

CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

Zagreb, October 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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Report on financial performance

Results of the Group

In the period 1 January – 30 September 2025, the HBOR Group generated profit after tax in the amount of EUR 46.9 million.

Pursuant to the provisions of the Act on HBOR, the parent company is exempt from income tax and income tax liabilities arise exclusively from the activities of the other members of the Group.

In the period 1 January – 30 September 2025, total income on consolidated basis amounted to EUR 117.3 million, whereas total expenses amounted to EUR 70.4 million.

The consolidated total income increased by 15.0 percent, whereas total expenses increased by 20.8 percent compared to the same period previous year due to the developments in total income and expenses of the parent company.

In the structure of income of the Group, the largest portion, i.e. 76.1 percent, relates to interest income as a result of operations of the parent company.

The major part of total expenses, relates to interest expense, i.e. 50.7 percent, arising from the operations of the parent company.

The consolidated operating expenses in the period 1 January – 30 September 2025 amounted to EUR 26.9 million and consisted of general and administrative expenses and other operating expenses.

On 30 September 2025, the Group had 474 employees (on 30 September 2024: 456 employees).

Assets and liabilities of the Group

Total assets of the Group on consolidated basis amount to EUR 3,955.2 million and decreased by 1.1 percent compared to the beginning of the year.

In the structure of assets, the major portion relates to the lending activities of the parent company, i.e. net loans account for 85.8 percent of total assets.

Total liabilities and total equity as at 30 September 2025 amount to EUR 3,955.2 million, of which amount total liabilities equal EUR 2,400.4 million, i.e. 60.7 percent.

In total liabilities and total equity of the Group, the major portion, i.e. 56.6 percent, consists of borrowings of the parent company.

At the end of the reporting period, total equity on consolidated basis amounted to EUR 1,554.8 million and accounted for 39.3 percent of total liabilities and total equity of the Group.

Results of HBOR

The following text gives an overview and explanation of the significant changes in financial position and operating performance in the reporting period.

Financial performance

In the period from 1 January to 30 September 2025, HBOR generated total income of EUR 115.3 million, expenses of EUR 68.4 million and profit in the amount of EUR 46.9 million. HBOR's profit generated in the reporting period increased by EUR 3.3 million compared with the profit generated in the same period last year.

The increase in profit in the period from 1 January to 30 September 2025 compared with the same period last year is a result of an increase in total income by EUR 15.5 million and an increase in total expenses by EUR 12.2 million.

The circumstances that affected the financial result achieved in the nine-month reporting period 2025 compared to the results generated in the same period in 2024 are:

Report on financial performance

Results of HBOR (continued)

- increase in interest income of EUR 0.1 million,
- increase income from the cancellation of the subsidy deferral at the expense of HBOR's operations by EUR 0.9 million,
- increase in interest expenses of EUR 1.1 million,
- increase in net income from fees and commissions of EUR 0.6 million,
- increase in net gains from financial activities in the amount of EUR 3.9 million,
- increase in other income of EUR 0.7 million,
- increase in impairment gain and provisions by EUR 9.5 million,
- increase in operating expenses of EUR 4.5 million,
- increase in subsidy cost at the expense of HBOR's operations by EUR 6.8 million.

Overview of total gross portfolio and provisions by structure – financial institutions and direct

	2024		Sep 30, 2025	
	In millions of euros	Breakdown (percent)	In millions of euros	Breakdown (percent)
Total gross portfolio	4,992.7	100.0	5,181.7	100.0
Of which:				
- financial institutions	1,580.8	31.7	1,600.7	30.9
- direct	3,411.9	68.3	3,581.0	69.1
Total provisions	496.7	100.0	504.0	100.0
Of which:				
- financial institutions	8.2	1.7	8.5	1.7
- direct	488.5	98.3	495.5	98.3
Provisions/gross portfolio	9.9 percent	-	9.7 percent	-

Significant changes in financial position

Total assets of HBOR as at 30 September 2025 amounted to EUR 3,951.0 million and decreased by 1.1 percent compared to the beginning of the year.

Loans to financial institutions and other customers

As at 30 September 2025, total net loans amounted to EUR 3,393.3 million representing 85.9 percent of total assets, a decrease 4.0 compared to the beginning of the year.

Total gross loans amounted to EUR 3,867.0 million, a decrease 3.6 percent on the beginning of the year. Gross loans to other customers decreased by 6.1 percent compared to the beginning of the year. Gross loans to financial institutions increased by 1.8 percent compared to the beginning of the year.

As at 30 September 2025, the proportion between gross loans on-lent through financial institutions and direct placements stood at 32 percent: 68 percent (31 December 2024: 31 percent: 69 percent).

Report on financial performance

Results of HBOR (continued)

Total liabilities

As at 30 September 2025, total liabilities amounted to EUR 2,397.1 million, which represents 60.7 percent of total liabilities and total equity. The major part of total liabilities consists of HBOR's borrowings in the total amount of EUR 2,238.6 million.

Borrowings decreased by 0.5 percent compared with the beginning of the year, whereas changes in these liabilities are shown in the following table:

	(in millions of euros)
- Draw-down of funds borrowed	335.0
- Repayments of borrowings	(383.5)
- Foreign exchange gains or losses	(1.9)
- Other calculations *	0.7
Total changes	(49.7)

** Other calculations relate to changes in amount of interest not due and deferred fees.*

During 2025, HBOR continued to raise funds, and in the second quarter of 2025, it signed a loan agreement with the Council of Europe Development Bank (CEB) for financing micro, small and medium-sized enterprises, urban, rural and regional development, as well as social and affordable housing projects in the Republic of Croatia in the amount of EUR 250 million.

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.

Total equity

Out of the total amount of total liabilities and total equity, EUR 1,553.9 million or 39.3 percent relate to total equity.

Total equity of HBOR is comprised of the capital and the guarantee fund. HBOR's capital is comprised of founder's capital contributed from the budget of the Republic of Croatia, retained earnings from the profits generated in the previous years, other reserves and profits for the current period.

The total amount of capital contributed from the budget of the Republic of Croatia stood at EUR 907.8 million, and the remaining amount to be contributed to the founder's capital up to the total amount of EUR 929.1 million set by the HBOR Act is EUR 21.3 million

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 September 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 7 to 46 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.

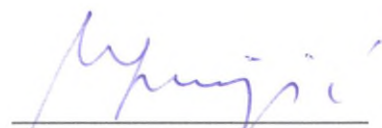
The Management Board has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and the Group and to prevent and detect fraud and other irregularities.

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 7 to 46 have been approved by the Management Board on 30 October 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, 30 October 2025



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

(All amounts are expressed in thousands of Euros)

	Notes	2025		2024	
		Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Interest income calculated using the effective interest method	5	29,875	88,016	31,949	87,958
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		742	1,335	135	434
Interest expense	6	(11,592)	(35,778)	(12,630)	(34,690)
Net interest income		19,025	53,573	19,454	53,702
Fee and commission income		916	2,028	502	1,581
Fee and commission expense		(247)	(572)	(456)	(794)
Net fee and commission income		669	1,456	46	787
Net gains/(losses) on financial operations		(3)	5,130	839	1,193
Other income		2,325	5,020	839	4,350
		22,016	65,179	21,178	60,032
Employee expenses	7 a)	(4,796)	(14,478)	(4,640)	(13,380)
Depreciation and amortisation	7 b)	(531)	(1,598)	(490)	(1,495)
Other expenses	7 c)	(4,072)	(10,856)	(1,910)	(7,505)
Subsidy cost at the expense of HBOR's operations		(1,191)	(7,216)	(129)	(443)
Impairment gains and provisions	8	(19,411)	15,918	(8,798)	6,491
Profit before income tax		(7,985)	46,949	5,211	43,700
Income tax		-	-	-	-
Profit for the period		(7,985)	46,949	5,211	43,700
Attributable to:					
Owner of the Bank		(7,985)	46,949	5,211	43,700

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 September

(All amounts are expressed in thousands of Euros)

	2025		2024	
	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Profit for the period	(7,985)	46,949	5,211	43,700
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	(39)	1,132	2,444	2,683
Deferred tax – other comprehensive income	(6)	5	-	4
Total items that may be reclassified subsequently to profit or loss	(45)	1,137	2,444	2,687
Other comprehensive income after income tax	(45)	1,137	2,444	2,687
Total comprehensive income after income tax	(8,030)	48,086	7,655	46,387
Attributable to:				
Owner of the Bank	(8,030)	48,086	7,655	46,387

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 September 2025	31 December 2024
	Notes	EUR '000	EUR '000
Assets			
Cash on hand and current accounts with banks		30,842	46,061
Deposits with other banks		86,323	93,871
Loans to financial institutions	9	1,248,728	1,225,809
Loans to other customers	10	2,144,633	2,308,436
Financial assets at fair value through profit or loss		75,066	67,047
Financial assets at fair value through other comprehensive income		352,206	245,387
Property, plant and equipment and intangible assets		7,490	5,095
Foreclosed assets		2,705	2,140
Other assets		7,230	5,801
Total assets		3,955,223	3,999,647
Liabilities			
Deposits from customers		49,854	95,512
Borrowings	11	2,238,578	2,288,268
Provisions for guarantees, commitments, and other liabilities		35,500	23,368
Other liabilities		76,419	88,213
Total liabilities		2,400,351	2,495,361
Equity			
Founder's capital		964,389	961,889
Retained earnings and reserves		539,127	498,945
Other reserves		2,769	1,632
Profit for the period		46,949	40,182
Guarantee fund		1,638	1,638
Total equity		1,554,872	1,504,286
Total liabilities and total equity		3,955,223	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 September

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
Operating activities		
Profit before income tax	46,949	43,700
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation and amortisation	1,598	1,495
Income tax		
Impairment gain and provisions	(15,918)	(6,491)
Subsidy cost at the expense of HBOR's operations	7,216	-
Accrued interest	17,282	(724)
Deferred fees	7,497	2,001
Net (loss) from trading with derivative financial instruments	(160)	297
Other changes in assets at fair value	2,838	(438)
<i>Operating profit/(loss) before working capital changes</i>	<i>67,302</i>	<i>39,840</i>
<i>Changes in operating assets and liabilities:</i>		
Net decrease/(increase) in deposits with other banks, before impairment	7,589	(52,580)
Net (increase)/decrease in loans to financial institutions, before impairment	(25,167)	80,162
Net decrease in loans to other customers, before loss impairment	148,615	2,141
Net (increase)/decrease in foreclosed assets	(565)	339
Net (increase)/decrease in other assets, before impairment	(2,024)	3,365
Net (decrease)/increase in deposits from banks and companies	(45,633)	27,946
Net (decrease) in other liabilities, before provisions	(11,820)	(14,925)
Net cash provided from operating activities	138,297	86,288
Investment activities		
Purchase of financial assets at fair value through profit or loss	(4,938)	(13,493)
Sale of financial assets at fair value through profit or loss	117	-
Purchase of financial assets at fair value through other comprehensive income	(237,864)	(105,386)
Sale of financial assets at fair value through other comprehensive income	133,467	89,391
Net purchase of property, plant and equipment and intangible assets	(3,368)	(1,558)
Net cash (used in) investment activities	(112,586)	(31,046)
Financing activities		
Increase in founder's capital	2,500	-
Increase in borrowings – withdrawn funds	335,000	457,220
Decrease in borrowings – repayments of principal	(383,585)	(514,722)
Other	6,968	(5,445)
Net cash (used in) from financing activities	(39,117)	(62,947)
Effect of foreign currency to cash and cash equivalents		
Net foreign exchange	(1,871)	(198)
Net effect	(1,871)	(198)
Net (decrease) in cash and cash equivalents	(15,277)	(7,903)
Cash and cash equivalents balance as of 1 January, before impairment	46,205	42,292
Net (decrease) in cash and cash equivalents	(15,277)	(7,903)
Cash and cash equivalents balance as of September before impairment	30,928	34,389
Additional note - Operational cash flows		
Interest paid	34,856	31,033
Interest received	90,091	71,123

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 September

(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 of 1 January 2024	958,889	468,998	(1,577)	29,947	1,638	1,457,895
Profit for the period	-	-	-	43,700	-	43,700
Other comprehensive income	-	-	2,687	-	-	2,687
Total comprehensive income	-	-	2,687	43,700	-	46,387
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,947	-	(29,947)	-	-
Balance as of 30 September 2024	958,889	498,945	1,110	43,700	1,638	1,504,282
Balance as of 1 January 2025	961,889	498,945	1,632	40,182	1,638	1,504,286
Profit for the period	-	-	-	46,949	-	46,949
Other comprehensive income	-	-	1,137	-	-	1,137
Total comprehensive income	-	-	1,137	46,949	-	48,086
Capital paid-in from the State Budget	2,500	-	-	-	-	2,500
Transfer of profit 2024 to retained earnings	-	40,182	-	(40,182)	-	-
Balance as of 30 September 2025	964,389	539,127	2,769	46,949	1,638	1,554,872

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 September

(All amounts are expressed in thousands of Euros)

	Notes	2025		2024	
		Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Interest income calculated using the effective interest method	5	29,823	87,846	31,885	87,766
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		742	1,335	135	434
Interest expense	6	(11,591)	(35,774)	(12,628)	(34,685)
Net interest income		18,974	53,407	19,392	53,515
Fee and commission income		916	2,028	502	1,581
Fee and commission expense		(247)	(572)	(456)	(794)
Net fee and commission income		669	1,456	46	787
Net gains/(losses) on financial operations		(3)	5,130	839	1,193
Other income		1,609	2,959	174	2,305
		21,249	62,952	20,451	57,800
Employee expenses	7 a)	(4,638)	(14,004)	(4,482)	(12,935)
Depreciation and amortisation	7 b)	(511)	(1,538)	(470)	(1,434)
Other expenses	7 c)	(3,544)	(9,284)	(1,454)	(5,934)
Subsidy costs at the expense of HBOR's operations		(1,191)	(7,216)	(129)	(443)
Impairment gains and provisions	8	(19,360)	15,968	(8,778)	6,511
Profit before income tax		(7,995)	46,878	5,138	43,565
Income tax		-	-	-	-
Profit for the period		(7,995)	46,878	5,138	43,565
Attributable to:					
Owner of the Bank		(7,995)	46,878	5,138	43,565

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 September

(All amounts are expressed in thousands of Euros)

	2025		2024	
	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Profit for the period	(7,995)	46,878	5,138	43,565
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	(117)	1,116	2,447	2,706
Total items that may be				
reclassified subsequently to				
profit or loss	(117)	1,116	2,447	2,706
Other comprehensive (loss)				
after income tax	(117)	1,116	2,447	2,706
Total comprehensive income				
after income tax	(8,112)	47,994	7,585	46,271
Attributable to:				
Owner of the Bank	(8,112)	47,994	7,585	46,271

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 September 2025	31 December 2024
	Notes	EUR '000	EUR '000
Assets			
Cash on hand and current accounts with banks		30,507	45,543
Deposits with other banks		81,939	90,410
Loans to financial institutions	9	1,248,728	1,225,809
Loans to other customers	10	2,144,633	2,308,436
Financial assets at fair value through profit or loss		75,066	67,047
Financial assets at fair value through other comprehensive income		346,785	239,222
Investments in subsidiaries		7,449	7,449
Property, plant and equipment and intangible assets		7,289	4,882
Foreclosed assets		2,705	2,140
Other assets		5,938	4,967
Total assets		3,951,039	3,995,905
Liabilities			
Deposits from customers		49,854	95,512
Borrowings	11	2,238,578	2,288,268
Provisions for guarantees, commitments, and other liabilities		35,500	23,368
Other liabilities		73,120	85,264
Total liabilities		2,397,052	2,492,412
Equity			
Founder's capital		964,373	961,873
Retained earnings and reserves		537,852	497,955
Other reserves		3,246	2,130
Profit for the period		46,878	39,897
Guarantee fund		1,638	1,638
Total equity		1,553,987	1,503,493
Total liabilities and total equity		3,951,039	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 September

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
Operating activities		
Profit before income tax	46,878	43,565
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation and amortisation	1,538	1,434
Impairment gain and provisions	(15,968)	(6,511)
Subsidy cost at the expense of HBOR's operations	7,216	-
Accrued interest	17,280	(732)
Deferred fees	7,497	2,001
Net (loss) from trading with derivative financial instruments	(160)	297
Other changes in assets at fair value	2,838	(445)
<i>Operating profit/(loss) before working capital changes</i>	<i>67,119</i>	<i>39,609</i>
<i>Changes in operating assets and liabilities:</i>		
Net decrease/(increase) in deposits with other banks, before impairment	8,509	(51,030)
Net (increase)/decrease in loans to financial institutions, before impairment	(25,167)	80,162
Net decrease in loans to other customers, before impairment	148,615	2,141
Net (increase)/decrease in foreclosed assets	(565)	339
Net (increase)/decrease in other assets, before impairment	(1,597)	3,253
Net (decrease)/increase in deposits from banks and companies	(45,633)	27,946
Net (decrease) in other liabilities, before provisions	(12,144)	(15,134)
Net cash provided from operating activities	139,137	87,286
Investment activities		
Purchase of financial assets at fair value through profit or loss income	(4,938)	(13,493)
Sale of financial assets at fair value through profit or loss income	117	-
Purchase of financial assets at fair value through other comprehensive income	(240,389)	(105,386)
Sale of financial assets at fair value through other comprehensive income	133,467	88,814
Net purchase of property, plant and equipment and intangible assets	(3,320)	(1,091)
Net cash (used in) investment activities	(115,063)	(31,156)
Financing activities		
Increase in founder's capital	2,500	-
Increase in borrowings – withdrawn funds	335,000	457,220
Decrease in borrowings – repayments of principle	(383,585)	(514,722)
Other	8,788	(5,904)
Net cash (used in) financing activities	(37,297)	(63,406)
Effect of foreign currency to cash and cash equivalents		
Net foreign exchange	(1,871)	(199)
Net effect	(1,871)	(199)
Net (decrease) in cash and cash equivalents	(15,094)	(7,475)
Cash and cash equivalents balance as of 1 January, before impairment	45,686	41,701
Net (decrease) in cash and cash equivalents	(15,094)	(7,475)
Cash and cash equivalents balance as at 30 September, before impairment	30,592	34,226
Additional note – operating activities		
Interest paid	34,856	31,033
Interest received	89,974	70,980

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 September

(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	-	-	-	43,565	-	43,565
Other comprehensive income	-	-	2,706	-	-	2,706
Total comprehensive income	-	-	2,706	43,565	-	46,271
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,842	-	(29,842)	-	-
Balance as at 30 September 2024	958,873	497,955	1,763	43,565	1,638	1,503,794
Balance as at 1 January 2025	961,873	497,955	2,130	39,897	1,638	1,503,493
Profit for the period	-	-	-	46,878	-	46,878
Other comprehensive income	-	-	1,116	-	-	1,116
Total comprehensive income	-	-	1,116	46,878	-	47,994
Capital paid-in from the State Budget	2,500	-	-	-	-	2,500
Transfer of profit 2024 to retained earnings	-	39,897	-	(39,897)	-	-
Balance as at 30 September 2025	964,373	537,852	3,246	46,878	1,638	1,553,987

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 September 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 September 2025, the Group had 474 employees (30 September 2024: 456 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 September 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,
- David Vlajčić, Deputy Prime Minister of the Republic of Croatia and Minister of Agriculture, Forestry and Fisheries,
- Branko Bačić, Deputy Prime Minister of the Republic of Croatia and Minister of Physical Planning, Construction and State Assets,
- Nataša Mikuš Žigman, Minister of Regional Development and European Union Funds,
- Marija Vučković, MSc, Minister of Environmental Protection and Green Transition,
- 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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 September 2025, HBOR had 452 employees (30 September 2024: 436 employees).

Audit Committee

As of 30 September 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.

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

(All amounts are expressed in thousands of Euros)

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.

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 September 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 September 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 September 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);
- Amendments to 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 and their amendments 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 September 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 July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Public sector	6,336	18,306	6,104	17,551	6,310	18,208	6,065	17,430
State-owned companies	850	4,209	1,785	5,522	850	4,209	1,785	5,522
Foreign companies	130	381	103	234	130	381	103	234
Domestic companies	13,377	39,515	16,888	42,313	13,371	39,498	16,889	42,310
Domestic financial institutions	6,918	19,942	6,029	17,764	6,898	19,887	6,003	17,696
Foreign financial institutions	229	753	560	1,585	229	753	560	1,585
Penalty interest	1,612	3,656	61	1,743	1,612	3,656	61	1,743
Other	423	1,254	419	1,246	423	1,254	419	1,246
	29,875	88,016	31,949	87,958	29,823	87,846	31,885	87,766

Interest income by type of facility:

	Group				Bank			
	2025		2024		2025		2024	
	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Interest on loans								
- financial institutions	6,517	18,894	5,623	16,739	6,517	18,894	5,623	16,739
- other customers	20,765	61,874	23,670	63,974	20,765	61,874	23,670	63,974
	27,282	80,768	29,293	80,713	27,282	80,768	29,293	80,713
Investments in securities	1,964	5,448	1,689	4,634	1,931	5,332	1,651	4,510
- Bonds of the Republic of Croatia	1,594	4,728	1,522	4,070	1,569	4,630	1,483	3,949
- Corporate bonds	9	23	1	9	1	5	2	6
- Treasury bills of the Ministry of Finance	361	697	166	555	361	697	166	555
Deposits and current accounts with banks	629	1,800	967	2,611	610	1,746	941	2,543
	29,875	88,016	31,949	87,958	29,823	87,846	31,885	87,766

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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 July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Domestic financial institutions	1,984	5,218	664	1,843	1,984	5,218	664	1,843
Foreign financial institutions	7,877	23,654	8,214	23,270	7,877	23,654	8,214	23,270
State units	1,696	6,781	3,741	9,543	1,624	6,781	3,741	9,543
Other	35	125	11	34	106	121	9	29
	11,592	35,778	12,630	34,690	11,591	35,774	12,628	34,685

Interest expense by type of facility:

	Group				Bank			
	2025		2024		2025		2024	
	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Borrowings	11,557	35,531	11,248	32,094	11,557	35,531	11,248	32,094
Deposits	26	220	1,372	2,562	26	220	1,372	2,562
Leases – interest expenses on long term contracts	9	27	10	34	8	23	8	29
	11,592	35,778	12,630	34,690	11,591	35,774	12,628	34,685

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 September 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 July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30	Current period July 1 – September 30	Cumulatively January 1 – September 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
7 a) Employee expenses		4,796	14,478	4,640	13,380	4,638	14,004	4,482
7 b) Depreciation		531	1,598	490	1,495	511	1,538	470
7 c) Other expenses		4,072	10,856	1,910	7,505	3,544	9,284	1,454
Of which:								
Administration expenses		2,177	5,373	430	2,316	2,165	5,304	419
Material and services		1,254	3,437	963	3,231	1,171	3,171	884
Other expenses		641	2,046	517	1,958	208	809	151
		9,399	26,932	7,040	22,380	8,693	24,826	6,406

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 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	23	(58)	69	(19)	23	(58)	68	(19)
Impairment losses on deposits with other banks	(125)	(32)	(101)	(92)	(128)	(34)	(104)	(95)
Impairment losses on loans to financial institutions	261	(154)	(271)	(225)	261	(154)	(271)	(225)
Impairment losses on loans to other customers and interest	8,598	(24,962)	11,115	(9,460)	8,598	(24,962)	11,115	(9,460)
Modification loss/(gain) – financial institutions	(119)	(253)	(81)	(260)	(119)	(253)	(81)	(260)
Modification (gain)/loss – other customers	(987)	(2,834)	(639)	(468)	(987)	(2,834)	(639)	(468)
POCI assets – fair value adjustment at initial recognition	-	108	25	8,686	-	108	25	8,686
Impairment of financial assets at fair value through other comprehensive income	120	146	(37)	(21)	76	102	(35)	(19)
Impairment losses on other assets	1	7	24	355	(3)	3	6	336
Provisions for commitments	14,285	13,824	(1,601)	(3,614)	14,285	13,824	(1,601)	(3,614)
Provision for guarantees	(2,626)	(879)	(117)	(2,601)	(2,626)	(879)	(117)	(2,601)
Total	19,431	(15,087)	8,386	(7,719)	19,380	(15,137)	8,366	(7,739)

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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 July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Provision for other liabilities	(20)	(831)	431	1,305	(20)	(831)	431	1,305
Other adjustments	-	-	(19)	(77)	-	-	(19)	(77)
Total	(20)	(831)	412	1,228	(20)	(831)	412	1,228
Total	19,411	(15,918)	8,798	(6,491)	19,360	(15,968)	8,778	(6,511)

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

(All amounts are expressed in thousands of Euros)

9. Loans to financial institutions (continued)

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

	30 September 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
EU Projects	52,195	52,086
Financial Restructuring	5,361	4,602
Pre-Export Finance	135	135
Public Sector Investment	225,984	190,432
Private Sector Investment	224,369	201,756
Youth, Female, Start-up Entrepreneurship	18,251	12,560
Working Capital	6,003	14,146
Working Capital – COVID 19 measures and CRISIS 2022	1,978	3,094
Loan programme for reconstruction and development of the economy	45,246	55,484
Export financing	102,674	121,758
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	68,312	77,482
Loan programme for small and medium-sized enterprises	330,003	409,954
Loan programme for war-torn and demolished housing and business facilities	46	131
Other	180,230	92,000
Accrued interest	1,044	891
Deferred recognition of loan fees	(5,619)	(3,064)
	1,256,212	1,233,447
Loss allowances	(7,484)	(7,638)
	1,248,728	1,225,809

Average interest rates for total loans to financial institutions are stated at 0.63% (1 January - 30 September 2024: 0.56%) and average interest's rates for loans under HBOR loan programmes excluding the liquidity reserve are stated at 0.57% (1 January – 30 September 2024: 0.48%).

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 180,230 thousand (31 December 2024: EUR 92,000 thousand). The above placements are collateralized by securities in the amount of EUR 190,947 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

9. Loans to financial institutions (continued)

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 September 2025	Stage 1	Stage 2	Stage 3	Group and Bank Total
	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	1,227,711	27,468	1,033	1,256,212
Loss allowances	(4,188)	(2,495)	(801)	(7,484)
Balance as of 30 September 2025	1,223,523	24,973	232	1,248,728

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

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

(All amounts are expressed in thousands of Euros)

10. 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 September 2025	31 December 2024
	EUR '000	EUR '000
EU Projects	131,843	97,039
Financial Restructuring	93,717	105,324
Pre-Export Finance	1,784	3,090
Public Sector Investment	341,588	307,501
Private Sector Investment	461,632	401,241
Youth, Female, Start-up Entrepreneurship	16,167	9,271
Working Capital	180,724	239,521
Working Capital – COVID 19 measures and CRISIS 2022	328,761	435,086
Loan programme for reconstruction and development of the economy	173,971	203,649
Export financing	342,752	377,654
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	401,682	445,375
Loan programme for small and medium-sized enterprises	70,065	81,015
Sustainable Tourism Loans	1,217	-
Urban Development Fund	344	-
Production Modernisation Loans	346	-
Other	46,803	36,374
Accrued interest	35,671	51,552
Deferred recognition of loan origination fees	(18,312)	(13,714)
	2,610,755	2,779,978
Loss allowances	(466,122)	(471,542)
	2,144,633	2,308,436

Average interest rates on loans to other customers are stated at 2.08% (1 January – 30 September 2024: 2.12%).

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 14,420 thousand (31 December 2024: EUR 1,550 thousand). The above placements are collateralized by securities in the amount of EUR 12,196 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

10. Loans to other customers (continued)

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 September 2025	Stage 1	Stage 2	Stage 3	POCI	Group and Bank Total	
	Stage 1	Stage 2	Stage 3	Stage 2	Stage 3	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	1,732,499	389,888	415,741	6,789	65,838	2,610,755
Loss allowances	(38,880)	(118,399)	(273,949)	(284)	(34,610)	(466,122)
Balance as of 30 September 2025	1,693,619	271,489	141,792	6,505	31,228	2,144,633

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

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

(All amounts are expressed in thousands of Euros)

11. Borrowings

	30 September 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
Balance as of 1 January	2,283,672	2,248,771
New borrowings	335,000	689,684
Repayments	(383,585)	(655,843)
Net foreign exchange gain/loss	(1,889)	1,060
	<u>2,233,198</u>	<u>2,283,672</u>
Accrued interest	8,061	7,621
Deferred fees	(2,681)	(3,025)
	<u>2,238,578</u>	<u>2,288,268</u>

	30 September 2025 EUR '000	Group and Bank 31 December 2024 EUR '000
Borrowings from foreign financial institutions (a)	1,677,365	1,818,672
Borrowings from domestic institutions (b)	555,833	465,000
	<u>2,233,198</u>	<u>2,283,672</u>
Accrued interest	8,061	7,621
Deferred recognition of fees	(2,681)	(3,025)
	<u>2,238,578</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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

12. 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 September 2025 EUR '000	31 December 2024 EUR '000
Guarantees issued	57,109	59,473
Guarantees issued in foreign currency	7,012	4,846
Undrawn loans	729,022	480,198
EIF – subscribed, not called up capital	10,400	10,400
EIF CROGIP Contracted Liability	20,607	24,860
EIF FRC2 Contracted Liability	20	43
Contracted Liability Programme for Investing in Alternative Investment Funds	4,920	-
	829,090	579,820
Provisions for guarantees and commitments	(25,876)	(12,913)
	803,214	566,907

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 8%, 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

13. 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 September 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 September 2025	30 September 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	479,667	274,238	278,299	406,562
Government funds, executive authorities and agencies	468,402	30,127	584,979	33,536
State-owned companies	121,604	731	138,822	934
Key management personnel	168	438	238	393
Total	1,069,841	305,534	1,002,338	441,425

Group	Income	Expense	Income	Expense
	Jan 1 – Sep 30 2025	Jan 1 – Sep 30 2025	Jan 1 – Sep 30 2024	Jan 1 – Sep 30 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	8,554	9,746	6,436	9,078
Government funds, executive authorities and agencies	7,888	222	10,341	67
State-owned companies	18,638	2,224	11,996	4,096
Key management personnel	5	1,142	6	1,049
Total	35,085	13,334	28,779	14,290

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

(All amounts are expressed in thousands of Euros)

13. Related-party transactions (continued)

a) Related-party transactions (continued)

Bank	Assets	Liabilities	Assets	Liabilities
	30 September 2025	30 September 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	479,667	274,238	278,299	406,562
Government funds, executive authorities and agencies	463,967	30,115	579,373	33,530
State-owned companies	121,603	730	138,821	931
Subsidiary companies	7,449	-	7,449	-
Key management personnel	168	416	238	374
Total	1,072,854	305,499	1,004,180	441,397

Bank	Income	Expense	Income	Expense
	Jan 1 – Sep 30 2025	Jan 1 – Sep 30 2025	Jan 1 – Sep 30 2024	Jan 1 – Sep 30 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	8,554	9,746	6,436	9,078
Government funds, executive authorities and agencies	7,781	219	10,204	50
State-owned companies	18,638	2,208	11,996	4,082
Key management personnel	5	954	6	887
Total	34,978	13,127	28,642	14,097

Assets include loans to other customers, 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

13. Related-party transactions (continued)

b) Collateral received

	Group		Bank	
	30 September 2025	31 December 2024	30 September 2025	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
The Republic of Croatia	937,501	1,068,419	932,891	1,064,179
State agencies	82,494	88,896	82,494	88,896
Total	1,019,995	1,157,315	1,015,385	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 1,126 thousand (1 January to 30 September 2024: EUR 1,037 thousand), and for the Bank EUR 954 thousand (1 January to 30 September 2024: EUR 887 thousand).

Remuneration for the work of the members of the Supervisory Board in the reporting period amounted to EUR 16 thousand for the Group (1 January to 30 September 2024: EUR 12 thousand) and for the Bank EUR 0 thousand (1 January to 30 September 2024: EUR 0 thousand) and it relates to the members of supervisory boards at subsidiaries who were appointed by HBOR.

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

(All amounts are expressed in thousands of Euros)

14. 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.

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

(All amounts are expressed in thousands of Euros)

15. Fair value of financial assets and financial liabilities

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

15.1. 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 September 2025 and 31 December 2024.

Group	30 September 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	-	-	32,151
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	42,873	-	-
<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	42,873	-	32,193
Financial assets at fair value through other comprehensive income:			
<i>Debt instruments:</i>			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	206,562	-	-
Corporate bonds	981	-	-
Treasury bills of the Ministry of Finance	133,729	-	-
Accrued interest	2,185	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	66
Convertible bonds - CB	-	-	137
Accrued interest	-	-	1
Total debt instruments	343,457	-	204
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities - SWIFT	-	9	-
Shares of foreign financial institutions – EIF	-	8,536	-
Total equity instruments	-	8,545	-
Total financial assets at fair value through other comprehensive income	343,457	8,545	204
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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

15.1. 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
<i>Derivative financial assets-positive fair value</i>			
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:			
<i>Debt instruments:</i>			
<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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

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

Bank	30 September 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	-	-	32,151
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	42,873	-	-
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	42,873	-	32,193
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	202,157	-	-
Treasury bills of the Ministry of Finance	133,729	-	-
Accrued interest	2,150	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	66
Convertible bonds - CB	-	-	137
Accrued interest	-	-	1
Total debt instruments	338,036	-	204
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities – SWIFT	-	9	-
Shares of foreign financial institutions – EIF	-	8,536	-
Total equity instruments	-	8,545	-
Total financial assets at fair value through other comprehensive income	338,036	8,545	204
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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

15.1. 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:			
<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 companies' shares			
<i>Unlisted equity instruments:</i>			
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:			
<i>Debt instruments:</i>			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	215,756	-	-
Treasury bills of the Ministry of Finance	11,919	-	-
Accrued interest	3,262	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	73
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
Total debt instruments	230,937	-	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	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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

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

15.1.1. 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 September 2025, the market price of ordinary shares of the debtor that the Bank could subscribe amounted to EUR 2,540 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 September 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 September 2025 amounted to EUR 2,540 thousand, i.e. USD 2,977 thousand at the exchange rate on 30 September 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 2,540 thousand.

The Bank has placed a mezzanine loan in the amount of EUR 30,000 thousand. As at 30 September 2025, the fair value of this mezzanine debt stood at EUR 29,473 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 September 2025 amounted to EUR 138 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 September 2025, the total fair value of the mezzanine debt stood at EUR 32,151 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

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

15.1.1. 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 September 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 September 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 15.38%, the bond price would be 44.13%, which would result in an increase in HBOR's generated profits of EUR 0.8 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 19.38%, the bond price would be 43.08%, 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 September 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

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

15.1.1. 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	Sep 30, 2025 EUR '000	Sep 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	131	(748)
Net foreign exchange	(358)	(24)
Balance as of 30 September	32,151	32,926

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

Group and Bank	Sep 30, 2025 EUR '000	Sep30, 2024 EUR '000
Balance as at 1 January	212	278
Increase in fair value through other comprehensive income	10	103
Partial payment of the nominal amount*	-	(154)
Principal due date	(19)	(15)
Accrued interest	1	2
Balance as of 30 September	204	214

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

(All amounts are expressed in thousands of Euros)

16. 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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

16. Reporting by segments (continued)

	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
Jan 1 – Sep 30, 2025					
Net interest income	52,072	166	-	-	52,238
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	1,335	-	-	-	1,335
Net fee income	1,456	-	266	-	1,722
Net income/(expenses) from financial operations	5,130	-	1	-	5,131
Impairment gain	15,968				15,968
Net premium earned	-	1,788	-	-	1,788
Other income	2,959	272	34	(33)	3,232
Income from operating activities	78,920	2,226	301	(33)	81,414
Operating costs	(24,826)	(293)	(233)	33	(25,319)
Impairment loss and provisions	-	(46)	(4)	-	(50)
Subsidy cost at the expense of HBOR's operations	(7,216)	-	-	-	(7,216)
Expenses for insured cases	-	(266)	-	-	(266)
Net change in provisions	-	(1)	-	-	(1)
Other expenses	-	(1,613)	-	-	(1,613)
Operating expenses	(32,042)	(2,219)	(237)	33	(34,465)
Profit before income tax	46,878	7	64	-	46,949
Income tax	-	-	-	-	
Profit for the year	46,878	7	64	-	46,949
30 September 2025					
Assets of segment	3,951,039	11,501	202	(7,519)	3,955,223
Total assets	3,951,039	11,501	202	(7,519)	3,955,223
Liabilities of segment	2,397,052	3,271	31	(3)	2,400,351
Total equity	1,553,987	8,230	131	(7,476)	1,554,872
Total liabilities and total equity	3,951,039	11,501	162	(7,479)	3,955,223

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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

16. Reporting by segments (continued)

	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
Jan 1 – Sep 30, 2024					
Net interest income	53.081	187	-	-	53.268
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	434	-	-	-	434
Net fee income	787	-	251	-	1.038
Net income/(expenses) from financial operations	1.193	-	2	-	1.195
Impairment gain	6.511	-	-	-	6.511
Net premium earned	-	1.785	-	-	1.785
Other income	2.305	258	33	(31)	2.565
Income from operating activities	64.311	2.230	286	(31)	66.796
Operating costs	(20,303)	(691)	(237)	31	(21,200)
Impairment (loss) and provisions	-	(20)	-	-	(20)
Subsidy cost at the expense of HBOR's operations	(443)	-	-	-	(443)
Expenses for insured cases	-	(251)	-	-	(251)
Net change in provisions	-	(2)	-	-	(2)
Other expenses	-	(1,180)	-	-	(1,180)
Operating expenses	(20,746)	(2,144)	(237)	31	(23,096)
Profit before income tax	43,565	86	49	-	43,700
Income tax	-	-	-	-	-
Profit for the year	43,565	86	49	-	43,700
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 September 2025 (continued)

(All amounts are expressed in thousands of Euros)

17. 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 September 2025 and 31 December 2024.

	30 September 2025 EUR '000	Group 31 December 2024 EUR '000	30 September 2025 EUR '000	Bank 31 December 2024 EUR '000
Total regulatory capital	1,549,047	1,498,852	1,549,023	1,498,634
Credit risk weighted exposure amount	2,317,578	2,398,598	2,314,202	2,396,236
Capital requirements for operating risk	144,263	144,263	139,138	139,138
Capital requirements for currency risk	-	-	-	-
Total capital requirements	2,461,841	2,542,861	2,453,340	2,535,374
Capital adequacy ratio	% 62.92	% 58.94	% 63.14	% 59.11
	EUR '000	EUR '000	EUR '000	EUR '000
Own funds needed for ensuring capital adequacy according to regulatory requirements	295,421	305,143	294,401	304,245