023	28,872	55,881
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		376	593	160	299
Interest expense	6	(12,004)	(24,183)	(11,983)	(22,057)
Net interest income		18,311	34,433	17,049	34,123
Fee and commission income		585	1,112	590	1,079
Fee and commission expense		(88)	(325)	(119)	(338)
Net fee and commission income		497	787	471	741
Net gains/(losses) on financial operations		3,911	5,133	313	354
Other income		1,188	1,350	866	2,131
		23,907	41,703	18,699	37,349
Employee expenses	7 a)	(4,665)	(9,366)	(4,334)	(8,453)
Depreciation and amortisation	7 b)	(548)	(1,027)	(479)	(964)
Other expenses	7 c)	(3,007)	(5,740)	(2,339)	(4,480)
Subsidy costs at the expense of HBOR's operations		(3,415)	(6,025)	(50)	(314)
Impairment gains and provisions	8	19,743	35,328	9,350	15,289
Profit before income tax		32,015	54,873	20,847	38,427
Income tax		-	-	-	-
Profit for the period		32,015	54,873	20,847	38,427
Attributable to:					
Owner of the Bank		32,015	54,873	20,847	38,427

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Profit or Loss and Other Comprehensive Income for the period 1
January - 30 June

(All amounts are expressed in thousands of Euros)

	2025		2024	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Profit for the period	32,015	54,873	20,847	38,427
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	1,898	1,233	793	259
Total items that may be reclassified	1,898	1,233	793	259
subsequently to profit or loss				
Other comprehensive (loss) after income				
tax	1,898	1,233	793	259
Total comprehensive income after				
income tax	33,913	56,106	21,640	38,686
Attributable to:				
Owner of the Bank	33,913	56,106	21,640	38,686

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Financial Position as of

(All amounts are expressed in thousands of Euros)

		30 June 2025	31 December 2024
	Notes	EUR '000	EUR '000
Assets			
Cash on hand and current accounts with banks	9	23,340	45,543
Deposits with other banks	10	118,835	90,410
Loans to financial institutions	11	1,281,325	1,225,809
Loans to other customers	12	2,195,698	2,308,436
Financial assets at fair value through profit or loss	13	74,413	67,047
Financial assets at fair value through other comprehensive income	14	267,412	239,222
Investments in subsidiaries		7,449	7,449
Property, plant and equipment and intangible assets		6,320	4,882
Foreclosed assets	15	2,429	2,140
Other assets	16	4,648	4,967
Total assets		3,981,869	3,995,905
Liabilities			
Deposits from customers	17	46,378	95,512
Borrowings	18	2,277,371	2,288,268
Provisions for guarantees, commitments, and other liabilities	19	23,848	23,368
Other liabilities	20	74,673	85,264
Total liabilities		2,422,270	2,492,412
Equity			
Founder's capital		961,873	961,873
Retained earnings and reserves		537,852	497,955
Other reserves		3,363	2,130
Profit for the period		54,873	39,897
Guarantee fund		1,638	1,638
Total equity		1,559,599	1,503,493
Total liabilities and total equity		3,981,869	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 – 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Operating activities			
Profit before income tax		54,873	38,427
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		1,027	964
Impairment gain and provisions		(35,328)	(15,289)
Subsidy cost at the expense of HBOR's operations		6,025	-
Accrued interest		11,657	(1,884)
Deferred fees		5,259	1,890
Net (loss) from trading with derivative financial instruments		(160)	(162)
Other changes in assets at fair value		3,863	(383)
<i>Operating profit/(loss) before working capital changes</i>		<i>47,216</i>	<i>23,563</i>
<i>Changes in operating assets and liabilities:</i>			
Net (increase) in deposits with other banks, before impairment		(28,511)	(26,868)
Net (increase)/decrease in loans to financial institutions, before impairment		(57,000)	4,018
Net decrease in loans to other customers, before impairment		121,066	24,834
Net (increase)/decrease in foreclosed assets		(289)	342
Net (increase)/decrease in other assets, before impairment		(102)	3,523
Net (decrease) in deposits from banks and companies		(49,097)	36,373
Net (decrease) in other liabilities, before provisions		(10,591)	(15,506)
Net cash provided from operating activities		22,692	50,279
Investment activities			
Purchase of financial assets at fair value through profit or loss income		(3,859)	(3,343)
Sale of financial assets at fair value through profit or loss income		117	-
Purchase of financial assets at fair value through other comprehensive income		(160,828)	(45,552)
Sale of financial assets at fair value through other comprehensive income		133,461	29,010
Net purchase of property, plant and equipment and intangible assets		(2,050)	(440)
Net cash (used in) investment activities		(33,159)	(20,325)
Financing activities			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		295,000	306,220
Decrease in borrowings – repayments of principle		(302,928)	(346,088)
Other		(2,029)	(5,203)
Net cash (used in) financing activities		(9,957)	(45,071)
Effect of foreign currency to cash and cash equivalents			
Net foreign exchange		(1,860)	636
Net effect		(1,860)	636
Net (decrease) in cash and cash equivalents		(22,284)	(14,481)
Cash and cash equivalents balance as of 1 January, before impairment		45,686	41,701
Net (decrease) in cash and cash equivalents		(22,284)	(14,481)
Cash and cash equivalents balance as at 30 June, before impairment	9	23,402	27,220
Additional note – operating activities			
Interest paid		25,162	19,531
Interest received		61,031	44,533

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Changes in Equity for the period 1 January – 30 June

(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	-	-	-	38,427	-	38,427
Other comprehensive income	-	-	259	-	-	259
Total comprehensive income	-	-	259	38,427	-	38,686
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,842	-	(29,842)	-	-
Balance as at 30 June 2024	958,873	497,955	(684)	38,427	1,638	1,496,209
Balance as at 1 January 2025	961,873	497,955	2,130	39,897	1,638	1,503,493
Profit for the period	-	-	-	54,873	-	54,873
Other comprehensive income	-	-	1,233	-	-	1,233
Total comprehensive income	-	-	1,233	54,873	-	56,106
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2024 to retained earnings	-	39,897	-	(39,897)	-	-
Balance as at 30 June 2025	961,873	537,852	3,363	54,873	1,638	1,559,599

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025

(All amounts are expressed in thousands of Euros)

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 30 June 2025, the Group had 471 employees (30 June 2024: 447 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 30 June 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,
- 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.

Pursuant to Article 7, paragraph 2 of the Act on the Government of the Republic of Croatia, on 11 April 2025, the Prime Minister of the Republic of Croatia issued the Decision on the Dismissal of the Minister of Regional Development and European Union Funds, Šime Erlić.

After the reporting period, on 15 July 2025, pursuant to Article 110, paragraph 5 of the Constitution of the Republic of Croatia and Article 4, paragraph 2 of the Act on the Government of the Republic of Croatia, the Prime Minister issued the Decision on the Appointment of Nataša Mikuš Žigman as Minister of Regional Development and European Union Funds countersigned by the President of the Croatian Parliament.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

1. General information (continued)

1.2. Bank (continued):

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 30 June 2025, HBOR had 449 employees (30 June 2024: 427 employees).

Audit Committee

As of 30 June 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.

1. General information (continued)

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

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

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 30 June 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 30 June 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

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 Changes in Foreign Exchange Rates: Lack of Exchangeability (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.

Amendments to existing standards published by the IASB, which do not apply to reporting period but have been adopted by the European Union

- 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);
- 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).

Group expects that the adoption of amendments to existing standards will not lead to 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 30 June 2025 has not yet decided (the effective dates set out below refer to IFRSs issued by the IASB):

- 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 the following new 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

5. Interest income calculated using the effective interest method

Interest income by borrowers:

	Group				Bank			
	2025		2024		2025		2024	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Public sector	6,268	11,970	5,747	11,447	6,232	11,898	5,708	11,365
State-owned companies	1,924	3,359	1,786	3,737	1,924	3,359	1,786	3,737
Foreign companies	123	251	89	131	123	251	89	131
Domestic companies	12,603	26,138	12,874	25,425	12,596	26,127	12,870	25,421
Domestic financial institutions	6,677	13,024	6,107	11,735	6,662	12,989	6,085	11,693
Foreign financial institutions	238	524	531	1,025	238	524	531	1,025
Penalty interest	1,763	2,044	1,396	1,682	1,763	2,044	1,396	1,682
Other	401	831	407	827	401	831	407	827
	29,997	58,141	28,937	56,009	29,939	58,023	28,872	55,881

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

5. Interest income calculated using the effective interest method (continued)

Interest income by type of facility:

	Group				Bank			
	2025		2024		2025		2024	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Interest on loans								
- financial institutions	6,295	12,377	5,726	11,116	6,295	12,377	5,726	11,116
- other customers	21,272	41,109	20,838	40,304	21,272	41,109	20,838	40,304
	27,567	53,486	26,564	51,420	27,567	53,486	26,564	51,420
Investments in securities	1,810	3,484	1,462	2,945	1,767	3,401	1,419	2,859
- Bonds of the Republic of Croatia	1,558	3,134	1,319	2,548	1,521	3,061	1,279	2,466
- Corporate bonds	8	14	5	8	2	4	2	4
- Treasury bills of the Ministry of Finance	244	336	138	389	244	336	138	389
Deposits and current accounts with banks	620	1,171	911	1,644	605	1,136	889	1,602
	29,997	58,141	28,937	56,009	29,939	58,023	28,872	55,881

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 30 June 2025 amounts to EUR 8,261 thousand (1 January to 30 June 2024: EUR 8,660 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

6. Interest expense

Interest expense by type of payee:

	Group				Bank			
	2025		2024		2025		2024	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Domestic financial institutions	1,759	3,234	1,073	1,179	1,759	3,234	1,073	1,179
Foreign financial institutions	7,794	15,777	7,980	15,056	7,794	15,777	7,979	15,055
State units	2,412	5,085	2,921	5,802	2,442	5,157	2,921	5,802
Other	41	90	10	23	9	15	10	21
	12,006	24,186	11,984	22,060	12,004	24,183	11,983	22,057

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

6. Interest expense (continued)

Interest expense by type of facility:

	Group				Bank			
	2025		2024		2025		2024	
	Current period April 1 – June 30	Cumulatively January 1 – June 30	Current period April 1 – June 30	Cumulatively January 1 – June 30	Current period April 1 – June 30	Cumulatively January 1 – June 30	Current period April 1 – June 30	Cumulatively January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Borrowings	11,965	23,974	11,095	20,846	11,965	23,974	11,095	20,846
Deposits	30	194	878	1,190	30	194	878	1,190
Leases – interest expenses on long term contracts	11	18	11	24	9	15	10	21
	12,006	24,186	11,984	22,060	12,004	24,183	11,983	22,057

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

7. Operating expenses

Operating expenses can be shown as follows:

	Group				Bank			
	2025		2024		2025		2024	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
7 a) Employee expenses	4,822	9,682	4,480	8,740	4,665	9,366	4,334	8,453
7 b) Depreciation	568	1,067	500	1,005	548	1,027	479	964
7 c) Other expenses	3,512	6,784	2,847	5,595	3,007	5,740	2,339	4,480
Of which:								
Administration expenses	1,569	3,196	729	1,886	1,521	3,139	699	1,840
Material and services	1,154	2,183	1,299	2,268	1,068	2,000	1,205	2,079
Other expenses	789	1,405	819	1,441	418	601	435	561
	8,902	17,533	7,827	15,340	8,220	16,133	7,152	13,897

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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			
	2025		2024		2025		2024	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Impairment losses on cash on hand and due from financial institutions	(18)	(81)	(214)	(88)	(17)	(81)	(213)	(87)
Impairment losses on deposits with other banks	214	93	25	9	215	94	21	9
Impairment losses on loans to financial institutions	(198)	(415)	183	46	(198)	(415)	183	46
Impairment losses on loans to other customers and interest	(23,168)	(33,560)	(16,343)	(20,575)	(23,168)	(33,560)	(16,343)	(20,575)
Modification loss/(gain) – financial institutions	(71)	(134)	(93)	(179)	(71)	(134)	(93)	(179)
Modification (gain)/loss – other customers	(723)	(1,847)	(794)	171	(723)	(1,847)	(794)	171
POCI assets – fair value adjustment at initial recognition	108	108	8,661	8,661	108	108	8,661	8,661
Impairment of financial assets at fair value through other comprehensive income	29	26	4	16	29	26	4	16
Impairment losses on other assets	(5)	6	414	331	(5)	6	413	330
Provisions for commitments	2,410	(461)	212	(2,013)	2,410	(461)	212	(2,013)
Provision for guarantees	2,047	1,747	(3,365)	(2,484)	2,047	1,747	(3,365)	(2,484)
Total	(19,375)	(34,518)	(11,310)	(16,105)	(19,373)	(34,517)	(11,314)	(16,105)

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

8. Impairment gain and provisions (continued)

b) Other impairment losses and provisions

	Group				Bank			
	2025		2024		2025		2024	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Provision for other liabilities	(370)	(811)	1,988	874	(370)	(811)	1,988	874
Other adjustments	-	-	(24)	(58)	-	-	(24)	(58)
Total	(370)	(811)	1,964	816	(370)	(811)	1,964	816
Total	(19,745)	(35,329)	(9,346)	(15,289)	(19,743)	(35,328)	(9,350)	(15,289)

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

9. Cash on hand and current accounts with banks

	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Account with the Croatian National Bank	2	2	2	2
Accounts with the domestic banks	23,547	45,800	23,215	45,281
Accounts with foreign banks	77	174	77	174
Foreign currency account – domestic banks	31	33	31	33
Foreign currency account – foreign banks	77	196	77	196
	23,734	46,205	23,402	45,686
Loss allowances	(63)	(144)	(62)	(143)
	23,671	46,061	23,340	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:

30 June 2025	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Group Total EUR '000	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Bank Total EUR '000
Gross amount	23,734	-	-	23,734	23,402	-	-	23,402
Loss allowances	(63)	-	-	(63)	(62)	-	-	(62)
Balance as of 30 June 2025	23,671	-	-	23,671	23,340	-	-	23,340

31 December 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Group Total EUR '000	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Bank Total 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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 - Jun 30, 2025	Jan 1 - Dec 31, 2024	Jan 1 - Jun 30, 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	(81)	(15)	(81)	(15)
<i>Total recognised through Income Statement (Note 8)</i>	<i>(81)</i>	<i>(15)</i>	<i>(81)</i>	<i>(15)</i>
Balance at the end of the reporting period	63	144	62	143

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

10. Deposits with other banks

	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Deposits with foreign banks	47,113	22,615	47,113	22,615
Deposits with domestic banks	75,204	71,451	72,044	68,001
Accrued interest	6	42	4	26
	122,323	94,108	119,161	90,642
Loss allowances	(330)	(237)	(326)	(232)
	121,993	93,871	118,835	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:

30 June 2025	Stage 1	Stage 2	Stage 3	Group Total	Stage 1	Stage 2	Stage 3	Bank Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	122,323	-	-	122,323	119,161	-	-	119,161
Loss allowances	(330)	-	-	(330)	(326)	-	-	(326)
Balance as of 30 June 2025	121,993	-	-	121,993	118,835	-	-	118,835

31 December 2024	Stage 1	Stage 2	Stage 3	Group Total	Stage 1	Stage 2	Stage 3	Bank 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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 - Jun 30, 2025	Jan 1 - Dec 31, 2024	Jan 1 - Jun 30, 2025	Jan 1 - Dec 31, 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	237	221	232	218
Net increase of loss allowances on deposits with other banks	93	16	94	14
<i>Total recognised through Income Statement (Note 8)</i>	93	16	94	14
Balance at the end of the reporting period	330	237	326	232

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions

	30 June 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
Long-term loans under loan programmes	1,128,440	1,143,620
Short-term loans and reverse repo transactions	164,180	92,000
Accrued interest	954	891
Deferred recognition of loan origination fees	(5,026)	(3,064)
	<u>1,288,548</u>	<u>1,233,447</u>
Loss allowances	(7,223)	(7,638)
	<u>1,281,325</u>	<u>1,225,809</u>

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:

30 June 2025	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Group and Bank Total EUR '000
Gross amount	1,263,408	24,106	1,034	1,288,548
Loss allowances	(4,453)	(1,969)	(801)	(7,223)
Balance as of 30 June 2025	<u>1,258,955</u>	<u>22,137</u>	<u>233</u>	<u>1,281,325</u>

31 December 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Group and Bank Total 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	<u>1,199,519</u>	<u>26,042</u>	<u>248</u>	<u>1,225,809</u>

11. Loans to financial institutions (continued)

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

	Jan 1 - Jun 30, 2025 EUR '000	Group and Bank 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	(415)	911
<i>Total recognised through Income Statement (Note 8)</i>	<i>(415)</i>	<i>911</i>
Balance at the end of the reporting period	7,223	7,638

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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:

	30 June 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
EU Projects	54,823	52,086
Financial Restructuring	5,040	4,602
Pre-Export Finance	135	135
Public Sector Investment	213,892	190,432
Private Sector Investment	225,973	201,756
Youth, Female, Start-up Entrepreneurship	15,715	12,560
Working Capital	10,459	14,146
Working Capital – COVID 19 measures and CRISIS 2022	2,312	3,094
Loan programme for reconstruction and development of the economy	47,897	55,484
Export financing	112,555	121,758
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	71,284	77,482
Loan programme for small and medium-sized enterprises	368,280	409,954
Loan programme for war-torn and demolished housing and business facilities	75	131
Other	164,180	92,000
Accrued interest	954	891
Deferred recognition of loan fees	(5,026)	(3,064)
	1,288,548	1,233,447
Loss allowances	(7,223)	(7,638)
	1,281,325	1,225,809

Average interest rates for total loans to financial institutions are stated at 0.62% (1 January - 30 June 2024: 0.55%) and average interest's rates for loans under HBOR loan programmes excluding the liquidity reserve are stated at 0.56% (1 January – 30 June 2024: 0.45%).

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 164,180 thousand (31 December 2024: EUR 92,000 thousand). The above placements are collateralized by securities in the amount of EUR 173,691 thousand (31 December 2024: EUR 97,235 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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	
	30 June 2025 EUR '000	31 December 2024 EUR '000
Domestic companies	1,704,470	1,806,108
State-owned companies	147,532	171,981
Public sector	708,163	701,615
Foreign companies	7,815	8,596
Other	51,725	53,840
Accrued interest	39,207	51,552
Deferred recognition of loan origination fees	(16,792)	(13,714)
	2,642,120	2,779,978
Loss allowances	(446,422)	(471,542)
	2,195,698	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:

30 June 2025		Group and Bank				
	Stage 1	Stage 2	Stage 3	POCI	Stage 3	Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	EUR '000	EUR '000
Gross amount	1,798,635	321,080	426,863	21,819	73,723	2,642,120
Loss allowances	(40,085)	(95,448)	(273,976)	(299)	(36,614)	(446,422)
Balance as of 30 June 2025	1,758,550	225,632	152,887	21,520	37,109	2,195,698

31 December 2024		Group and Bank				
	Stage 1	Stage 2	Stage 3	POCI	Stage 3	Total
	EUR '000	EUR '000	EUR '000	Stage 2 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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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:

	Jan 1 - Jun 30, 2025 EUR '000	Group and Bank Jan 1 - Dec 31, 2024 EUR '000
Balance as of 1 January	471,542	470,757
Net (decrease) of loss allowances on loans to other customers and interest	(33,560)	(2,583)
<i>Total recognised through Income Statement (Note 8)</i>	<i>(33,560)</i>	<i>(2,583)</i>
Net foreign exchange gain/loss on loss allowances	(2,741)	537
Write-offs	(1,297)	(2,235)
Transfer to off-balance sheet records	(323)	(3,984)
Unwinding – changes due to the lapse of time	1,113	315
Interest transferred from the off-balance sheet records and other	11,688	8,735
Balance at the end of the reporting period	446,422	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 1,297 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 323 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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	
	30 June 2025	31 December 2024
	EUR '000	EUR '000
EU Projects	120,118	97,039
Financial Restructuring	95,527	105,324
Pre-Export Finance	1,887	3,090
Public Sector Investment	317,884	307,501
Private Sector Investment	456,551	401,241
Youth, Female, Start-up Entrepreneurship	12,713	9,271
Working Capital	174,276	239,521
Working Capital – COVID 19 measures and CRISIS 2022	367,270	435,086
Loan programme for reconstruction and development of the economy	182,509	203,649
Export financing	350,780	377,654
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	417,323	445,375
Loan programme for small and medium-sized enterprises	74,082	81,015
Sustainable Tourism Loans	605	-
Other	48,180	36,374
Accrued interest	39,207	51,552
Deferred recognition of loan origination fees	(16,792)	(13,714)
	<u>2,642,120</u>	<u>2,779,978</u>
Loss allowances	<u>(446,422)</u>	<u>(471,542)</u>
	<u>2,195,698</u>	<u>2,308,436</u>

Average interest rates on loans to other customers are stated at 2.06% (1 January – 30 June 2024: 2.01%). 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 14,635 thousand (31 December 2024: EUR 1,550 thousand). The above placements are collateralized by securities in the amount of EUR 15,564 thousand (31 December 2024: EUR 1,640 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

13. Financial assets at fair value through profit or loss

	Group and Bank	
	30 June 2025	31 December 2024
	EUR '000	EUR '000
<i>Loans at FVPL:</i>		
Mezzanine loans	32,345	32,233
	32,345	32,233
<i>Investments in investment funds:</i>		
Investments in investment funds at FVPL	42,026	34,529
	42,026	34,529
<i>Unlisted equity instruments:</i>		
Depository receipt - DR	42	42
	42	42
Derivative financial assets-positive fair value	-	243
	74,413	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 30 June 2025, a positive fair value of derivative financial instruments was stated in the amount of EUR 0 thousand (31 December 2024: EUR 243 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income

	Group		Bank	
	30 June	31 December	30 June	31 December
	2025	2024	2025	2024
	EUR '000	EUR '000	EUR '000	EUR '000
Debt instruments:				
Listed debt instruments:				
Bonds of the Republic of Croatia	202,889	221,308	197,406	215,756
Corporate bonds	977	571	-	-
Treasury bills of the Ministry of Finance	58,706	11,919	58,706	11,919
Accrued interest	2,591	3,304	2,549	3,262
	265,163	237,102	258,661	230,937
Unlisted debt instruments:				
Corporate bonds	68	73	68	73
Convertible bonds - CB	137	137	137	137
Accrued interest	2	2	2	2
	207	212	207	212
Equity instruments:				
Unlisted equity instruments:				
Investments in shares of foreign legal entities - SWIFT	8	8	8	8
Shares of foreign financial institutions – EIF	8,536	8,065	8,536	8,065
	8,544	8,073	8,544	8,073
	273,914	245,387	267,412	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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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:

30 June 2025	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Group Total EUR '000	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Bank Total EUR '000
Gross amount	265,233	-	137	265,370	258,731	-	137	258,868
Balance as of 30 June 2025	265,233	-	137	265,370	258,731	-	137	258,868

31 December 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Group Total EUR '000	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Bank Total 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 - Jun 30, 2025 EUR '000	Jan 1 - Dec 31, 2024 EUR '000	Jan 1 - Jun 30, 2025 EUR '000	Jan 1 - Dec 31, 2024 EUR '000
Balance as of 1 January	425	454	414	442
Net increase/(decrease) of loss allowances	26	(29)	26	(28)
Total recognised through Income Statement (Note 8)	26	(29)	26	(28)
Balance at the end of the reporting period	451	425	440	414

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 (%)	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Debt instruments:							
Listed debt instruments:							
<i>Bonds of the Republic of Croatia:</i>							
RHMF-O-267E	15.7.2022.	15.7.2026.	2.13	21,173	20,828	21,173	20,827
XS1117298916	11.3.2015.	11.3.2025.	3.0	24,384	38,711	24,384	38,711
XS1843434876	19.6.2019.	19.6.2029.	1.125	1,892	1,868	1,892	1,868
RHMF-O-257A	9.7.2015.	9.7.2025.	4.5	1,110	1,120	-	-
RHMF-O-26CA	14.12.2015.	14.12.2026.	4.25	5,181	5,147	4,101	4,069
RHMF-O-273N	10.3.2025.	10.3.2027.	2.65	36,602	-	36,602	-
RHMF-O-277N	12.7.2024.	12.7.2027.	3.3	40,849	40,612	40,849	40,612
RHMF-O-282A	7.2.2017.	7.2.2028.	2.875	1,594	1,586	1,342	1,333
RHMF-O-287A	5.7.2021.	5.7.2028.	0.5	5,775	5,670	5,775	5,670
RHMF-O-297A	9.7.2018.	9.7.2029.	2.38	398	392	-	-
RHMF-O-303A	10.3.2025.	10.3.2030.	3.0	11,081	-	11,081	-
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	10,289	10,425	10,289	10,425
RHMF-O-403E	3.3.2020.	3.3.2040.	1.25	871	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
RHMF033BA	24.11.2023.	24.11.2033.	3.75	39,918	39,579	39,918	39,579
<i>Corporate bonds:</i>							
JDGL-O-29CA	3.12.2024.	3.12.2029.	4.13	404	399	-	-
HRATGRO25CA5	11.12.2020.	11.12.2025.	0.88	172	172	-	-
HRATGRO305A0	23.5.2025.	23.5.2030.	2.88	400	-	-	-
Treasury bills up to 182 days			2.773	-	11,919	-	11,919
Treasury bills up to 364 days			2.373	58,706	-	58,706	-
Accrued interest				2,591	3,304	2,549	3,262
				265,163	237,102	258,661	230,937
Unlisted debt instruments:							
<i>Corporate bonds:</i>							
LNGU-O-31AE	24.7.2015.	15.10.2031.	4.5	68	73	68	73
<i>Bonds of foreign corporate:</i>							
Fortenova Group TopCo B.V.	1.4.2019.	1.4.2029.	2.5	137	137	137	137
Accrued interest				2	2	2	2
				207	212	207	212
Equity instruments:							
<i>Unlisted equity instruments:</i>							
Investments in shares of foreign legal entities - SWIFT				8	8	8	8
Investments in shares of foreign financial institutions - EIF				8,536	8,065	8,536	8,065
				8,544	8,073	8,544	8,073
Total				273,914	245,387	267,412	239,222

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

15. Foreclosed assets

	30 June 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
Foreclosed assets, net	2,429	2,140
	2,429	2,140

In the reporting period 2025, acquisition of property took place with present value in the amount of EUR 312 thousand, acquisition value of EUR 312 thousand and provisions of EUR 0 thousand, and relates to land plot and buildings (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 half 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 294 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 9 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 3,833 thousand.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

16. Other assets

	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Fees receivable	3,493	3,334	3,493	3,334
Other receivables	1,401	2,319	1,401	2,319
Prepaid expenses	803	585	778	568
Accrued income	1,608	1,458	1,608	1,458
Assets related to reinsurance contracts	768	683	-	-
Receivables for risk assessment fees	73	48	-	-
Deferred tax assets	126	111	-	-
Leased assets	1,264	1,210	1,264	1,210
Other assets	359	321	364	338
	9,895	10,069	8,908	9,227
Loss allowances	(4,268)	(4,268)	(4,260)	(4,260)
	5,627	5,801	4,648	4,967

Lease assets are recognised in accordance with the application of the IFRS 16 and depreciation during the year stood at EUR 406 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:

30 June 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	1,247	47	4,399	42	5,735	406	47	4,399	42	4,894
Loss allowances	(14)	(12)	(4,207)	(35)	(4,268)	(6)	(12)	(4,207)	(35)	(4,260)
Balance as of 30 June 2025	1,233	35	192	7	1,467	400	35	192	7	634

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

16. Other assets (continued)

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

	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Fees receivable	3,493	3,334	3,493	3,334
Other receivables	1,401	2,319	1,401	2,319
Assets related to insurance contracts	768	683	-	-
Receivables for risk assessment fees	73	48	-	-
	<u>5,735</u>	<u>6,384</u>	<u>4,894</u>	<u>5,653</u>
Loss allowance	(4,268)	(4,268)	(4,260)	(4,260)
Subtotal – assets exposed to credit risk	1,467	2,116	634	1,393

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

	Jan 1 Jun 30, 2025 EUR '000	Group Jan 1 - Dec 31, 2024 EUR '000	Jan 1 - Jun 30, 2025 EUR '000	Bank 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	6	314	6	315
<i>Total recognised through Income statement (Note 8)</i>	<i>6</i>	<i>314</i>	<i>6</i>	<i>315</i>
Write-offs	(1)	(434)	(1)	(434)
Transfer to off-balance sheet records	-	(14)	-	(14)
Net foreign exchange gain/loss on loss allowances	(9)	7	(9)	7
Other adjustments	4	2	4	1
Balance at the end of the reporting period	4,268	4,268	4,260	4,260

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

17. Deposits from customers

	30 June 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
Account of the Ministry of Finance of the Republic of Croatia	4,021	4,252
Special purpose accounts of the companies	10,030	11,917
State institutions' deposits	26,032	34,764
Other deposits	6,291	44,538
	<u>46,374</u>	<u>95,471</u>
Accrued interest	4	41
	<u>46,378</u>	<u>95,512</u>

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 4,021 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

18. Borrowings

	Group and Bank	
	30 June 2025	31 December 2024
	EUR '000	EUR '000
Balance as of 1 January	2,283,672	2,248,771
New borrowings	295,000	689,684
Repayments	(302,928)	(655,843)
Net foreign exchange gain/loss	(1,865)	1,060
	<u>2,273,879</u>	<u>2,283,672</u>
Accrued interest	6,298	7,621
Deferred fees	(2,806)	(3,025)
	<u>2,277,371</u>	<u>2,288,268</u>

	Group and Bank	
	30 June 2025	31 December 2024
	EUR '000	EUR '000
Borrowings from foreign financial institutions (a)	1,713,462	1,818,672
Borrowings from domestic institutions (b)	560,417	465,000
	<u>2,273,879</u>	<u>2,283,672</u>
Accrued interest	6,298	7,621
Deferred recognition of fees	(2,806)	(3,025)
	<u>2,277,371</u>	<u>2,288,268</u>

(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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

19. Provisions for guarantees, commitments and other liabilities

	30 June 2025	Group and Bank 31 December 2024
	EUR '000	EUR '000
Provisions for guarantees and commitments	14,204	12,913
Provisions for other liabilities	9,644	10,455
	23,848	23,368

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

	30 June 2025	Group 31 December 2024	30 June 2025	Bank 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 increase/(release) of loss allowances on guarantees	1,747	(3,517)	1,747	(3,517)
<i>Total recognised through Income Statement (Note 8)</i>	<i>1,747</i>	<i>(3,517)</i>	<i>1,747</i>	<i>(3,517)</i>
Net decrease/(increase) of loss allowances on commitments	(461)	1,883	(461)	1,883
<i>Total recognised through Income Statement (Note 8)</i>	<i>(461)</i>	<i>1,883</i>	<i>(461)</i>	<i>1,883</i>
Net foreign exchange on loss allowances	5	(90)	5	(90)
Balance at the end of the reporting period - Provisions for guarantees and commitments	14,204	12,913	14,204	12,913
Balance as of 1 January	10,455	9,745	10,455	9,743
Net (release)/increase of loss allowances on other liabilities	(811)	120	(811)	120
<i>Total recognised through Income Statement (Note 8)</i>	<i>(811)</i>	<i>120</i>	<i>(811)</i>	<i>120</i>
Unrealised actuarial gains/(losses)	-	592	-	592
Other adjustments	-	(2)	-	-
Balance at the end of the reporting period - Provisions for other liabilities	9,644	10,455	9,644	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 1,458 thousand relates to financial institutions (31 December 2024: EUR 217 thousand), EUR 12,492 thousand relates to domestic companies (31 December 2024: EUR 12,436 thousand), EUR 120 thousand relates to the public sector (31 December 2024: EUR 90 thousand), EUR 7 thousand relates to state-owned companies (31 December 2024: EUR 76 thousand) and EUR 127 thousand relates to other (31 December 2024: EUR 94 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

20. Other liabilities

	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Liabilities in respect of subsidized interest (a)	6,166	26,653	6,166	26,653
Deferred recognition of interest income (b)	53,759	46,624	53,759	46,624
Accrued salaries	1,603	1,603	1,562	1,563
Liabilities to suppliers	540	339	529	317
Liabilities for prepaid receivables	2,783	1,931	2,783	1,931
Liabilities for remaining coverage	1,142	1,053	-	-
Liabilities for incurred losses	1,543	1,633	-	-
Deferred tax liabilities	-	-	-	-
Corporate income tax-current liability	-	46	-	-
Lease liabilities	1,443	1,375	1,360	1,281
Other liabilities	8,579	6,941	8,501	6,880
Derivative financial liabilities	13	15	13	15
	77,571	88,213	74,673	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 1,562 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 157 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 894 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 578 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 2,975 thousand (31 December 2024: EUR 3,904 thousand).

(b) Deferred recognition of interest income of EUR 53,759 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

	30 June 2025 EUR '000	31 December 2024 EUR '000
Guarantees issued	62,179	59,473
Guarantees issued in foreign currency	9,186	4,846
Undrawn loans	502,554	480,198
EIF – subscribed, not called up capital	10,400	10,400
EIF CROGIP Contracted Liability	21,272	24,860
EIF FRC2 Contracted Liability	33	43
	605,624	579,820
Provisions for guarantees and commitments	(14,204)	(12,913)
	591,420	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:

30 June 2025

Group and Bank

	Stage 1	Stage 2	Stage 3	POCI		Without stage	Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	EUR '000	EUR '000
Gross amount	520,653	37,032	14,894	-	985	355	573,919
Loss allowances	(2,703)	(7,158)	(3,780)	-	(563)	-	(14,204)
Balance as of 30 June 2025	517,950	29,874	11,114	-	422	355	559,715

31 December 2024

Group and Bank

	Stage 1	Stage 2	Stage 3	POCI		Without stage	Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 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 9%, 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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
	30 June 2025	30 June 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	402,522	277,907	278,299	406,562
Government funds, executive authorities and agencies	458,211	28,805	584,979	33,536
State-owned companies	126,309	732	138,822	934
Key management personnel	175	435	238	393
Total	987,217	307,879	1,002,338	441,425

Group	Income	Expense	Income	Expense
	Jan 1 – Jun 30 2025	Jan 1 – Jun 30 2025	Jan 1 – Jun 30 2024	Jan 1 – Jun 30 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	5,317	6,539	4,153	5,923
Government funds, executive authorities and agencies	5,363	30	7,216	38
State-owned companies	17,678	439	10,070	2,233
Key management personnel	3	819	5	699
Total	28,361	7,827	21,444	8,893

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

22. Related-party transactions (continued)

a) Related-party transactions (continued)

Bank	Assets	Liabilities	Assets	Liabilities
	30 June 2025	30 June 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	402,522	277,907	278,299	406,562
Government funds, executive authorities and agencies	452,684	28,792	579,373	33,530
State-owned companies	126,307	730	138,821	931
Subsidiary companies	7,449	-	7,449	-
Key management personnel	175	416	238	374
Total	989,137	307,845	1,004,180	441,397

Bank	Income	Expense	Income	Expense
	Jan 1 – Jun 30 2025	Jan 1 – Jun 30 2025	Jan 1 – Jun 30 2024	Jan 1 – Jun 30 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	5,317	6,539	4,153	5,923
Government funds, executive authorities and agencies	5,290	27	7,126	27
State-owned companies	17,678	429	10,070	2,226
Key management personnel	3	673	5	592
Total	28,288	7,668	21,354	8,768

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

22. Related-party transactions (continued)

b) Collateral received

	Group		Bank	
	30 June 2025	31 December 2024	30 June 2025	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
The Republic of Croatia	806,508	1,068,419	801,897	1,064,179
State agencies	83,068	88,896	83,068	88,896
Total	889,576	1,157,315	884,965	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 808 thousand (1 January to 30 June 2024: EUR 692 thousand), and for the Bank EUR 673 thousand (1 January to 30 June 2024: EUR 592 thousand).

Remuneration for the work of the members of the Supervisory Board in the reporting period amounted to EUR 11 thousand for the Group (1 January to 30 June 2024: EUR 7 thousand) and for the Bank EUR 0 thousand (1 January to 30 June 2024: EUR 0 thousand) and it relates to the members of supervisory boards at subsidiaries who were appointed by HBOR.

23. Risk management

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 operational risk 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 half-year of 2025, one (1) new potential operational risk event was identified that could potentially affect significantly HBOR's exposure to operational risk. It was a risk of water ingress into the premises of HBOR, due to which necessary measures were promptly taken to mitigate the aforementioned 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 half-year 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 risks related to outsourcing on the basis of internal documents that are in compliance with the regulations and good banking practice for credit institutions to the extent applicable to the operations of HBOR as a special financial institution. The internal documents that determine the management of this risk determine also the procedures and obligations of participants in the implementation of outsourcing of functions, and the assessment and control of risks related to outsourcing and their reduction to an acceptable level.

The central records of outsourced functions have been established, and reports on all outsourced functions as well as related risks and proposed measures for reducing or eliminating such risks are submitted to the Management Board and the Supervisory Board of the Bank on an annual basis.

In the first half-year of 2025, the activities of harmonising internal documents were completed and the system of managing the risk related to outsourcing was improved in accordance with regulations and good business practice 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

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.

In accordance with the Methodology for Calculation of Exposure to One Client or a Group of Connected Clients, the largest credit exposure to a group of connected clients as at 30 June 2025 for the Group amounted to EUR 411,077 thousand (31 December 2024: EUR 374,723 thousand), and for the Bank it amounted to EUR 407,588 thousand (31 December 2024: EUR 370,744 thousand), without taking into account the collateral received.

The amount of the largest exposure to one debtor on 31 December 2024 was stated at EUR 317,654 thousand for the Group and EUR 313,675 thousand for the Bank, without taking into account the 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).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 2025 EUR '000	Highest exposure 31 December 2024 EUR '000	Highest exposure 30 June 2025 EUR '000	Highest exposure 31 December 2024 EUR '000
Assets				
Cash on hand and current accounts with banks	23,671	46,061	23,340	45,543
Deposits with other banks	121,993	93,871	118,835	90,410
Loans to financial institutions	1,281,325	1,225,809	1,281,325	1,225,809
Loans to other customers	2,195,698	2,308,436	2,195,698	2,308,436
Financial assets at fair value through profit or loss	32,345	32,476	32,345	32,476
Financial assets at fair value through other comprehensive income	265,370	237,314	258,868	231,149
Other assets	1,467	2,116	634	1,393
Total	3,921,869	3,946,083	3,911,045	3,935,216
Guarantees and commitments				
Issued guarantees	55,045	54,084	55,045	54,084
Issued guarantees in foreign currency	7,739	3,406	7,739	3,406
Undrawn loans	496,931	474,114	496,931	474,114
Total	559,715	531,604	559,715	531,604
Total credit risk exposure	4,481,584	4,477,687	4,470,760	4,466,820

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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				
30 June 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	23,517	77	77	23,671
Deposits with other banks	74,891	47,102	-	121,993
Loans to financial institutions	1,281,325	-	-	1,281,325
Loans to other customers	2,187,836	702	7,160	2,195,698
Financial assets at fair value through profit or loss	32,345	-	-	32,345
Financial assets at fair value through other comprehensive income	265,233	137	-	265,370
Other assets	1,380	10	77	1,467
Total	3,866,527	48,028	7,314	3,921,869
Guarantees and commitments				
Issued guarantees	55,045	-	-	55,045
Issued guarantees in foreign currency	7,739	-	-	7,739
Undrawn loans	496,931	-	-	496,931
Total	559,715	-	-	559,715
Total credit risk exposure	4,426,242	48,028	7,314	4,481,584

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 (continued):

Group	Republic of Croatia	EU countries	Other countries	Total
31 December 2024	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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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	23,186	77	77	23,340
Deposits with other banks	71,733	47,102	-	118,835
Loans to financial institutions	1,281,325	-	-	1,281,325
Loans to other customers	2,187,836	702	7,160	2,195,698
Financial assets at fair value through profit or loss	32,345	-	-	32,345
Financial assets at fair value through other comprehensive income	258,731	137	-	258,868
Other assets	547	10	77	634
Total	3,855,703	48,028	7,314	3,911,045
Guarantees and commitments				
Issued guarantees	55,045	-	-	55,045
Issued guarantees in foreign currency	7,739	-	-	7,739
Undrawn loans	496,931	-	-	496,931
Total	559,715	-	-	559,715
Total credit risk exposure	4,415,418	48,028	7,314	4,470,760

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 EUR '000	EU countries EUR '000	Other countries EUR '000	Total 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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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
	30 June	30 June	31 December	31 December
	2025	2025	2024	2024
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,618,990	-	1,572,780	-
Water and electric supply and other infrastructure	560,422	437,413	505,448	380,244
Tourism	418,871	32,800	397,965	15,263
Transport, warehousing and connections	291,364	149,662	318,505	51,632
Shipbuilding	66,596	6,851	175,722	9,381
Agriculture and fishery	82,668	25,999	100,099	30,987
Food industry	122,732	22,022	124,339	16,897
Construction industry	341,101	12,028	348,065	7,882
Other industry	161,849	32,407	164,329	36,999
Public administration	269,854	269,476	244,498	244,099
Education	9,799	9,425	7,518	7,107
Manufacture of basic metals and fabricated metal products, except machinery and equipment	49,449	9,112	52,918	10,006
Manufacture of chemicals and chemical products	8,729	737	11,465	964
Manufacture of other non-metallic mineral products	23,599	5,575	27,337	6,027
Pharmaceutical industry	58,405	330	62,341	2,326
Manufacture of motor vehicles, trailers and semi - trailers	11,255	1,323	11,257	369
Manufacture of electrical equipment	47,116	36,890	39,858	27,780
Manufacture of machinery and equipment	34,140	2,686	37,016	2,816
Other	304,645	105,711	276,227	84,988
Total credit risk exposure	4,481,584	1,160,447	4,477,687	935,767

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 after the effect of mitigation through collateral received		Highest exposure after the effect of mitigation through collateral received	
	Highest exposure	Highest exposure	Highest exposure	Highest exposure
	30 June	30 June	31 December	31 December
	2025	2025	2024	2024
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,615,501	-	1,568,801	-
Water and electric supply and other infrastructure	560,422	437,413	505,448	380,244
Tourism	418,871	32,800	397,965	15,263
Transport, warehousing and connections	291,356	149,654	318,498	51,624
Shipbuilding	66,596	6,851	175,722	9,381
Agriculture and fishery	82,664	25,996	100,096	30,984
Food industry	122,511	21,801	124,317	16,875
Construction industry	340,919	11,846	347,883	7,699
Other industry	161,782	32,340	164,266	36,936
Public administration	263,353	262,974	238,333	237,934
Education	9,799	9,425	7,518	7,107
Manufacture of basic metals and fabricated metal products, except machinery and equipment	49,436	9,099	52,907	9,995
Manufacture of chemicals and chemical products	8,729	737	11,465	964
Manufacture of other non-metallic mineral products	23,599	5,575	27,337	6,027
Pharmaceutical industry	58,306	231	62,241	2,226
Manufacture of motor vehicles, trailers and semi - trailers	11,255	1,323	11,257	369
Manufacture of electrical equipment	47,116	36,890	39,858	27,780
Manufacture of machinery and equipment	34,140	2,686	37,016	2,816
Other	304,405	105,471	275,892	84,654
Total credit risk exposure	4,470,760	1,153,112	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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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)

The fair value of collateral for the Group as of 30 June 2025 amounted to EUR 3,321,137 thousand (31 December 2024: EUR 3,541,920 thousand) and for the Bank EUR 3,317,648 thousand (31 December 2024: EUR 3,537,942 thousand).

Net highest exposure as of 30 June 2025 for the Group amounted to EUR 1,160,447 thousand (31 December 2024: EUR 935,767 thousand) and for the Bank EUR 1,153,112 thousand (31 December 2024: EUR 928,878 thousand).

In the total net highest exposure after the effect of mitigation through collateral received as of 30 June 2025, the credit risk of EUR 708,272 thousand for the Group (31 December 2024: EUR 521,744 thousand) and EUR 702,748 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 143,738 thousand (31 December 2024: EUR 47,172 thousand), from local (regional) authorities of EUR 287,598 thousand (31 December 2024: EUR 223,698 thousand), state-owned companies for whose commitments the Republic of Croatia guarantees jointly and unconditionally of EUR 12,746 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 264,185 thousand for the Group and EUR 264,185 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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
	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000	EUR '000
Assets														
Cash on hand and current accounts with banks	23,671	-	-	-	-	-	23,671	-	-	-	-	-	-	-
Deposits with other banks	121,993	-	-	-	-	-	121,993	-	-	-	-	-	-	-
Loans to financial institutions	1,258,955	22,137	233	-	-	-	1,281,325	-	-	-	-	-	-	-
Loans to other customers	1,758,550	225,632	152,887	21,520	37,109	-	2,195,698	549,897	40,219	8,184	-	2,194	-	600,494
Financial assets at fair value through profit or loss	-	-	-	-	-	32,345	32,345	-	-	-	-	-	136	136
Financial assets at fair value through other comprehensive income	265,233	-	137	-	-	-	265,370	265,233	-	137	-	-	-	265,370
Other assets	1,233	35	192	-	7	-	1,467	1,141	35	61	-	7	-	1,244
Total	3,429,635	247,804	153,449	21,520	37,116	32,345	3,921,869	816,271	40,254	8,382	-	2,201	136	867,244
Guarantees and commitments														
Issued guarantees	43,619	8,243	3,183	-	-	-	55,045	43,602	8,243	3,183	-	-	-	55,028
Issued guarantees in foreign currency	49	2,983	4,707	-	-	-	7,739	48	2,983	131	-	-	-	3,162
Undrawn loans	474,282	18,648	3,224	-	422	355	496,931	225,382	2,052	3,224	-	-	355	235,013
Total	517,950	29,874	11,114	-	422	355	559,715	273,032	13,278	6,538	-	-	355	293,203
Total credit risk exposure	3,947,585	277,678	164,563	21,520	37,538	32,700	4,481,584	1,089,303	53,532	14,920	-	2,201	491	1,160,447

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 (continued):

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 Stage 2	Net exposure of portfolio of risk POCI risk Stage 3	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 risk Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received POCI risk Stage 3	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
	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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 (continued):

Bank 30 June 2025								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 risk Stage 2 risk Stage 3		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
	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 risk Stage 2 risk Stage 3		Not subject to IFRS 9	Net exposure of total portfolio							
	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	23,340	-	-	-	-	-	23,340	-	-	-	-	-	-	-
Deposits with other banks	118,835	-	-	-	-	-	118,835	-	-	-	-	-	-	-
Loans to financial institutions	1,258,955	22,137	233	-	-	-	1,281,325	-	-	-	-	-	-	-
Loans to other customers	1,758,550	225,632	152,887	21,520	37,109	-	2,195,698	549,897	40,219	8,184	-	2,194	-	600,494
Financial assets at fair value through profit or loss	-	-	-	-	-	32,345	32,345	-	-	-	-	-	136	136
Financial assets at fair value through other comprehensive income	258,731	-	137	-	-	-	258,868	258,731	-	137	-	-	-	258,868
Other assets	400	35	192	-	7	-	634	308	35	61	-	7	-	411
Total	3,418,811	247,804	153,449	21,520	37,116	32,345	3,911,045	808,936	40,254	8,382	-	2,201	136	859,909
Guarantees and commitments														
Issued guarantees	43,619	8,243	3,183	-	-	-	55,045	43,602	8,243	3,183	-	-	-	55,028
Issued guarantees in foreign currency	49	2,983	4,707	-	-	-	7,739	48	2,983	131	-	-	-	3,162
Undrawn loans	474,282	18,648	3,224	-	422	355	496,931	229,382	2,052	3,224	-	-	355	235,013
Total	517,950	29,874	11,114	-	422	355	559,715	273,032	13,278	6,538	-	-	355	293,203
Total credit risk exposure	3,936,761	277,678	164,563	21,520	37,538	32,700	4,470,760	1,081,968	53,532	14,920	-	2,201	491	1,153,112

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 (continued):

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 Stage 2	Net exposure of portfolio of risk POCI risk Stage 3	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 risk Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received POCI risk Stage 3	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
	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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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)

As at 30 June 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 444,026 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 143,682 thousand, local and regional authorities of EUR 287,598 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 12,746 thousand.

As at 30 June 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 264,185 thousand for the Group and EUR 258,661 thousand for the Bank.

As at 30 June 2025 other assets of EUR 61 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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					
30 June 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	(81)	-	-	-	(81)
Balance at 30 June 2025	63	-	-	-	63

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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	(81)	-	-	-	(81)
Balance at 30 June 2025	62	-	-	-	62

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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 increase of loss allowance	93	-	-	-	93
Balance at 30 June 2025	330	-	-	-	330

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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 increase of loss allowance	94	-	-	-	94
Balance at 30 June 2025	326	-	-	-	326

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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	(70)	(326)	(19)	-	(415)
Balance at 30 June 2025	4,453	1,969	801	-	7,223

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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	4,373	(3,933)	(440)	-	-
Transfer to Stage 2	(736)	2,718	(1,982)	-	-
Transfer to Stage 3	(9)	(1,398)	1,279	128	-
Net (release) of loss allowance	(7,910)	(4,594)	(5)	(21,051)	(33,560)
Write-offs	-	-	(1,620)	-	(1,620)
Unwinding – changes due to the lapse of time	(23)	(175)	750	561	1,113
Other	-	-	-	11,688	11,688
Net foreign exchange gain/loss on loss allowances	(8)	-	(1,267)	(1,466)	(2,741)
Balance at 30 June 2025	40,085	95,448	273,976	36,913	446,422

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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					
30 June 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 increase of loss allowance	24	-	2	-	26
Balance at 30 June 2025	254	-	197	-	451

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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 increase of loss allowance	24	-	2	-	26
Balance at 30 June 2025	243	-	197	-	440

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Other assets

Group 30 June 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	3	11	(4)	(4)	6
Write-offs	-	-	(1)	-	(1)
Net foreign exchange gain/loss on loss allowances	-	-	(9)	-	(9)
Other adjustments	-	-	-	4	4
Balance at 30 June 2025	14	12	4,207	35	4,268

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Other assets (continued)

Bank

30 June 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	3	11	(4)	(4)	6
Write-offs	-	-	(1)	-	(1)
Net foreign exchange gain/loss on loss allowances	-	-	(9)	-	(9)
Other adjustments	-	-	-	4	4
Balance at 30 June 2025	6	12	4,207	35	4,260

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

30 June 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	(3)	3	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	103	(159)	1,794	(452)	1,286
Net foreign exchange gain/loss on loss allowances	(1)	16	(10)	-	5
Balance at 30 June 2025	2,703	7,158	3,780	563	14,204

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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 30 June 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	23,671	-	-	-	-	23,671
Deposits with other banks	120,831	-	-	-	1,162	121,993
Loans to financial institutions*	113,699	106,447	111,439	383,740	566,000	1,281,325
Loans to other customers	219,219	66,175	297,510	551,916	1,060,878	2,195,698
Financial assets at fair value through profit or loss	9,227	-	32,209	136	32,841	74,413
Financial assets at fair value through other comprehensive income	264,862	3,684	172	1,337	3,859	273,914
Property, plant and equipment and intangible assets	-	-	-	-	6,500	6,500
Foreclosed assets	-	282	99	791	1,257	2,429
Other assets	1,553	339	1,985	1,621	129	5,627
Total assets	753,062	176,927	443,414	939,541	1,672,626	3,985,570
Liabilities						
Deposits from customers	16,877	4	19,516	281	9,700	46,378
Borrowings	35,318	51,579**	293,374	675,700	1,221,400	2,277,371
Provisions for guarantees, commitments and other liabilities	6,483	738	2,364	7,606	6,657	23,848
Other liabilities	20,299	2,493	10,117	23,817	20,845	77,571
Total liabilities	78,977	54,814	325,371	707,404	1,258,602	2,425,168
Liquidity gap	674,085	122,113	118,043	232,137	414,024	1,560,402
Guarantees and commitments						
Issued guarantees	62,179	-	-	-	-	62,179
Issued guarantees in foreign currency	9,186	-	-	-	-	9,186
Undrawn loans	502,554	-	-	-	-	502,554
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	576	1,750	6,300	9,646	3,000	21,272
EIF FRC2 Contracted Liability	13	-	4	8	8	33
Total guarantees and commitments	584,908	1,750	6,304	9,654	3,008	605,624

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

*Receivables of EUR 164,180 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 52,000 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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 30 June 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	23,340	-	-	-	-	23,340
Deposits with other banks	117,673	-	-	-	1,162	118,835
Loans to financial institutions*	113,699	106,447	111,439	383,740	566,000	1,281,325
Loans to other customers	219,219	66,175	297,510	551,916	1,060,878	2,195,698
Financial assets at fair value through profit or loss	9,227	-	32,209	136	32,841	74,413
Financial assets at fair value through other comprehensive income	264,862	2,550	-	-	-	267,412
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	6,320	6,320
Foreclosed assets	-	282	99	791	1,257	2,429
Other assets	691	324	1,985	1,621	27	4,648
Total assets	748,711	175,778	443,242	938,204	1,675,934	3,981,869
Liabilities						
Deposits from customers	16,877	4	19,516	281	9,700	46,378
Borrowings	35,318	51,579**	293,374	675,700	1,221,400	2,277,371
Provisions for guarantees, commitments and other liabilities	6,483	738	2,364	7,606	6,657	23,848
Other liabilities	20,299	2,310	7,402	23,817	20,845	74,673
Total liabilities	78,977	54,631	322,656	707,404	1,258,602	2,422,270
Liquidity gap	669,734	121,147	120,586	230,800	417,332	1,559,599
Guarantees and commitments						
Issued guarantees	62,179	-	-	-	-	62,179
Issued guarantees in foreign currency	9,186	-	-	-	-	9,186
Undrawn loans	502,554	-	-	-	-	502,554
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	576	1,750	6,300	9,646	3,000	21,272
EIF FRC2 Contracted Liability	13	-	4	8	8	33
Total guarantees and commitments	584,908	1,750	6,304	9,654	3,008	605,624

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

*Receivables of EUR 164,180 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 52,000 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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	16,877	4	19,516	281	9,700	46,378
Borrowings	39,563	50,784	334,187	775,245	1,394,395	2,594,174
Provisions for guarantees, commitments and other liabilities	6,483	738	2,364	7,606	6,657	23,848
Other liabilities	20,299	2,493	10,117	23,817	20,845	77,571
Total	83,222	54,019	366,184	806,949	1,431,597	2,741,971
Guarantees and commitments						
Issued guarantees	62,179	-	-	-	-	62,179
Issued guarantees in foreign currency	9,186	-	-	-	-	9,186
Undrawn loans	502,554	-	-	-	-	502,554
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	576	1,750	6,300	9,646	3,000	21,272
EIF FRC2 Contracted Liability	13	-	4	8	8	33
Total guarantees and commitments	584,908	1,750	6,304	9,654	3,008	605,624
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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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	16,877	4	19,516	281	9,700	46,378
Borrowings	39,563	50,784	334,187	775,245	1,394,395	2,594,174
Provisions for guarantees, commitments and other liabilities	6,483	738	2,364	7,606	6,657	23,848
Other liabilities	20,299	2,310	7,402	23,817	20,845	74,673
Total	83,222	53,836	363,469	806,949	1,431,597	2,739,073
Guarantees and commitments						
Issued guarantees	62,179	-	-	-	-	62,179
Issued guarantees in foreign currency	9,186	-	-	-	-	9,186
Undrawn loans	502,554	-	-	-	-	502,554
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	576	1,750	6,300	9,646	3,000	21,272
EIF FRC2 Contracted Liability	13	-	4	8	8	33
Total guarantees and commitments	584,908	1,750	6,304	9,654	3,008	605,624
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 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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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 30 June 2025 and 31 December 2024 which may not be indicative for the positions in other periods.

Group	Up to 1	1 to 3	3 months	1 to 3	Over 3	Non-	Total	Fixed
30 June 2025	month	months	to 1 year	years	years	interest		interest
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	bearing	EUR '000	rate
						EUR '000		EUR '000
Assets								
Cash on hand and current								
accounts with banks	23,671	-	-	-	-	-	23,671	23,671
Deposits with other banks	120,826	-	-	-	-	1,167	121,993	120,826
Loans to financial institutions	112,851	124,708	108,626	378,214	556,051	875	1,281,325	1,260,990
Loans to other customers	203,837	90,010	297,624	540,957	1,048,989	14,281	2,195,698	2,100,868
Financial assets at fair value								
through profit or loss	-	-	32,209	136	-	42,068	74,413	32,345
Financial assets at fair value								
through other comprehensive								
income	3	1,134	58,887	105,424	97,329	11,137	273,914	262,777
Other assets	-	-	-	-	-	5,627	5,627	-
Total assets	461,188	215,852	497,346	1,024,731	1,702,369	75,155	3,976,641	3,801,477
Liabilities								
Deposits from customers	4	-	-	-	-	46,374	46,378	4
Borrowings	35,318	45,462	354,017	663,510	1,172,766	6,298	2,277,371	2,205,885
Provisions for guarantees,								
commitments and other liabilities	-	-	-	-	-	23,848	23,848	-
Other liabilities	-	-	-	-	-	77,571	77,571	-
Total liabilities	35,322	45,462	354,017	663,510	1,172,766	154,091	2,425,168	2,205,889
Interest rate gap	425,866	170,390	143,329	361,221	529,603	(78,936)	1,551,473	1,595,588

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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	Up to 1	1 to 3	3 months	1 to 3	Over 3	Non-	Total	Fixed
31 December 2024	month	months	to 1 year	years	years	interest		interest
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	bearing	EUR '000	rate
						EUR '000		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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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 30 June 2025 and 31 December 2024 which may not be indicative for the positions in other periods.

Bank	Up to 1	1 to 3	3 months	1 to 3	Over 3	Non-	Total	Fixed
30 June 2025	month	months	to 1 year	years	years	interest		interest
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	bearing	EUR '000	rate
						EUR '000		EUR '000
Assets								
Cash on hand and current								
accounts with banks	23,340	-	-	-	-	-	23,340	23,340
Deposits with other banks	117,668	-	-	-	-	1,167	118,835	117,668
Loans to financial institutions	112,851	124,708	108,626	378,214	556,051	875	1,281,325	1,260,990
Loans to other customers	203,837	90,010	297,624	540,957	1,048,989	14,281	2,195,698	2,100,868
Financial assets at fair value								
through profit or loss	-	-	32,209	136	-	42,068	74,413	32,345
Financial assets at fair value								
through other comprehensive								
income	3	-	58,714	104,088	93,512	11,095	267,412	256,317
Other assets	-	-	-	-	-	4,648	4,648	-
Total assets	457,699	214,718	497,173	1,023,395	1,698,552	74,134	3,965,671	3,791,528
Liabilities								
Deposits from customers	4	-	-	-	-	46,374	46,378	4
Borrowings	35,318	45,462	354,017	663,510	1,172,766	6,298	2,277,371	2,205,885
Provisions for guarantees,								
commitments and other								
liabilities	-	-	-	-	-	23,848	23,848	-
Other liabilities	-	-	-	-	-	74,673	74,673	-
Total liabilities	35,322	45,462	354,017	663,510	1,172,766	151,193	2,422,270	2,205,889
Interest rate gap	422,377	169,256	143,156	359,885	525,786	(77,059)	1,543,401	1,585,639

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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	Up to 1	1 to 3	3 months	1 to 3	Over 3	Non-	Total	Fixed
31 December 2024	month	months	to 1 year	years	years	interest bearing		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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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	
	30 June	31 December	30 June	31 December
	2025	2024	2025	2024
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Fixed interest rate assets	3,801,477	3,809,138	3,791,528	3,799,052
Variable interest rate assets	100,009	102,862	100,009	102,862
Non-interest bearing	75,155	80,412	74,134	79,520
Total	3,976,641	3,992,412	3,965,671	3,981,434
Liabilities				
Fixed interest rate liabilities	2,205,889	2,264,892	2,205,889	2,264,892
Variable interest rate liabilities	65,188	60,203	65,188	60,203
Non-interest bearing	154,091	170,266	151,193	167,317
Total liabilities	2,425,168	2,495,361	2,422,270	2,492,412

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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. Jun 30, 2025	Effect on profit Jun 30, 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. Jun 30, 2025	Effect on profit Jun 30, 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	-

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 2025 and 31 December 2024 in EUR and foreign currencies can be shown as follows:

Group	EUR	USD	Other foreign currencies	Total
30 June 2025	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	23,563	91	17	23,671
Deposits with other banks	111,402	10,591	-	121,993
Loans to financial institutions	1,281,325	-	-	1,281,325
Loans to other customers	2,187,371	8,327	-	2,195,698
Financial assets at fair value through profit or loss	71,576	2,837	-	74,413
Financial assets at fair value through other comprehensive income	273,914	-	-	273,914
Property, plant and equipment and intangible assets	6,500	-	-	6,500
Foreclosed assets	2,429	-	-	2,429
Other assets	5,627	-	-	5,627
Total assets	3,963,707	21,846	17	3,985,570
Liabilities				
Deposits from customers	44,225	2,153	-	46,378
Borrowings	2,262,215	15,156	-	2,277,371
Provisions for guarantees, commitments and other liabilities	22,401	96	1,351	23,848
Other liabilities	77,571	-	-	77,571
Total liabilities	2,406,412	17,405	1,351	2,425,168
Currency gap	1,557,295	4,441	(1,334)	1,560,402

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Group			Other foreign currencies	Total
31 December 2024	EUR EUR '000	USD EUR '000	EUR '000	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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 2025 and 31 December 2024 in EUR and foreign currencies can be shown as follows:

Bank	EUR	USD	Other foreign currencies	Total
30 June 2025	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	23,232	91	17	23,340
Deposits with other banks	108,244	10,591	-	118,835
Loans to financial institutions	1,281,325	-	-	1,281,325
Loans to other customers	2,187,371	8,327	-	2,195,698
Financial assets at fair value through profit or loss	71,576	2,837	-	74,413
Financial assets at fair value through other comprehensive income	267,412	-	-	267,412
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	6,320	-	-	6,320
Foreclosed assets	2,429	-	-	2,429
Other assets	4,648	-	-	4,648
Total assets	3,960,006	21,846	17	3,981,869
Liabilities				
Deposits from customers	44,225	2,153	-	46,378
Borrowings	2,262,215	15,156	-	2,277,371
Provisions for guarantees, commitments and other liabilities	22,401	96	1,351	23,848
Other liabilities	74,673	-	-	74,673
Total liabilities	2,403,514	17,405	1,351	2,422,270
Currency gap	1,556,492	4,441	(1,334)	1,559,599

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk (continued)

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 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 7.99%.

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.

Currency	Change in currency rate Jun 30, 2025 %	Effect on profit Jun 30, 2025 EUR' 000	Change in currency rate Dec 31, 2024 %	Effect on profit Dec 31, 2024 EUR' 000
USD	+7.99	(404)	+5.85	877
USD	-7.99	474	-5.85	(986)

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 2025 and 31 December 2024.

Group	30 June 2025		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	32,345
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	42,026	-	-
<i>Equity instruments:</i>			
<i>Listed equity instruments:</i>			
Investments in corporate shares			
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	-	-
Total financial assets at fair value through profit or loss	42,026	-	32,387
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	202,889	-	-
Corporate bonds	977	-	-
Treasury bills of the Ministry of Finance	58,706	-	-
Accrued interest	2,591	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	68
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	265,163	-	207
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,536	-
Total equity instruments	-	8,544	-
Total financial assets at fair value through other comprehensive income	265,163	8,544	207
Derivative financial liabilities			
FX swap	-	13	-
Total liabilities	-	13	-

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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)

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:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	32,233
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	34,529	-	-
<i>Equity instruments:</i>			
<i>Listed equity instruments:</i>			
Investments in corporate shares	-	-	-
<i>Unlisted equity instruments:</i>			
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:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	221,308	-	-
Corporate bonds	571	-	-
Treasury bills of the Ministry of Finance	11,919	-	-
Accrued interest	3,304	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	73
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	237,102	-	212
<i>Unlisted equity instruments:</i>			
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	-

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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)

Bank	30 June 2025		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	32,345
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	42,026	-	-
Equity instruments:			
<i>Listed equity instruments:</i>			
Investments in corporate shares			
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	-	-
Total financial assets at fair value through profit or loss	42,026	-	32,387
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	197,406	-	-
Treasury bills of the Ministry of Finance	58,706	-	-
Accrued interest	2,549	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	68
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	258,661	-	207
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,536	-
Total equity instruments	-	8,544	-
Total financial assets at fair value through other comprehensive income	258,661	8,544	207
Derivative financial liabilities			
FX swap	-	13	-
Total liabilities	-	13	-

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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)

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	-

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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

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 convert 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 30 June 2025, the market price of ordinary shares of the debtor that the Bank could subscribe amounted to EUR 2,837 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 30 June 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 30 June 2025 amounted to EUR 2,837 thousand, i.e. USD 3,321 thousand at the exchange rate on 30 June 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 2,837 thousand.

The Bank has placed a mezzanine loan in the amount of EUR 30,000 thousand. As at 30 June 2025, the fair value of this mezzanine debt stood at EUR 29,372 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.

The Bank has placed a framework loan to entrepreneurial support institutions (ESI) in the amount of EUR 145 thousand. The fair value of this debt on 30 June 2025 amounted to EUR 136 thousand. The fair value was calculated using the data from the Bloomberg platform – curve required for the revaluation using a liquidity risk premium.

As at 30 June 2025, the total fair value of the mezzanine debt stood at EUR 32,345 thousand (31 December 2024: EUR 32,233 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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)

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 30 June 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 30 June 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 15.33%, the bond price would be 44.20%, 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 19.33%, the bond price would be 43.10%, which would result in a decrease in HBOR's generated profits of EUR 0.8 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 30 June 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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	Jun 30, 2025 EUR '000	Jun 30, 2024 EUR '000
Balance as at 1 January	32,233	33,698
New loan	145	-
Increase/(decrease) in fair value through profit or loss	320	(570)
Net foreign exchange	(353)	151
Balance as of 30 June	32,345	33,279

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

Group and Bank	Jun 30, 2025 EUR '000	Jun 30, 2024 EUR '000
Balance as at 1 January	212	278
Increase in fair value through other comprehensive income	6	6
Principal due date	(10)	(10)
Accrued interest	-	-
Balance as of 30 June	208	274

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

25. Reporting by segments (continued)

	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
Jan 1 – Jun 30, 2025					
Net interest income	33,840	115	-	-	33,955
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	593	-	-	-	593
Net fee income	787	-	173	-	960
Net income/(expenses) from financial operations	5,133	-	-	-	5,133
Impairment gain	35,328	1	-	-	35,329
Net premium earned	-	1,168	-	-	1,168
Other income	1,350	176	23	(22)	1,527
Income from operating activities	77,031	1,460	196	(22)	78,665
Operating costs	(16,133)	(639)	(162)	22	(16,912)
Impairment loss and provisions	-	-	-	-	-
Subsidy cost at the expense of HBOR's operations	(6,025)	-	-	-	(6,025)
Expenses for insured cases	-	-	-	-	-
Net change in provisions	-	(173)	-	-	(173)
Other expenses	-	(621)	-	-	(621)
Operating expenses	(22,158)	(1,433)	(162)	22	(23,731)
Profit before income tax	54,873	27	34	-	54,934
Income tax	-	-	-	-	-
Profit for the year	54,873	27	34	-	54,934
30 June 2025					
Assets of segment	3,981,869	11,050	170	(7,519)	3,985,570
Total assets	3,981,869	11,050	170	(7,519)	3,985,570
Liabilities of segment	2,422,270	2,873	29	(4)	2,425,168
Total equity	1,559,599	8,177	101	(7,475)	1,560,402
Total liabilities and total equity	3,981,869	11,050	130	(7,479)	3,985,570

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

25. Reporting by segments (continued)

	Banking activities	Insurance activities	Other activities	Unallocated	Total
Jan 1 – Jun 30, 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Net interest income	33,824	125	-	-	33,949
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	299	-	-	-	299
Net fee income	741	-	155	-	896
Net income/(expenses) from financial operations	354	-	-	-	354
Impairment gain	15,289	-	-	-	15,289
Net premium earned	-	1,219	-	-	1,219
Other income	2,131	160	21	(20)	2,292
Income from operating activities	52,638	1,504	176	(20)	54,298
Operating costs	(13,897)	(640)	(159)	20	(14,676)
Subsidy cost at the expense of HBOR's operations	(314)	-	-	-	(314)
Expenses for insured cases	-	-	-	-	-
Net change in provisions	-	(155)	-	-	(155)
Other expenses	-	(664)	-	-	(664)
Operating expenses	(14,211)	(1,459)	(159)	20	(15,809)
Profit before income tax	38,427	45	17	-	38,489
Income tax	-	-	-	-	-
Profit for the year	38,427	45	17	-	38,489
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".

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(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 30 June 2025 and 31 December 2024.

	30 June 2025 EUR '000	Group 31 December 2024 EUR '000	30 June 2025 EUR '000	Bank 31 December 2024 EUR '000
Total regulatory capital	1,554,709	1,498,852	1,554,701	1,498,634
Credit risk weighted exposure amount	2,350,309	2,398,598	2,347,521	2,396,236
Capital requirements for operating risk	144,263	144,263	139,138	139,138
Capital requirements for currency risk	-	-	-	-
Total capital requirements	2,494,572	2,542,861	2,486,659	2,535,374
Capital adequacy ratio	% 62.32	% 58.94	% 62.52	% 59.11
	EUR '000	EUR '000	EUR '000	EUR '000
Own funds needed for ensuring capital adequacy according to regulatory requirements	299,349	305,143	298,399	304,245

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2025 (continued)

(All amounts are expressed in thousands of Euros)

27. Events after the reporting period date

27.1. Fund raising

After the reporting period, at the beginning of the third quarter, HBOR signed a Finance Contract in the amount of EUR 150 million with the European Investment Bank (EIB) for financing Mid-Caps, the public sector and large private companies. Special emphasis of this loan will be put on promoting green investments, and it is the first tranche of a new financing accord between the two institutions, with a total value of EUR 350 million.

27.2. Supervisory Board of HBOR

After the reporting period, on 15 July 2025, the Decision was made on the appointment of Nataša Mikuš Žigman as Minister of Regional Development and European Union Funds, whereby she began to serve as a Member of the Supervisory Board of HBOR.

Previously, on 11 April 2025, the Decision was made on the dismissal of Šime Erlić from the position of Minister of Regional Development and European Union Funds, whereby he ceased to serve as a Member of the Supervisory Board of HBOR.

Appendix - Financial Performance of the HKO Group
Statement of Profit or Loss and Other Comprehensive Income
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	30 Jun, 2025 EUR '000	30 Jun, 2024 EUR '000
Income from insurance contracts	1,341	1,374
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	115	125
Other operating income	4	6
Net income	1,460	1,505
Expenses from insurance contracts	(1,079)	(1,123)
Net result of (passive) reinsurance contracts	(318)	(319)
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	(2)	-
Net exchange differences other than those on financial instruments	-	-
Profit before income tax	61	63
Income tax	-	-
Profit for the period	61	63
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	21	33
Decrease in the fair value of financial assets available for sale	(83)	(52)
Transfer of realized gains on asset available for sale to profit or loss	-	(1)
Deferred tax	11	3
Total items that may be reclassified subsequently to profit or loss:	(51)	(17)
Other comprehensive income after income tax	(51)	(17)
Total comprehensive income after income tax	10	46
Attributable to:		
Equity holder of the parent	10	46

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

(All amounts are expressed in thousands of Euros)

	Jun 30, 2025 EUR '000	Dec 31, 2024 EUR '000
Assets		
Non-current assets		
Property and equipment	127	146
Intangible assets	54	67
Deferred tax assets	117	91
Total non-current assets	298	304
Current assets		
Investments available for sale	6,502	6,165
Deposits with banks	3,158	3,461
Assets related to insurance contracts	768	683
Receivables from insurance operations	-	-
Other receivables	94	59
Cash and cash equivalents	331	518
Total current assets	10,853	10,886
Total assets	11,151	11,190
Equity and liabilities		
Equity		
Share capital	7,648	7,648
Retained earnings and reserves	1,092	806
Other reserves	(549)	(498)
Profit for the period	61	285
Total equity	8,252	8,241
Technical provisions		
Liabilities for remaining coverage	1,142	1,053
Liabilities for incurred claims	1,544	1,633
Gross technical provisions	-	-
Technical provisions, reinsurer's share	-	-
	2,686	2,686
Current liabilities		
Liabilities from insurance operations	-	-
Deferred and current tax liability	-	46
Other liabilities	213	217
Total liabilities	213	263
Total equity and liabilities	11,151	11,190

Appendix - Financial Performance of the HKO Group
Statement of Cash Flows
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	30 Jun, 2025 EUR '000	30 Jun, 2024 EUR '000
Operating activities		
Profit before income tax	61	63
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation	40	41
Impairment loss and provisions	(1)	(1)
Income tax	(22)	(7)
Accrued interest	13	(39)
Other	-	-
Premium/discount from FVOCI	1	6
<i>Operating profit before working capital changes</i>	92	63
Changes in operating assets and liabilities:		
Net decrease/(increase) in deposits with other banks, before impairment	290	(401)
Decrease of discount in assets available for sale and assets held to maturity	-	-
Premium receivables	(85)	130
Net (increase) in other assets	(34)	(31)
Net decrease of assets and liabilities from insurance operations	-	-
Net (decrease) in technical provisions	-	(32)
Net (decrease)/increase in other liabilities	(1)	115
Net cash provided from/(used in) operating activities	262	(156)
Investment activities		
Net (increase) in assets available for sale	(441)	-
Net purchase of property, plant and equipment and intangible assets	(8)	(148)
Net cash (used in) investment activities	(449)	(148)
Financing activities		
Net increase in founder's capital	-	-
Other adjustments	-	(12)
Net cash (used in) financing activities	-	(12)
Effect of foreign currency to cash and cash equivalents		
Net foreign exchange	-	-
Net effect	-	-
Net (decrease) in cash and cash equivalents	(187)	(316)
Balance as of 1 January	518	590
Net (decrease) in cash	(187)	(316)
Balance as of 30 June	331	274

Appendix - Financial Performance of the HKO Group
Statement of Changes in Equity
for the period 1 January – 30 June

(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	-	-	-	63	63	63
Other comprehensive income/loss	-	-	(17)	-	(17)	(17)
Total comprehensive income/loss	-	-	(17)	63	46	46
Transfer of profit 2023 to retained earnings	-	105	-	(105)	-	-
Other adjustments	-	38	(22)	-	16	16
Balance as of 30 June 2024	7,648	806	(650)	63	7,867	7,867
Balance as of 1 January 2025	7,648	806	(498)	285	8,241	8,241
Profit for the period	-	-	-	61	61	61
Other comprehensive income	-	-	(51)	-	(51)	(51)
Total comprehensive income	-	-	(51)	61	10	10
Transfer of profit 2024 to retained earnings	-	285	-	(285)	-	-
Other adjustments	-	1	-	-	1	1
Balance as of 30 June 2025	7,648	1,092	(549)	61	8,252	8,252