



HRVATSKA BANKA ZA OBNOVU I RAZVITAK

**ANNUAL REPORT  
OF THE CROATIAN BANK FOR RECONSTRUCTION AND  
DEVELOPMENT GROUP  
FOR 2025**

Zagreb, March 2026

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## STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF THE ANNUAL REPORT

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To the best of our knowledge, the 2025 Annual Report contains the truthful representation of developments, business results and position of the Croatian Bank for Reconstruction and Development and the Croatian Bank for Reconstruction and Development Group as well as the description of the most significant risks and contingencies, to which the Croatian Bank for Reconstruction and Development and the Croatian Bank for Reconstruction and Development Group are exposed.

Hrvoje Čuvalo, MSc



President of the  
Management Board

Alan Herjavec, MSc



Member of the  
Management Board

Josip Pavković



Member of the  
Management Board

Zagreb, 26 March 2026



## MANAGEMENT REPORT FOR 2025

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The Annual Report includes the summary of financial information, description of operations and audited Annual Financial Statements with the Independent Auditor's Report for the year ended 31 December 2025. The audited Financial Statements are shown for the Croatian Bank for Reconstruction and Development Group and the Croatian Bank for Reconstruction and Development.

### Legal status

The Annual Report includes the Annual Financial Statements prepared in accordance with the International Financial Reporting Standards and the Accounting Act and audited in accordance with the International Standards on Auditing. The compliance of the Annual Report with the Annual Financial Statements has been confirmed by auditors through the implementation of the procedure required by the Accounting Act.

### Establishment

The Croatian Bank for Reconstruction and Development was established on 12 June 1992 by the Act on Hrvatska kreditna banka za obnovu (HKBO). The Bank was renamed Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development) by amendments to the above Act in December 1995. In December 2006, the Croatian Parliament passed a new Act on HBOR, which came into force on 28 December 2006. On 15 February 2013, the Croatian Parliament passed the Act on Amendments to the HBOR Act, whereby the Supervisory Board of HBOR was amended and increased by one member: Minister of Regional Development and EU Funds, and it now consists of ten members.

### Croatian Bank for Reconstruction and Development 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 (HBOR Group) that was formed in 2010. The HBOR Group consists of the parent company (HBOR), Hrvatsko kreditno osiguranje d.d. (HKO) and Poslovni info servis d.o.o. (PIS).

NAME	ROLE WITHIN THE GROUP	% OF PARTICIPATION	BUSINESS ACTIVITIES
<b>Hrvatsko kreditno osiguranje d.d.</b>	Subsidiary company, direct equity participation	100% HBOR	Insurance of foreign and domestic short-term receivables regarding shipments of goods and services
<b>Poslovni info servis d.o.o.</b>	Subsidiary company, indirect equity participation	100% HKO	Providing analyses, credit risk assessments and information on creditworthiness

**Breakdown of the most significant financial information for HBOR (in EUR million)**

	2023	2024	2025
<b>Total assets</b>	4,018.68	3,995.91	4,056.04
<b>Gross loans</b>	4,077.56	4,013.43	3,842.26
<b>Total equity</b>	1,457.52	1,503.50	1,568.32
<b>Total income</b>	102.32	128.67	152.61
<b>Total expense</b>	(72.48)	(88.77)	(89.58)
<b>Profit</b>	29.84	39.90	63.03
<b>Interest income calculated on the basis of effective interest rate method and income from the cancellation of subsidy deferral at the expense of HBOR's operations</b>	94.63	122.30	118.19
<b>Interest expense</b>	(28.27)	(47.30)	(47.37)
<b>Net interest income</b>	66.36	75.00	70.82

**Credit rating as at 31 December 2025**

A- (positive outlook) by Standard & Poor's

**Regional offices**

Regional office for Northern Dalmatia

Regional office for Central and South Dalmatia

Regional office for Istria

Regional office for Lika

Regional office for Primorje and Gorski Kotar

Regional office for Northwestern Croatia

Regional office for Slavonia and Baranja

Regional office for Central Croatia

**Number of employees**

On 31 December 2025, there were 457 employees at HBOR.

On 31 December 2025, there were 480 employees at HBOR Group.

**Exchange rate**

For the purpose of converting amounts in foreign currencies into EUR, the following middle exchange rates of the Croatian National Bank (HNB) were applied:

31 December 2025                      EUR 1 = USD 1.1757

31 December 2024                      EUR 1 = USD 1.0444

## **CORPORATE GOVERNANCE CODE APPLICATION STATEMENT**

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### **Croatian Bank for Reconstruction and Development (HBOR)**

HBOR applies HBOR's Code of Corporate Governance (hereinafter: the Code) adopted by the Management Board and the Supervisory Board and published on HBOR's website.

Compliance of operations with laws and regulations and adherence to internal rules are the basis of responsible corporate governance and a necessary precondition for sustainable business success. HBOR systematically monitors legislation and best practices in the field of corporate governance and integrates corporate governance principles in its operations pursuant to sound banking practices.

The Code of Corporate Governance establishes the standards of corporate governance and the transparency and upgrading of HBOR's operations for effective and responsible management of public capital as well as activities of special social significance for the development of the Croatian economy. In order to achieve the standard of corporate governance, HBOR's Code describes the relationships with governing bodies and stakeholders as well as the adopted business principles aimed at mitigating the risks of operating in adverse market conditions.

The Code of Ethics of HBOR prescribes HBOR's core values as well as certain areas that are particularly important in HBOR's operations, for which the principles of conduct when making decisions are established, and it provides for the possibility of filing a report on the grounds of violation of HBOR's Code of Ethics.

The report form, the e-mail address for filing reports and the description of the filing are available on HBOR's website.

In accordance with the principles of public business, in the reporting period, the financial statements of HBOR and HBOR Group have been published on the websites of HBOR. HBOR's separate and consolidated annual financial statements are adopted by the Supervisory Board and submitted to the Croatian Parliament for approval. The assessment of HBOR's rating was implemented by the international independent rating agency Standard & Poor's. Pursuant to the Right of Access to Information Act, HBOR submits the report on the implementation of the Act to the Information Commissioner.

In the reporting period, the duties, responsibilities and powers of the members of the Management Board and the Supervisory Board were regulated by the Act on HBOR (Official Gazette of the Republic of Croatia, No. 138/06) and by the Act on Amendments to the Act on HBOR (Official Gazette of the Republic of Croatia, No. 25/13) and were further elaborated in the By-laws of HBOR. The Management Board and the Supervisory Board successfully cooperate through open discussions, and the timely submission of thorough written reports to the Supervisory Board represents the basis for this cooperation. The By-laws of HBOR and the decisions made by the Supervisory Board determine the activities that HBOR may perform only with the prior consent of the Supervisory Board.

The **Supervisory Board** determines the principles of HBOR's operating policy and strategy, supervises the business activities of HBOR, adopts the Annual Financial Statements, examines the Internal Audit reports and reports drafted by external independent auditors and by the State Audit Office, adopts documents within its jurisdiction, decides in cases placed under its jurisdiction by the Act or the By-laws and gives its consent to the decisions made by the Management Board in accordance with the By-laws. The Supervisory Board also monitors and controls the legality of the business activities of the Management Board and appoints and dismisses the President and the Members of the Management Board. In accordance with the Act, the Supervisory Board consists of ten members: six ministers in the Government of the Republic of Croatia, three Members of Parliament, and the President of the Croatian Chamber of Economy.

In 2025, the Members of the Supervisory Board were as follows:

- **Marko Primorac, PhD**, Deputy Prime Minister of the Republic of Croatia, Minister of Finance, President of the Supervisory Board
- **Ante Šušnjar**, Minister of the Economy, Deputy President of the Supervisory Board
- **Josip Dabro**, Minister of Agriculture, Forestry and Fisheries (in office until 18 January 2025)
- **David Vlajčić**, Deputy Prime Minister of the Republic of Croatia, Minister of Agriculture, Forestry and Fisheries (in office since 13 March 2025)
- **Branko Bačić**, Deputy Prime Minister of the Republic of Croatia, Minister of Physical Planning, Construction and State Assets
- **Šime Erlić**, Minister of Regional Development and EU Funds (in office until 14 April 2025)
- **Nataša Mikuš Žigman**, Minister of Regional Development and EU Funds (in office since 15 July 2025)
- **Marija Vučković, MSc**, Minister of Environmental Protection and Green Transition
- **Luka Burilović, PhD**, President of the Croatian Chamber of Economy
- **Branka Juričev Martinčev**, Member of the Croatian Parliament
- **Predrag Štromar**, Member of the Croatian Parliament
- **Boris Piližota, MSc**, Member of the Croatian Parliament

The **Management Board** represents HBOR and conducts HBOR's business, and it is obliged and authorised to take all actions and pass all resolutions it considers necessary for the legal and successful conduct of business. The powers of the Management Board also include adopting documents that determine the manner of operations and the internal organisation of HBOR, adopting loan programmes and general terms and conditions of operations, making individual decisions on approving financial and other transactions, making decisions on the appointment and dismissal of employees with special powers, making decisions on the rights and obligations of employees and reporting to the Supervisory Board.

In 2025, the Members of the Management Board were as follows:

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

On the basis of HBOR's Code of Corporate Governance and the Audit Act, the Audit Committee of HBOR has been established pursuant to a decision of the Supervisory Board. The Audit Committee is comprised of three members, one of whom is appointed from among the members of the Supervisory

Board of HBOR and the other two, at least one of whom must be an independent member, are appointed by the Supervisory Board. The Chairman is appointed by the Supervisory Board from among the independent members of the Audit Committee.

In 2025, the Members of the Audit Committee of HBOR were as follows:

- **Lajoš Žager, Prof DSc**, Full Professor, Department of Accounting, Faculty of Economics and Business of the University of Zagreb, Chairman of the Audit Committee
- **Predrag Štromar**, Chairman of the Physical Planning and Construction Committee of the Croatian Parliament, Member of the Audit Committee
- **Boris Tušek, Prof DSc**, Full Professor, Department of Accounting, Faculty of Economics and Business of the University of Zagreb, Member and Deputy Chairman of the Audit Committee

To ensure as effective and as high-quality risk management as possible and to reduce the risks to the acceptable minimum level, the following committees operate under the Management Board: the Asset and Liability Management Committee, the Credit Risk Assessment and Measurement Committee, the Information System Management Committee, the Business Change Management Committee and the Sustainable Finance Committee.

The internal control system of HBOR is organised through independent organisational units as follows:

- **Risk Management Division** identifies, assesses, measures, monitors and controls the risks to which HBOR is exposed or may be exposed within the framework of its operations and reports on them to the bodies in charge,
- **Internal Audit** verifies the adequacy and effectiveness of the risk management and the internal control system, including the risk control function and the compliance monitoring function, the application of internal policies and procedures, as well as the activities related to the prevention of money laundering, whereas the subject matter of audit are also all other business processes as determined based on risk assessment,
- **Compliance Monitoring Function** organises, coordinates and directs the activities concerning compliance monitoring at the level of HBOR, advises on the matters of compliance, controls the measures taken to minimise compliance risk, incorporates information on compliance monitoring, identifies and assesses the risks of compliance and provides regular reports. The main tasks of the compliance monitoring function are to limit the non-compliance risk and its possible negative effects, ensure the compliance of all internal documents and business processes with the relevant regulations and promote the principles of ethical business.

## **Hrvatsko kreditno osiguranje d.d. (HKO, Company)**

The internal control system of Hrvatsko kreditno osiguranje d.d. is organised through key functions and other control functions (e.g. head of information system security, ICT risk control function, insurance distribution monitoring and control function, personal data protection officer).

The four key functions are as follows:

- Compliance monitoring function,
- Risk management function,
- Internal audit function, and
- Actuarial function.

HKO has established an adequate internal control system on the basis of the internal regulation: the Ordinance on the Internal Control System. The system contributes to effective risk management, reduction of the risk of non-compliance with the applicable legislative framework and internal regulations, timely detection of fraud, reduction of unjustified costs, reduction of abuse and errors as well as prevention of inappropriate activities. The Company has established permanent and effective controls adapted to the size of the Company and to the type, scope and complexity of operations in accordance with the risk profile.

Legal status, organisation and management of HKO as well as other issues important for the operations are determined by the Statutes of the Company pursuant to the provisions of the Companies Act and the Insurance Act.

The Company management bodies are the Management Board, the Supervisory Board and the Shareholders' Meeting. HKO is managed by the two-member Management Board that makes its decision in accordance with the Statutes of the Company and the Rules of Procedure for the Management Board. All decisions are made by following the "double-check principle" ("four eyes principle") supported by the suitable system of authorisation.

In its operations, HKO applies the principles of the Corporate Governance Code (the Croatian Financial Services Supervisory Agency, HANFA, December 2024) to the extent adequate to the size and development status of the Company.

This Statement is considered to be part of the Annual Report of the HBOR Group for the period 1 January to 31 December 2025.

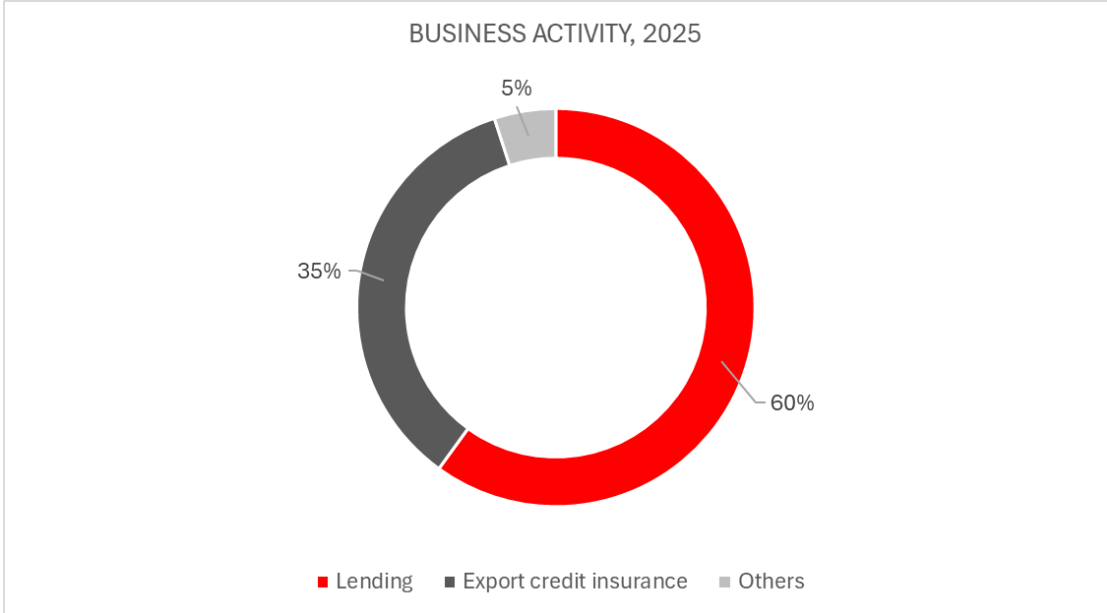
**DESCRIPTION OF OPERATIONS OF HBOR GROUP IN 2025**

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**OPERATIONS OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

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In 2025, HBOR financially supported 1,654 projects totalling almost EUR 1.8 billion.



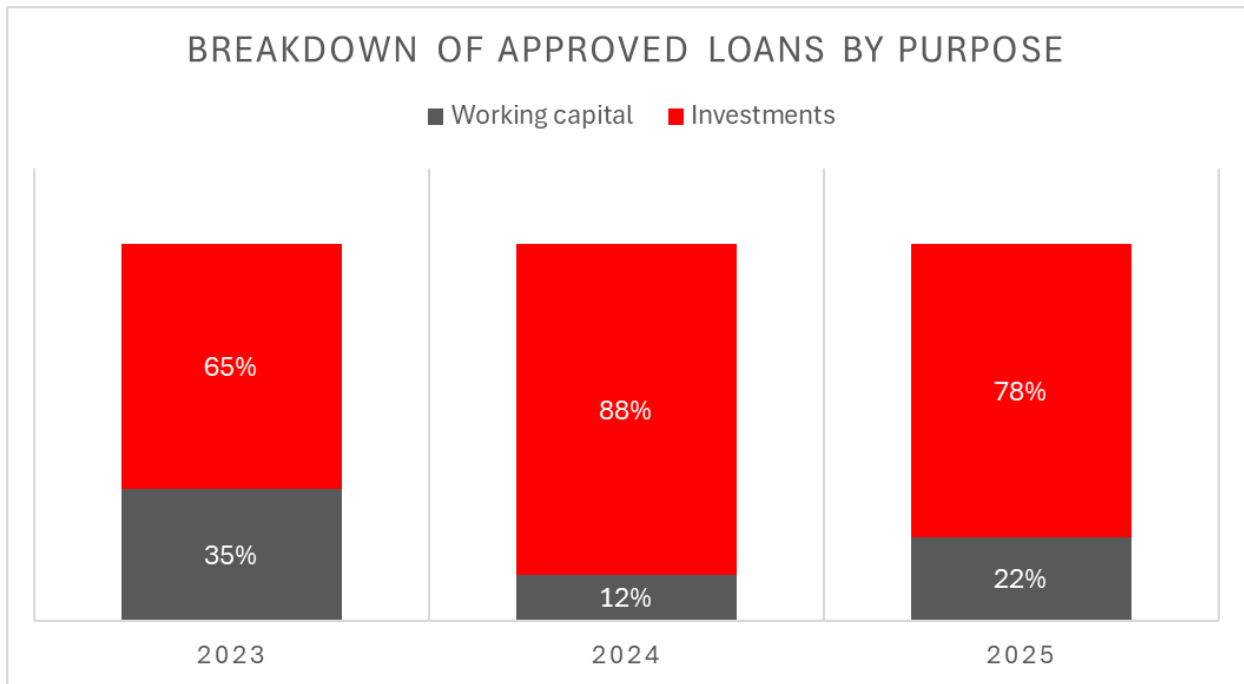
HBOR's operations in 2025 were marked by the continuation of initiatives launched in previous years and by the implementation of new activities aimed at strengthening proactive support for the sustainable development of the Croatian economy.

As part of its mission, HBOR confirmed its continued commitment to providing financial support to the economy and adapting its products and services to market needs also in 2025 through the implementation of financial instruments under European Union funds, loan programmes, guarantees and export credit insurance against non-marketable risks as well as through the activities aimed at promoting equity investment market.

Moreover, HBOR had a significant role in filling market gaps by providing access to finance and export credit insurance to those segments of the economy, whose needs could not be met by the private sector adequately or that required additional financial support from HBOR, especially in strategically important areas of the economy such as digital and green transition, regional development and internationalisation.

In accordance with HBOR's 2025-2029 Business Strategy, HBOR's activities were focused on achieving measurable economic and social impacts, and all strategic goals were met.

The breakdown of approved placements in 2025 confirmed HBOR's strategic orientation towards long-term development, and 78% of total lending activity was intended for investment projects.



Special attention was paid to promoting the development of equity and quasi-equity market in the Republic of Croatia. In 2025, HBOR continued its activities aimed at launching new alternative investment funds and developing new instruments for the promotion of investment in equity and quasi-equity.

In order to provide appropriate sources of finance for the growth of entrepreneurial activities, HBOR launched the Alternative Investment Funds Investment Programme in 2025, in which it plans to invest EUR 100 million of its own funds for the strategic period. During 2025, HBOR committed itself to invest EUR 17.2 million in two funds.

Besides, in 2025, HBOR concluded three framework loan agreements with entrepreneurial support institutions for the purpose of providing loans to just-established enterprises or enterprises in the establishment phase.

Simultaneously, HBOR directed 53% of its lending and guarantee activities to projects that contributed to the economically and socially balanced and sustainable regional development of the Republic of Croatia. For this purpose, the amount of EUR 621 million was approved for financing investments and working capital in the public and private sectors, issuing guarantees under the National Recovery and Resilience Plan, providing financial resources to projects that contributed to the improvement of public and business infrastructure and projects with a positive social impact.

In 2025, HBOR approved almost EUR 200 million for financing investments and working capital in underdeveloped areas and in the agricultural sector for entrepreneurs in the wood processing industry.

Also, in 2025, HBOR approved 199 placements to special target groups, including women, young entrepreneurs and start-up entrepreneurs, in the total amount of EUR 108 million.

In line with the strategic goal of focusing at least 40% of HBOR's business activities on the internationalisation of the Croatian economy, a significant part of the activities was aimed at supporting exporters in their efforts to strengthen international competitiveness and the presence of Croatian entrepreneurs in foreign markets.

The total amount of funds for financing exporters and insuring exports against non-marketable risks stood at EUR 1.1 billion covering 63% of HBOR's total business activities in 2025. Of that amount, EUR 623 million related to export credit insurance against non-marketable risks, whereby HBOR, as the national export credit agency, provided additional stimulus to exporters in the demanding conditions of international market competition, in which export projects implied a number of risks that could be mitigated by appropriate insurance instruments.

Furthermore, in line with the strategic goal of strengthening the competitiveness and resilience of the Croatian economy, 68% of HBOR's lending and guarantee activity was directed at supporting the private sector with a focus on SMEs, digitalisation and automation as well as research and development.

In 2025, HBOR approved EUR 798 million for financing investments and working capital to the private sector, with 51% of that amount being earmarked for 1,015 placements to micro, small and medium-sized enterprises as key drivers of economic growth and employment.

Research, development and innovation, along with digital transition, are the key drivers of economic growth and resilience. Accordingly, HBOR approved more than EUR 200 million in loans and guarantees for projects in those areas in 2025.

During 2025, HBOR introduced a new financial instrument "Production Modernisation Loans" intended for micro, small and medium-sized enterprises in the manufacturing industry with an objective of financing modernisation and digitalisation of operations, introducing new technologies and products, and increasing production capacities.

Promotion of transition towards a sustainable economy was supported by the approval of EUR 345 million in loans and guarantees for financing public and private sector projects aimed at the green transition.

At the same time, HBOR was developing two new financial instruments: "Energy Efficiency Loans for Entrepreneurs" and "Loans for Energy Renovation of Multi-Apartment Buildings" with an objective of financing activities aimed at increasing energy efficiency, using renewable energy sources, strengthening the safety and resilience of buildings, and improving the accessibility and quality of housing.

By strengthening cooperation with relevant ministries, local and regional government units, domestic and international financial institutions and associations as well as other relevant stakeholders, HBOR ensured the mobilisation of the necessary financial resources and know-how, thus enabling the continued implementation of activities aimed at supporting the sustainable development of the Croatian economy.

In the reporting period, HBOR continued to strengthen the framework for sustainable operations and align with regulatory requirements, especially in the areas of risk management, corporate sustainability reporting and sustainable finance framework development. Through the above activities,

HBOR continued to strengthen its own capacities and support sustainable economic projects and projects contributing to the green transition and having a positive impact on society.

For the successful implementation of strategic goals, HBOR used available national, European and international sources of finance in addition to its own funds. In 2025, loan agreements were signed with the Council of Europe Development Bank (CEB) and the European Investment Bank (EIB) intended for financing projects aligned with the strategic goals.

In 2025, HBOR continued its activities related to the InvestEU Programme, which were focused on the development of financial products for debt and equity investments to increase the accessibility of funding sources for the economy.

The Bank also continued its activities focused on the development of organisation, employees and business processes to increase operational efficiency, strengthen risk management, improve reporting system, further digitalise business processes and improve IT system security.

The key foundations of HBOR's successful operations in 2025 were its employees, who demonstrated a high level of expertise, customer focus and innovation in creating appropriate financial solutions for the needs of the Croatian economy.

On 17 September 2025, the rating agency Standard & Poor's confirmed HBOR's credit rating of A-, with a positive outlook. This aligns HBOR's rating with the credit rating of the Republic of Croatia. In its report, Standard & Poor's emphasised that, despite global challenges, positive trends in economic and foreign trade indicators were expected to continue, which further supported the positive outlook of the rating itself.

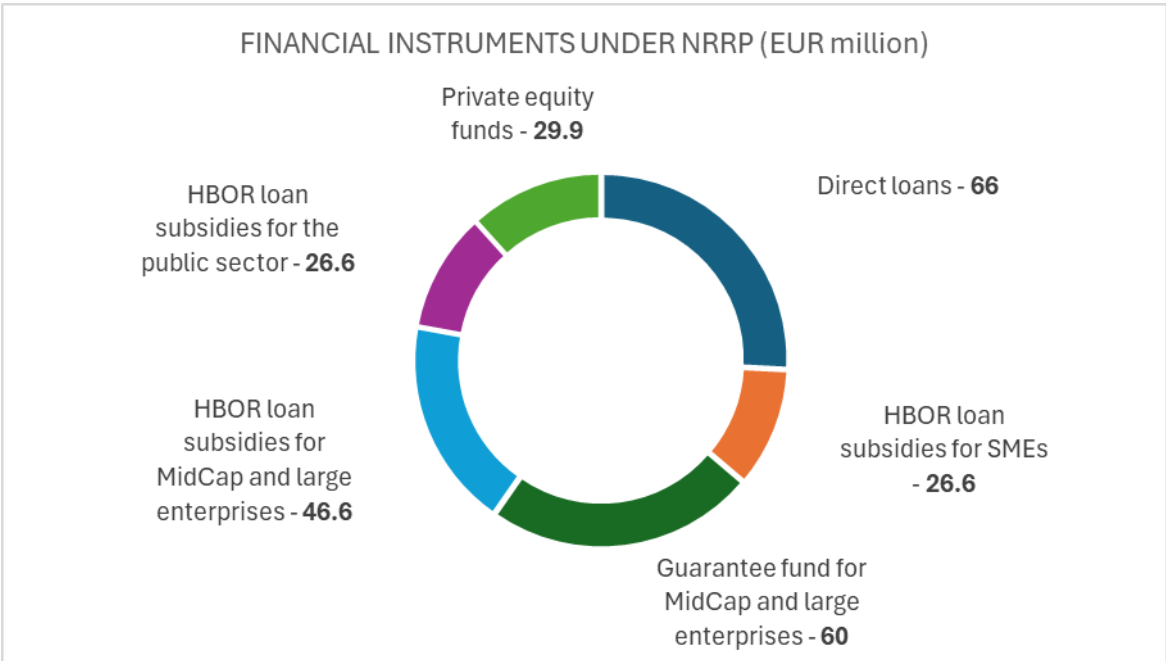
**HBOR’s MEASURES AND PROGRAMMES IN 2025**

During 2025, HBOR continued to implement all of its existing investment and working capital finance programmes as well as financial instruments under the National Recovery and Resilience Plan, some new programmes and measures were introduced and new initiatives were launched that contributed to the further progress in the development of Croatian companies and generally promoted the growth of the Croatian economy.

**1) NATIONAL RECOVERY AND RESILIENCE PLAN**

In cooperation with relevant ministries and competent bodies of the Republic of Croatia, in 2021, HBOR was an active participant in the development of the National Recovery and Resilience Plan under the Recovery and Resilience Facility (RRF), under which it was entrusted with the implementation of six financial instruments with a total value of EUR 256 million.

It is necessary to point out that, out of the initially planned allocation, in 2025, the amount of EUR 20 million was reallocated from the instrument: Guarantee Fund for MidCap and large enterprises to the instrument: HBOR loan subsidies for MidCap and large enterprises.



As at 31 December 2025, the implementation of all six financial instruments generated a total investment value of EUR 1.5 billion, achieving a six-time multiplier of the initially entrusted implementation amount, which demonstrates exceptional success in implementation.

### **Direct loans under the programme: Special SME Segments Investment under the NRRP**

This financial instrument was aimed at entrepreneurs and sectors that usually had difficult access to financing: start-ups, young entrepreneurs, female entrepreneurs and investments of small and medium-sized enterprises in less developed areas as well as research and development.

By implementing the respective financial instrument, with the support of the RRF funds, HBOR approved direct investment loans in the amounts ranging from EUR 100 thousand to EUR 1 million at interest rates of 0.4 percent or 0.8 percent with altogether 214 approved loans totalling EUR 64 million.

### **Financial instruments of interest subsidies for the private and public sectors**

Throughout most of 2025, three financial instruments of interest subsidies were implemented enabling more favourable terms and conditions for financing investments of micro, small and medium-sized business entities, entities of medium market capitalisation and large business entities.

Interest subsidy was granted for investment loans aimed at investments in strengthening competitiveness and resilience and at investments in green and digital technologies necessary for the long-term sustainable development of the public and private sectors.

The interest subsidy amount per individual loan equalled EUR 500 thousand for small and medium-sized enterprises and EUR 750 thousand for other entities, so that as many borrowers as possible could benefit from such favourable terms and conditions. A subsidy of up to 2 percentage points was granted depending on the purpose and type of investment, and it could reach up to 75 percent of the interest rate charged on investments in green and digital transition, up to 65 percent of the interest rate charged on investments in special areas of the Republic of Croatia or in research, development and innovation and on investments of the public sector to mitigate the consequences of the earthquake, or up to 50 percent of the interest rate charged on other investments in competitiveness and resilience.

Interest subsidies were approved under HBOR's loan programmes in the form of direct loans and loans on-lent through commercial banks. Towards the end of 2023, cooperation agreements were signed with 5 leasing companies for subsidising interest through financial and operational leasing.

From the beginning of implementation until 31 December 2025, altogether 285 loans were approved totalling EUR 724.5 million.

### **Guarantee Fund financial instrument for loans to mid-cap and large companies**

A new model of guarantees for investment loans of mid-cap and large business entities was established under the National Recovery and Resilience Plan.

The implementation of the instrument started in 2023. It enabled the issuance of guarantees for investment loans to entities of medium market capitalisation and large business entities with a coverage of up to 80 percent of overdue loan principal and subsidisation of up to 100 percent of the amount of the guarantee fee, depending on the state aid rules.

The objective of the Financial Instrument is to facilitate access to finance for mid-cap and large business entities for investments in new technologies and equipment, expansion of production and/or service capacities and other purposes essential for strengthening competitiveness and green and digital transition through the issuance of guarantees. The highest percentage of guarantee for special target

groups such as investments in green and digital transition projects, RDI stood at 80 percent, whereas for all other purposes the highest guarantee percentage equalled up to 70 percent.

In 2025, eleven guarantees were issued for loans totalling EUR 67.2 million, which encouraged investments in the amount of more than EUR 178 million. In December 2025, HBOR concluded an agreement with the Ministry of Finance and the Ministry of the Economy that would enable HBOR to issue state guarantees on the basis of the remaining available funding even after the expiry of the NRRP implementation.

Altogether 34 guarantees for loans worth EUR 165 million were approved by 31 December 2025.

### **Promoting the development of new equity and quasi-equity funds**

Under the NRRP, funds have been provided for additional strengthening small and medium-sized entrepreneurs through investments in equity and quasi-equity with an objective of developing business ideas in the Republic of Croatia. During 2025, activities were continued aimed at investments and launching new funds from the NRRP funds through:

- CROGIP II programme in cooperation with the EIF that provided funds in the amount of EUR 52 million (EUR 26 million by HBOR and EUR 26 million by the EIF). At the end of 2024, the EIF and HBOR assumed the payment commitment for one of the funds, and the fund began operating in 2025. The payment commitment for the second selected fund is expected to be assumed in the first half of 2026;
- Public call for the selection of a venture capital fund management company, through which an amount of EUR 1.6 million was provided. The funds are intended for venture capital funds that will invest in small and medium-sized enterprises in the initial stage of development (start-up). The payment commitment for the fund is expected to be assumed in the first half of 2026.

### **Do No Significant Harm (DNSH) principle**

It is important to point out that the implementation of all above described NRRP financial instruments is aligned with the Do No Significant Harm principle. This principle refers to the requirement that no financed investment may have significant negative impacts on environmental goals defined by the EU Taxonomy, which means that HBOR contributes directly to the development of climate and environmentally more sustainable economy of the Republic of Croatia. In this way, the Croatian economy and society are becoming more resilient to future market disturbances and more sustainable in terms of climate and environment.

### **Interest subsidies in cooperation with LRGUs**

In 2025, HBOR continued to contribute to achieving balanced regional development through cooperation with individual counties, cities and municipalities. Based on business cooperation agreements concluded between HBOR and counties, cities and municipalities, the entrepreneurs could use the interest rate subsidy on HBOR's loans from the funds of the county, city or municipality. So far, HBOR has established cooperation with 44 units of local or regional government (LRGUs), and the cooperation was active with 33 of them in 2025.

## 2) NEW MEASURES AND PROGRAMMES

In addition to all existing HBOR's programmes that are being implemented, a number of new measures were introduced in 2025 to create more favourable lending terms and conditions:

- subsidies on loans approved via commercial banks to private sector entities;
- widened investment categories that can be additionally subsidised: special areas of the Republic of Croatia, agricultural activities, social infrastructure, green projects, research, development and innovation (RDI), digitalisation, exporters, defence activities;
- longer repayment periods (up to 20 years) and grace periods (up to 3 years, or up to 5 years in the case of justified project needs) for the Private Sector Investment, the Public Sector Investment and the EU Projects loan programmes;
- longer repayment periods for the financial instruments: the Sustainable Tourism Loans (from 17 to 20 years) and the Production Modernisation Loans (from 14 to 15 years).

### **Measure for entrepreneurs in the wood processing industry**

In cooperation with the Ministry of Agriculture, Forestry and Fisheries, in December 2025, HBOR launched again the Measure for Entrepreneurs in Wood Processing and Furniture Production Industry enabling entrepreneurs in the wood processing industry access to more favourable and affordable loans and co-financed insurance premiums. The goal of the Measure is to solve the problem of insolvency and to facilitate access to finance for entrepreneurs in the wood processing industry. Therefore, an interest rate subsidy of 2 percentage points has been made possible on loans under the Private Sector Investment and Working Capital programmes for the entire duration of the loans, whereas and co-financing of the insurance premium for loans under the Working Capital programme has also been provided.

This measure has already been successfully implemented twice: in 2020 and 2024, on the basis of which EUR 35 million in loans were approved and a total of EUR 2.35 million in subsidies were paid out.

### **New measures for exporters**

As part of the improvement of existing export credit insurance programmes, the programme: **Insurance of Short-Term Export Receivables for Small and Medium-Sized Entrepreneurs** was amended by expanding the circle of eligible programme beneficiaries, so that small and medium-sized entrepreneurs generating annual revenues from exports in the amounts of up to EUR 2.5 million could participate, and the duration of the programme was extended until 31 December 2030.

Furthermore, in 2025, HBOR worked to establish cooperation with commercial banks under the new programme: **Insurance of Bank Guarantees** that was put on the market at the very end of 2024.

In 2025, a **new premium system was introduced under the programme: Insurance of Exporters' Liquidity Loan Portfolio** lowering the costs of insurance for loans granted by banks to exporters for

liquidity finance and making the amount of the insurance premium not dependent on the lender bank but solely on the factors determined by HBOR.

Another important step forward in this segment that is worth highlighting for the reporting period is the newly introduced **programme for the insurance of loans financing the purchase of interests in or shares of foreign companies as well as capital investments in foreign companies** that would enable Croatian entrepreneurs to expand into new markets.

### **New financial instruments**

For the 2021–2027 programming period, HBOR has once again been entrusted with the implementation of financial instruments, whereby European Union funds, as in the previous period, are placed through financial instruments implemented by HBOR and commercial banks.

In the reporting period, the implementation continued of the programmes: “**Urban Development Fund**” and “**Sustainable Tourism Loans**” developed in cooperation with the Ministry of Regional Development and EU Funds as the Managing Authority, and the third loan programme was launched: “**Production Modernisation Loans**”.

These loan programmes represent a new finance model developed as a combination of mandated and direct lending to borrowers as individual loans are contracted and disbursed to borrowers from the funds of the European Regional Development Fund (ERDF) under the 2021-2027 Competitiveness and Cohesion Programme and from HBOR’s funds in a 50:50 ratio.

Such a lending model offers the borrowers more favourable loan terms and conditions as well as further benefits as follows:

- Capital discount: write-off of a part of loan principal (up to 50 percent of total loan principal) after fulfilment of pre-defined criteria, whereby the write-off relates to the part of the loan financed from ERDF funds.
- Interest-free part of loan from ERDF funds: 0 percent interest rate is charged to the borrower, whereas a fixed interest rate determined on the basis of risk assessment is charged on the part of the loan financed from HBOR’s funds.
- No fees charged: the part of the loan financed from ERDF funds is exempt from the charging of all usual fees, whereas loan application processing fee and commitment fee are not charged on the part of the loan financed from HBOR’s funds.

### **Urban Development Fund**

The purpose of this financial instrument is to promote investments in public and business infrastructure, with social and commercial facilities, generating revenues from the collection of service fees for its use from entrepreneurs, citizens and tourists, and it is intended exclusively for public sector entities.

Loans are approved through HBOR directly with a repayment period of up to 25 years and a maximum amount of up to EUR 10 million.

The loan programme promotes capital investments in financially sustainable projects that contribute to the sustainable and integrated social and economic development of urban areas in accordance with territorial strategies, such as urban regeneration projects, public space safety and green infrastructure, investments in public transport systems and passenger terminals, investments in energy efficiency and renewable energy sources, investments in sports, social and cultural infrastructure, tourism development and economic valorisation of cultural and natural heritage, etc.

Borrowers can exercise the right to a write-off of a part of loan principal upon the fulfilment of the capital discount criteria in three categories as follows:

- Sustainability criterion includes investment elements such as: green areas, green roofs, annual primary energy below permitted threshold, renewable energy sources
- Aesthetics criterion implies that the first, the second or the third place was won in the tender for the preparation of the project preliminary urban / architectural design
- Inclusiveness criterion means that the borrower included local stakeholders (citizens and/or associations, and/or entrepreneurs, and/or other institutions) in joint deciding on the project proposal.

At the beginning of the year, a broader scope of purpose for this financial instrument was enabled by introducing a new permitted purpose of finance: investments in housing infrastructure exclusively for the renting of apartments. The aim is to support investments that are in line with the territorial strategy or other equivalent strategic document for the area where the investment is being implemented, and it is possible to finance both residential and residential/commercial buildings without any limit on the construction price per m<sup>2</sup>.

The loan programme has been in effect since 1 July 2024, and 6 loans have been approved totalling EUR 24.5 million since the beginning of its implementation.

### **Sustainable Tourism Loans**

The objective of the loan programme is to finance sustainable investments that contribute to green transition goals, quality of tourism products and services, higher growth and competitiveness of micro, small and medium-sized enterprises, and that result in diversification of tourism offer, extension of tourism season, reduction of excessive tourism, sustainable business and generally higher quality of tourism offer.

The programme is intended for micro, small and medium-sized enterprises registered to carry out hotel and camp activities, whereas eligible investments include investments in the construction, reconstruction, equipment and additional content of hospitality facilities for accommodation that result either in an increase in accommodation capacity, or in the introduction of additional, optional contents or classification into a type and/or category.

Borrowers can exercise the right to a write-off of a part of loan principal upon the fulfilment of the capital discount criteria that include as follows:

- Investment results in an upgrade in energy efficiency level
- Investment meets Tourism Development Index categories
- Upon the completion of project implementation in accommodation hospitality facilities classified by type and/or category, investment results in the obtaining of a new Resolution
- Investment in new additional or optional facilities and/or investment in the expansion and/or improvement (reconstruction/renewal) of existing additional or optional facilities that are created for the purpose of providing other services within a hospitality accommodation establishment of a minimum 3-star category in the “Hotels” group and in the “Camping Sites” group by investment value

Loans are approved through HBOR directly up to a maximum amount of EUR 7 million and, as an additional benefit, the maximum possible repayment period was extended from 17 to 20 years in 2025.

The loan programme has been in effect since 14 November 2024, and 30 loans have been approved totalling EUR 109 million since the beginning of its implementation.

### **Production Modernisation Loans**

The objective of the financial instrument is to finance sustainable investments in modernisation, digitalisation, new technologies and increase in production capacities contributing to the promotion of productivity and competitiveness of micro, small and medium-sized enterprises by enabling more favourable terms and conditions for financing investments that contribute to the goals of digital business transformation. The programme is intended for entrepreneurs registered to perform activities in processing industry, C section.

Borrowers can exercise the right to a write-off of a part of loan principal upon the fulfilment of the capital discount criteria in the following categories:

- Smart factory management (Industry 4.0)
- Digitalisation and digital transformation of business processes
- Result of investment is in the thematic area of the 2029 Smart Specialisation Strategy (S3)

Loans are approved through HBOR directly with a repayment period of up to 15 years and a maximum amount of up to EUR 3 million.

The loan programme has been in effect since 29 January 2025, and 48 loans have been approved totalling EUR 54.2 million since the beginning of its implementation.

### 3) NEW INITIATIVES

During 2025, HBOR has developed two new financial instruments: "**Energy Efficiency Loans for Entrepreneurs**" and "**Loans for Energy Renovation of Multi-Apartment Buildings**".

The above programmes are planned to be implemented via commercial banks selected in the public procurement procedure. Loans will be approved from ERDF funds and commercial banks' funds in accordance with the same finance model in a 50:50 ratio with the possibility of reducing part of the loan principal up to 50% of the total amount disbursed upon the fulfilment of pre-defined criteria. Interest and fees are not charged on the portion of the loan approved from ERDF funds, which ensures more favourable finance terms and conditions for the borrowers.

- **Energy Efficiency Loans for Entrepreneurs** are intended for entrepreneurs of all legal forms, sizes and ownership structures who have been registered for at least one year for performing activities in the manufacturing industry and in the commercial and service sectors. Loans will finance investments in energy efficiency, use of renewable energy sources and related activities. Loans will be approved with a repayment period of up to 17 years, and a maximum loan amount is up to EUR 3 million. The start of implementation is scheduled for the first half of 2026.
- **Loans for Energy Renovation of Multi-Apartment Buildings** are intended to finance integral, deep and comprehensive renovation of buildings with the mandatory achievement of significant energy savings. The funds are intended to improve energy efficiency and use of renewable sources, to strengthen the safety and resilience of buildings and to improve the affordability and quality of housing. In 2006 HBOR will conduct a public procurement procedure for the selection of banks that will implement the instrument.

#### Cooperation with HAMAG-BICRO

As part of the cooperation with the Croatian Agency for SMEs, Innovation and Investments (HAMAG-BICRO), at the end of 2025, HBOR's proposal under the Public Call for the Expressions of Interest for participation in the implementation of **the ERDF Portfolio Guarantee and the ERDF Individual Guarantee for micro, small and medium-sized enterprises** was accepted with an objective of facilitating access to finance for this group of entrepreneurs within the framework of the implementation of financial instruments under the 2021-2027 Competitiveness and Cohesion Programme.

Since the beginning of 2026, both programmes have become active and have been implemented, which has opened up a new framework of more favourable finance opportunities for entrepreneurs.

## **DEVELOPMENT OF EQUITY AND QUASI-EQUITY MARKET**

The financial market in Croatia is strongly focused on traditional banking sources of finance. Alternative finance in Croatia is still underdeveloped. Financial markets in Croatia are predominantly concentrated on debt financing and lack the depth and diversity necessary for efficient allocation of funds and financing of high-risk projects based on innovation, research and development, start-up projects or generally fast-growing industries that stimulate productivity.

The number of alternative investment fund management companies has increased significantly in the last few years, and although Croatia is a small market, the management companies have increasing assets under management and are gradually expanding regionally. However, the lack of potential investors in equity and quasi-equity funds is still visible in the market (4 pension funds and in rare cases insurance companies, banks, etc.), as a result of which almost every fundraising process requires significant public intervention. Consequently, the role of HBOR as an investor is of particular importance.

HBOR participates in the implementation of activities in accordance with the Action Plan of the 2025-2030 Strategic Framework for Capital Market Development in the Republic of Croatia, and in the past period it participated in several initiatives for the development of the private equity market in order to ensure appropriate sources to support the growth of entrepreneurial activities.

To facilitate access to capital for entrepreneurs and encourage the development of alternative sources of finance, in 2025, HBOR launched the Alternative Investment Funds Investment Programme (hereinafter: AIF). During 2025, investments in two funds were carried out under the above programme.

In addition, HBOR continued to approve framework loans to entrepreneurial support institutions for the purpose of providing loans to the riskiest groups of entrepreneurs who have just been established or are in the establishment phase. Three framework loan agreements were signed in the second half of 2025.

### **Alternative Investment Funds (AIF)**

In 2025, HBOR launched the Alternative Investment Funds Investment Programme. The goal of launching the Programme was to provide entrepreneurs with better and easier access to capital. For the implementation of the Programme, HBOR has secured its own funds, which it invests in its own name and for its own account, exclusively through AIFs selected on the basis of the Call for the Selection of Financial Intermediaries.

The Programme is aimed at financing innovative projects of start-ups, small and medium-sized enterprises and mid-cap companies with a high growth potential. The focus is on investments that contribute to economic and social development in line with the goals of sustainability and the promotion of balanced and sustainable regional development of the Republic of Croatia.

During 2025, HBOR invested in two funds under the aforementioned Programme, and negotiations are ongoing with several more of them. Due to the exceptional response, the acceptance of applications under the Call for the Selection of Financial Intermediaries was temporarily suspended on 31 December 2025 in order to process the applications received to that point in a reasonable time frame.

### **Croatian Growth Investment Programme (CROGIP II)**

In 2023, the CROGIP II was launched by HBOR in cooperation with the EIF, a programme worth EUR 52 million intended for the funds that would invest in fast-growing small and medium-sized companies, small mid-cap and mid-cap companies established and operating in Croatia. HBOR's share is financed from the Recovery and Resilience Facility under the NextGenerationEU in accordance with the 2021-2026 National Recovery and Resilience Plan (NRRP).

The Programme is not limited to a specific sector, although it will focus on sustainability, green transformation and innovation.

In accordance with the regulatory framework for the implementation and use of funds, all investments that will be financed from NRRP funds must meet the criteria of the principle of not causing significant harm to the environmental and climate goals of the EU (Do No Significant Harm – DNSH).

At the end of 2024, the EIF and HBOR assumed the commitment to make a contribution to one of the funds, and the respective fund started to operate in 2025. For the second selected fund, the contribution commitment is expected in the first half of 2026.

### **Framework Loan Contracts**

In 2025, HBOR signed three framework loan contracts with entrepreneurial support institutions totalling EUR 547.5 thousand that provide finance for micro and small start-up enterprises. This was the second year since HBOR introduced a new innovative finance model specially designed for entrepreneurs in the earliest stages of business development.

The contracts are part of a three-year HBOR's pilot project, through which the amount of EUR 1.5 million has been provided. The goal of the pilot project is to enable financing of innovative entrepreneurs in their earliest stages of business, who have a developed business idea and need a source of financing for it, which commercial banks do not offer to them due to high financing risk, lack of collateral, business inexperience and uncertainty of future business.

### **Croatian Growth Investment Programme (CROGIP)**

Under the EIF-NPI Equity Platform, in 2019, the EIF and HBOR signed a contract that launched the CROGIP Initiative, on the basis of which they jointly provided funds (EUR 50 million each) for investments in:

- Alternative investment funds managed by companies selected by the EIF (Adriatic Structured Equity Fund, Prosperus Growth Fund, Croatian Mezzanine Debt Fund and Vesna Deep Tech Venture Fund), and

- Co-investing with the funds that already have an established relationship with the EIF and have positive references.

The Adriatic Structured Equity Fund and the Prosperus Growth Fund started operating in 2020, whereas the Croatian Mezzanine Debt Fund started to operate in 2022. The funds have already invested the majority of their funds and their investment period has ended or is nearing its end. The Vesna Deep Tech Venture Fund began operating in July 2024.

Through the CROGIP Initiative, altogether 104 investments were carried out by the end of 2025. By 31 December 2025, HBOR contributed 69.7 percent of the CROGIP Initiative agreement amount.

### **Vesna Deep Tech Venture Fund**

The above CROGIP Initiative enabled the establishment of the first regional platform for launching a fund for financing the commercialisation of innovative technological and scientific solutions of Croatian and Slovenian universities, research institutes and centres, and the Vesna Deep Tech Venture Fund was launched in 2024.

HBOR's partner in this project, beside the EIF, is SID banka d.d. (Slovenska razvojna i izvozna banka). The technology transfer fund, whose size is EUR 50 million, will have to ensure, among other conditions, that at least EUR 15 million is invested in projects or companies developed at universities, research institutes or centres in the Republic of Croatia.

### **Three Seas Initiative Investment Fund**

The Three Seas Initiative, a platform for cooperation among 13 EU member countries in the area of the three seas (the Adriatic, Baltic and Black Seas), was established to support joint cross-border strategic projects with an emphasis on energy, transport and digital connectivity in the region.

The Three Seas Initiative Investment Fund was created in 2019 by national development banks and government bodies from 9 Initiative member countries (Poland, Estonia, Latvia, Lithuania, Hungary, Slovenia, Croatia, Romania and Bulgaria) as a financial tool to invest capital in projects in the Three Seas Initiative area (equity investments).

The Fund's investment goal is to use available funds for investing in infrastructure projects that contribute to security and diversity of energy supply, reduction of emissions and transport costs, economic, social and digital connectivity of the EU member countries as well as integration by reducing differences in infrastructure quality. The current size of the fund is EUR 928.1 million, with Poland having invested 80% of the total amount, and so far the amount of around EUR 780 million has been invested in 5 projects.

At the end of 2020, the Government of the Republic of Croatia made a decision to invest in the Three Seas Initiative Investment Fund to encourage the performance of joint projects in the area covered by the Three Seas Initiative. By this Decision, HBOR was authorised to make an investment in the Fund in its own name and for the account of the Government of the Republic of Croatia in an amount of up to

EUR 20 million, increased by fees and costs of joining and participating in the Fund. HBOR joined the Fund in the first quarter of 2021. In the very Fund, HBOR does not make decisions on the selection of the Fund's investments; the projects are selected by an investment advisor and the decision is made by the fund management company at the proposal of the independent investment committee.

### **The Three Seas Initiative Innovation Fund**

The Three Seas Initiative Innovation Fund is the second financial instrument emerging from the Three Seas Initiative. It has been designed in cooperation with the EIF and is intended for investment in alternative investment funds, including venture capital funds, private equity funds and private credit funds in the Three Seas Initiative region. The above funds invest in companies at a later stage of growth and development, including the fast-growing innovative companies focused on technology, as well as in established companies operating in more traditional economic sectors and industries. Amounts are allocated to the funds in accordance with calls for the expression of interest and the EIF's investment decisions.

The Ministry of Regional Development and EU Funds (hereinafter: MRRFEU) and HBOR signed an order contract for the Three Seas Initiative Innovation Fund in December 2024. Based on this contract, HBOR entrusted the funds to the EIF for the implementation of the "Three Seas Initiative Innovation Fund" financial instrument. The financial instrument would serve to the EIF as one of the sources of funds for investing in alternative investment funds operating in the territory of the Three Seas Initiative member countries, including the Republic of Croatia. Other investors in this Fund are development banks from further four member countries – Poland, Romania, Czechia and Hungary (BGK, BID, NRI and MFB). The mentioned investors committed to pay an amount of EUR 20 million each, and the current size of the fund being the amount of EUR 100 million. It should also be pointed out that the funds of the investors and the EIF are combined in the ratio of EUR 1 of the EIF and EUR 1 of the investor, so that the current amount available for investments is EUR 200 million.

By the end of 2025, the Three Seas Initiative Innovation Fund has committed to investing in a total of five funds, two of which are in the Republic of Croatia, while the total planned portfolio size is between 9 and 13 alternative investment funds with individual investments in funds ranging from EUR 6 million to EUR 15 million.

### **EIF-NPI Equity Platform and other memberships**

The European Commission, in cooperation with the promotional institutions (NPIs), has launched the EIF-NPI Equity Platform for the purpose of developing the market of investments in private equity and quasi-equity funds. As one of the founding institutions, in September 2016, HBOR joined the creation of this platform and has been participating in the work of two platform bodies since then – the General Forum and the Consultative Forum, the work of which is focused on the exchange of experience and knowledge aimed at strengthening the private equity industry.

HBOR is a member of the professional associations the Invest Europe and the European Venture Fund Investors Network (EVFIN). The Invest Europe is a professional, non-profit association that brings together the sector of equity investors, venture capital funds, investment sector and fund managers.

It actively contributes to the creation of policies that have an impact on equity investments (directly and through funds) in Europe. At the same time, it provides information on the impact of its members on the EU economy and publishes research on the trends and developments of the venture capital industry. EVFIN is an informal platform for dialogue and cooperation that brings together 23 public investors from 21 European countries. The aim of the platform is to exchange information and best practices among its members and to contribute to the public debate in the European Union (hereinafter: EU) and to the research of measures to create more sustainable venture capital markets in the EU.

### **“HBOR INVEST“ Conference**

The second HBOR INVEST Conference: „The capital market – a key driver of economic development“ took place in Zagreb on 12 November 2025. The conference brought together representatives of institutional and private investors, regulators, government and public institutions, as well as many international and domestic experts from the financial industry.

This conference was dedicated to current topics in the private equity and quasi-equity industry, with a special focus on stronger attraction of private investors and establishment of an IPO fund as an innovative tool for financing company growth.

## EXPORT CREDIT INSURANCE

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HBOR performs export credit insurance and reinsurance activities as mandate activities with an objective of encouraging exports, internationalisation of operations and increasing competitiveness of Croatian exporters in foreign markets.

In addition to regular export project insurance activities, the emphasis in 2025 was also on the implementation of new and improving the existing export credit insurance programmes, as well as on international activities related to the accession of the Republic of Croatia to the OECD (Organisation for Economic Cooperation and Development) and other international activities carried out by HBOR within the framework of working groups under the Council of the EU and the European Commission.

In 2025, the Programme for the insurance of loans financing the purchase of interests in or shares of foreign companies as well as capital investments in foreign companies was adopted, which will enable Croatian business entities to expand to new markets through the purchase of interests in foreign companies.

As part of the improvement of the existing export credit insurance programmes, the Programme for the Insurance of Short-Term Export Receivables for Small and Medium-Sized Enterprises was amended in the way that the list of beneficiaries has been expanded from small and medium-sized entrepreneurs with annual income from exports of up to EUR 2 million to small and medium-sized entrepreneurs with annual income from exports of up to EUR 2.5 million, while the duration of the programme was extended until 31 December 2030. This has enabled the continuity of support to a larger number of exporters from this group, for whom there is a lack of offer in the private insurance market.

Also, in 2025, HBOR worked on the establishment of cooperation with commercial banks under the new Bank Guarantees Insurance Programme that was put to the market at the very end of 2024.

In 2025, a new premium system under the Programme for the Insurance of Exporters' Liquidity Loan Portfolio was introduced that would enable a lower cost of insurance of loans approved by banks to exporters for liquidity financing and that the insurance premium does not depend on the bank providing a loan, but exclusively on factors determined by HBOR.

In the reporting year, under export credit insurance transactions, export turnover of EUR 622.8 million was insured, which is almost three times more than the turnover insured in 2024 that amounted to EUR 234.6 million. The mentioned increase is for the major part the result of insurance of capital export projects and a strong utilisation of the Programme for the Insurance of Exporters' Liquidity Loan Portfolio introduced in mid-2024.

After the record year 2023, in which the turnover of EUR 671.8 million was insured, 2025 is the second most successful year in terms of volume of insured turnover in export credit insurance business. In 2025, through its export credit insurance programmes, HBOR supported exports of Croatian goods and services in 43 countries worldwide.

### Summary of results by export credit insurance activities (in EUR million)

	2023	2024	2025
<b>Insured turnover</b>	<b>671.77</b>	<b>234.63</b>	<b>622.76</b>
<b>Gross exposure as at 31 December</b>	<b>1,148.24</b>	<b>1,113.80</b>	<b>1,293.51</b>
<b>Insurance premium collected</b>	<b>6.87</b>	<b>1.99</b>	<b>18.04</b>
<b>Indemnities paid</b>	<b>2.58</b>	<b>0.93</b>	<b>1.10</b>
<b>Recoveries from debtors</b>	<b>0.12</b>	<b>0.35</b>	<b>1.05</b>
<b>Guarantee Fund balance available as at 31 December</b>	<b>118.36</b>	<b>129.79</b>	<b>153.17</b>

#### Gross exposure

As at 31 December 2025, gross exposure of HBOR under the export credit insurance activities stood at EUR 1.3 billion, which is 16% higher compared to the same date in 2024. The major share in exposure (89%) relates to the exposure under insured placements of banks. Exposure under placements of banks is the result of financing of exporters, their export transactions or issuing of performance-related bank guarantees for the realisation of export transactions of Croatian exporters with HBOR insurance policy.

#### Insurance of short-term export receivables

Under the Programme for the Insurance of Short-Term Export Receivables, HBOR provides cover for short-term receivables of exporters with contracted deferred payment of up to 2 years against non-marketable and temporarily non-marketable risks.

Under the above programme, in 2025, HBOR insured the turnover in the amount of EUR 73.2 million. Most of the support was provided to exporters engaged in the manufacture of pharmaceutical preparations, service activities relating to information technology and computers, printing as well as the production of refrigeration and ventilation equipment. The largest volume of insured export turnover was realised for buyers in Ukraine, Switzerland, Greece, Poland and Austria.

#### Insurance of short-term export receivables for small exporters

The Programme for the Insurance of Short-Term Export Receivables for Small Exporters is intended for small and medium-sized enterprises with an annual export turnover of up to EUR 2.5 million and for those starting the sales of their products and services in the foreign markets. The insurance policies

allow exporters to take out insurance in a shorter period of time and with reduced administrative obligations.

In 2025, for this category of exporters, the approved volume of insurance totalled EUR 1.2 million. Under the programme, most of the support was provided to exporters engaged in retail trade, the processing industry, production of special purpose machinery and the production of electrical equipment for lighting. The largest volume of insured export turnover was realised for buyers in Great Britain, Kosovo, Italy, Romania and Ireland.

### **Reinsurance of short-term export receivables**

The Programme for the Reinsurance of Short-Term Export Receivables is intended for insurance companies operating in the market of the Republic of Croatia that provide cover for export receivables of Croatian exporters.

Under the Programme for the Reinsurance of Short-Term Export Receivables, in 2025, HBOR reinsured the export turnover in the amount of EUR 17.8 million.

The majority of transactions covered related to the export of pharmaceutical preparations, wire products, chains and springs, and glass products to buyers in Belarus, Great Britain, Kazakhstan, Slovenia, Bosnia and Herzegovina and Serbia.

### **Insurance of supplier credits and loss during production**

Under the Programme, in 2025, HBOR insured the turnover in the amount of EUR 20.0 million, and the largest volume of insured amount related to exports to the markets of Australia, Poland, Lithuania, Montenegro and Slovenia. The insured export transactions related mostly to the export of goods and services in the sectors of energy, manufacturing of electric motors, generators, transformers, and the manufacturing of machine tools.

### **Insurance of buyer credit**

The Programme for the Insurance of Buyer Credit is intended for all exporters in cases where a delay in payment or a financial loan is required by the foreign buyer as a condition for entering into an export transaction with the exporter, which is most often the case with the export of capital goods, equipment of higher value and similar.

In 2025, under the Programme, HBOR insured the turnover in the amount of EUR 212.6 million. The insured export transaction was performed for the buyer from Malta for the financing of building and purchase of a polar cruise vessel by the Croatian shipbuilding company.

### **Insurance of pre-export finance loans**

The Programme for the Insurance of Pre-Export Finance Loans enables banks to finance working capital for exporters at the stage of export goods production and facilitates access to loans for exporters who would otherwise not be able to obtain loans due to insufficient collateral.

Under the Programme, during 2025, export turnover in the amount of EUR 5.0 million was insured, which related to the insurance of banks' placements to exporters engaged in the production of sugar.

The Programme for the Insurance of Pre-Export Finance Loans was implemented for insurance applications received in HBOR no later than 1 December 2024.

### **Insurance of export performance-related guarantees**

Under the Programme for the Insurance of Export Performance-Related Guarantees, one insurance policy was concluded in the amount of EUR 14.2 million that was issued in connection with the performance of the exporter's export contract in the market of Germany.

### **Insurance of working capital loan portfolio for exporters**

The Programme for the Insurance of Working Capital Loan Portfolio for exporters was adopted at the end of 2019 and is implemented in cooperation with banks to facilitate access to working capital financing for small and medium-sized companies and to encourage them to export and enter new export markets. Banks, in accordance with pre-defined programme terms and conditions and insurance costs, decide independently on loans to be included in the portfolio covered by HBOR with 80 percent coverage of the principal and regular interest for each loan.

In 2025, four loans were insured totalling EUR 420 thousand.

In September 2025, the Programme was suspended due to overlapping with the newly introduced Programme for the Insurance of Exporters' Liquidity Loan Portfolio, and it will be implemented until the expiry of the contracts on insurance of exporters' working capital loan portfolio concluded with individual banks (February 2026).

### **Portfolio insurance of liquidity loans for exporters**

The Programme for the Portfolio Insurance of Liquidity Loans for Exporters was introduced at the end of the first half of 2024 and is implemented in cooperation with banks for the purpose of facilitating access to liquidity finance for all exporters and their suppliers, regardless of their size.

In 2025, altogether 82 loans totalling EUR 278.4 million were insured under the Programme.

### **Indemnities paid**

During 2025, nine indemnities were paid totalling EUR 1.1 million. Of the number of paid indemnities, six indemnities totalling EUR 991.3 thousand were paid under the programme for the insurance of exporters' liquidity loan portfolio – COVID-19 measure, one indemnity of EUR 65.7 thousand relates to the programme for the insurance of exporters' liquidity loan portfolio – Ukraine measure, whereas two remaining indemnities in the total amount of EUR 45.3 thousand relate to the programme for insurance of short-term export receivables. At the same time, under all insurance programmes, the amount of EUR 7.0 thousand was paid to the insured as compensation for costs incurred for the purpose of reducing possible damage or for the purpose of recovery.

In 2025, eighteen debtor payment delay notifications were received, twelve of which related to the programme for the insurance of short-term export receivables, six related to the programmes for loan portfolio insurance (five under the programme for the portfolio insurance of liquidity loans for

exporters – COVID-19 measure and one under the programme for the portfolio insurance of liquidity loans for exporters – Ukraine measure).

### **Recoveries from debtors**

In 2025, the amount of recoveries totalling EUR 1.1 million was collected from debtors under nine indemnities paid, of which one indemnity paid was collected in whole. The amount of collected recoveries rose compared to the recoveries amount collected in the previous year when it had equalled EUR 353.8 thousand.

### **The Berne Union**

In 2025, HBOR hosted and organised the Spring Meeting of the Berne Union, a leading international organisation that gathered state, multilateral, and private insurers of export credits and investments from around the world. The multi-day event took place in Dubrovnik from 12 to 16 May 2025 and brought together more than 270 representatives from almost 100 agencies and institutions, members of the Berne Union, by which HBOR achieved a record number of representatives and agencies present at such a large global gathering. This year's meeting was marked by the topic of resilience, with an emphasis on the need to adapt the global financial system to new market conditions. In the meetings, the prevailing trends and challenges in the changing global trade environment were also discussed, as well as key topics related to economic recovery, climate risks, innovation, and technology. By hosting such a meeting, HBOR has confirmed its high level of expertise and relevant role in the field of export credit insurance.

In addition to the aforementioned hosting, HBOR actively participated in the work of the Berne Union throughout the year as a member of the Prague Club, one of the four specialist committees of the Berne Union that focuses on the development of small and newly established members engaged in the export credit insurance business. By reaching the required level of insured export turnover and insurance premium, HBOR has qualified for membership in the Berne Union Export Credit Agencies Committee (ECA Committee), intended exclusively for state export credit agencies that it officially joined in September 2025. In this way, HBOR has also ranked alongside the most developed state export credit agencies.

## **RISK MANAGEMENT**

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In the risk management process, HBOR continuously identifies, assesses (i.e. measures), monitors, contains and controls the risks it is or may be exposed to in its operations and reports thereupon to the relevant bodies. These procedures and adequate internal documents ensure a comprehensive and complete risk management system. The most significant risks HBOR is exposed to in its everyday operations are credit risk, liquidity risk, interest rate risk, currency risk, operational risk and outsourcing risk. These risks are managed in day-to-day operations through policies, ordinances, procedures, methodologies, limit instructions and systems, controls and decisions/conclusions of the Supervisory Board, the Management Board, the Credit Committee and the Risk Management Committee.

HBOR has a functionally and organisationally separate and independent organisational unit for controlling business risks that is directly responsible to the Management Board. This organisational unit is responsible for the identification, assessment, measurement, supervision and control of risks

the Bank is or may be exposed to in its operations. It performs its function by analysing, assessing, i.e. measuring risks, developing risk-management related policies, ordinances, procedures and methodologies, supervising and monitoring their implementation, recommending limits and monitoring the adherence to the adopted limits, giving recommendations and suggestions for adequate risk-management as well as reporting to the relevant bodies.

When assessing and measuring risks, HBOR takes into account historical data, business plans, current and expected market conditions and specific features of the Bank as a special financial institution. The results of measurements, i.e. assessments, of analyses and stress tests are reported at the meetings of the risk management committee, the Management Board and the Supervisory Board. In order to monitor and control the risks, the systems of limits have been established for the purpose of managing credit risk, liquidity risk, interest rate risk and currency risk.

Reports are systematically submitted to relevant bodies on: quality of loan portfolio and of loans approved, on large exposure, capital adequacy, collection of receivables and risky placements, changes in commercial banks' internal ratings and actions taken in the event of their deterioration, a number of liquidity indicators (liquidity coverage ratio (LCR), net stable funding ratio (NSFR), survival horizon) as well as liquidity projections, open foreign currency position projections, risk values, impacts of fluctuations in foreign exchange rates and interest rates on business performance, interest gap, projections of average weighted interest rates on sources and placements, etc. The dynamics of reporting and the methodologies for measuring and assessing risks have been prescribed by the internal documents of the Bank.

The Bank performs sensitivity analyses and scenario analyses by assuming changes in one or more risk factors in regular circumstance and under stress, and the reports on the results of such analyses are submitted to HBOR's bodies in charge. Systems of proactive risk management are continuously developed for the purpose of mitigating potential future risks.

The Management Board of HBOR is responsible for the implementation of the risk management strategy and for the establishment and implementation of an effective and reliable risk management system. For the purpose of accomplishing its function, the Management Board has delegated its powers to four risk management committees:

- Asset and Liability Management Committee – manages liquidity risk, interest rate risk and currency risk through the prescribed policies, ordinances and procedures that regulate this area,
- Credit Risk Assessment and Measurement Committee – manages credit risk through the prescribed policies, ordinances and other internal documents that are related to credit risk,
- HBOR Information System Management Committee – manages the resources of the information system and adequately manages the risks that arise from the use of information technology,
- Sustainable Finance Committee – manages the development of sustainable finance at HBOR, and the integration of environmental, social and governance risks in the risk management framework of HBOR.

The risk management strategy aims to achieve and maintain a good and efficient system of risk management and to further develop and improve 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.

## **Credit risk**

The Bank controls credit risk through the Credit Risk Management Policy and the Credit Risk Management Ordinance that determine the internal control systems with an objective to act preventively.

The credit risk management system is the most important part of HBOR's business policy and an important factor of its business strategy. Therefore, this area is regulated by the Credit Risk Management Policy and the Credit Risk Management Ordinance that apply to all phases of the credit process (from the development of new banking products to loan applications, client monitoring and final loan repayments).

Methodologies for the assessment of business operations of various client target groups have been adopted in addition to the Credit Risk Management Policy and the Credit Risk Management Ordinance.

In order to mitigate credit risk and reduce operating costs, the Bank, in accordance with the HBOR Act, on-lends part of its placements via financial institutions that bear the risk of collecting repayments from final borrowers. For the purpose of facilitating access to HBOR's funds, the Bank on-lends part of its placements in cooperation with commercial banks through risk-sharing models, under which credit institutions and HBOR share the risk in accordance with pre-defined funding ratios.

Generally, all direct placements and placements through the risk-sharing models are secured by mortgages on immovable property, and, if possible, the Bank requires guarantees issued by HAMAG-BICRO and also other types of guarantees and warranties as collateral. The Bank determines the required ratio between placement value and collateral value depending on the type of placement, credit rating of the client, maturity of placements, loan programme, the general terms and conditions of security and the decision of the body in charge.

The Bank's development loan programmes cover the entire territory of the Republic of Croatia. Credit risk is diversified by geographical regions, activities, sectors and loan programmes. The Bank aims to prevent the excessive concentration of credit risk and, by providing more favourable terms and conditions and creating new loan sub-programmes (products), to promote the development of less developed regions of the Republic of Croatia in accordance with HBOR's 2025-2029 Business Strategy and the government development strategy for individual activities.

## **Liquidity risk, currency risk and interest rate risk in the banking book**

The Bank ensures adequate 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 activities 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 defined in 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.

For the purposes of managing liquidity risk, the Bank has established a system of limits. The Bank monitors and verifies whether the limits are obeyed. It maintains the necessary level of liquidity

reserves, continuously monitors the current and planned liquidity through limits, indicators and projections, and provides sufficient euro and foreign currency funds necessary for the timely settlement of obligations and disbursements under committed loans and planned commitments.

When managing liquidity risk, the Bank monitors and strives to achieve compatibility of existing and planned placements and sources in terms of maturity. The Bank does not take deposits from citizens and is therefore not exposed to wide daily fluctuations in liquidity. The Bank monitors liquidity risk also through scenario analyses and sensitivity analyses both under regular business conditions and under stress. Early warning signals and procedures for liquidity crisis indication or occurrence are determined in the Liquidity Risk Management Ordinance and the Assets and Liabilities Management Ordinance.

### **Interest rate risk**

The basic principles for managing the Bank's interest rate risk are defined in internal documents and in the decisions and conclusions made by the Management Board and the Asset and Liability Management Committee.

For the purpose of measuring and monitoring the interest rate risk, the Bank analyses the interest rate gap, calculates the change in the economic value of equity, the change in net interest income and the basis point value (BPV). The interest rate gap is analysed with respect to specific periods in terms of possible changes in interest rates and it illustrates the sensitivity of the Bank to such changes in interest rates both under regular business conditions and under stress. Interest rates are elaborated in detail per currency, type and level of interest rates, and projections of developments in average weighted interest rates on sources and placements are prepared. In addition to harmonisation of interest rates applied on sources and placements, current market conditions and development projections for basic market indicators are also monitored.

### **Currency risk**

The basic principles for HBOR's currency risk management are defined in internal documents as well as in the decisions and conclusions made by the Management Board and the Asset and Liability Management Committee.

The methods for the measurement, assessment, monitoring and management of currency risk have been established, the limits and early warning signals as well as procedures in the case of crisis indication or occurrence have been determined, and the reports necessary for overall currency risk containment have been defined.

For measuring the exposure to currency risk, the Bank monitors the open foreign currency position. In addition to the daily monitoring of the open foreign currency position and the preparing of its development projections, the Bank calculates risk values and regularly reports to relevant bodies on the highest possible losses by significant currencies for the purpose of assessing and measuring the currency risk. Sensitivity analyses are performed both under regular business conditions and under stress.

### **Operational risk**

The basic principles for operational risk management are determined in the umbrella document: the Operational Risk Management Policies, by which the system structure of management and responsibility has been set up, the approach to the calculation of capital requirements for operational

risk has been defined, and the reporting system and the manner of determining, containing and monitoring exposure to operational risk have been established.

The Information System Management Committee is responsible for the monitoring and supervising IT system performance. Its purpose is to manage the IT resources and to set up the appropriate level of efficiency and security of IT system in order to ensure, among other things, appropriate management of risks arising from IT technology utilisation. The supervision of the IT system security is covered by the Head of IT system security function. Within this function, a system for the management of HBOR's business continuity has been set up.

HBOR is continuously working on increasing the level of information security, continuity of operations and resilience to cyberattacks so that, in the event of an incident, business can continue without interruption. Security controls are being continuously enhanced and improved in accordance with technological trends and regulatory requirements.

The internal control system is being continuously improved and measures are implemented that have an impact on reducing exposure to operational risk at the HBOR level.

### **Outsourcing risk**

The basic principles for outsourcing risk management are determined in the umbrella document: the Outsourcing Risk Management Policies. The management of outsourcing has been set up, the management of relations with the service providers has been determined and the reduction of the outsourcing risks to the lowest level has been prescribed.

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

Activities were carried out to improve the outsourcing risk management system and in the reporting period, new internal documents on outsourcing were adopted in accordance with good banking practice and regulations.

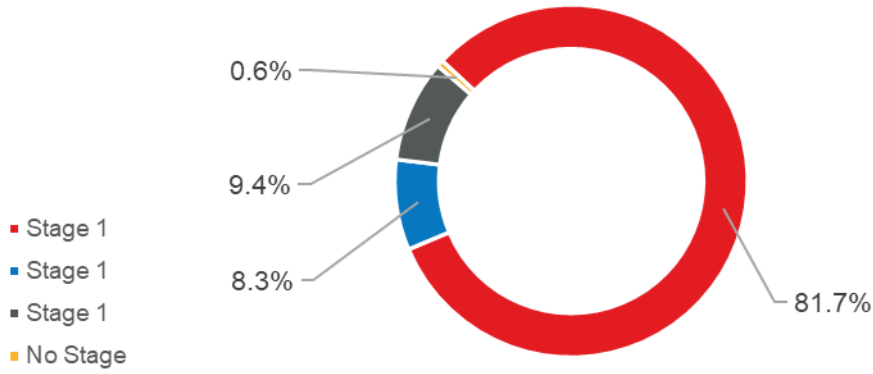
### **Asset quality of HBOR**

Since 2018, HBOR has implemented the International Financial Reporting Standard 9 for the impairment of financial instruments.

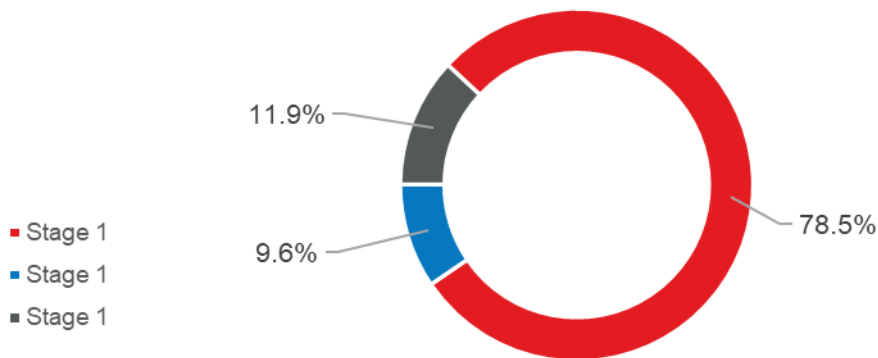
As at 31 December 2025, HBOR's total gross portfolio amounted to EUR 5,222.57 million. Of the total gross portfolio, 81.7 percent was allocated to credit risk Stage 1, whereas 8.3 percent was allocated to risk Stage 2 and 9.4 percent to risk Stage 3.

Financial assets not classified to credit risk stages represent 0.6% percent of the total gross portfolio. Of the total gross portfolio, 78.5 percent was allocated to credit risk Stage 1, 9.6 percent to credit risk Stage 2 and 11.9 percent to credit risk Stage 3. This is shown in the following graphs.

TOTAL GROSS PORTFOLIO BY STAGES OF CREDIT RISK  
31 December 2025



TOTAL GROSS LOAN PORTFOLIO BY STAGES OF CREDIT RISK  
31 December 2025



## **INTERNAL AUDIT**

The Internal Audit is part of HBOR's supervision system. It is in charge of monitoring the overall operations on the basis of the principles of legality and HBOR's internal documents by applying the internal audit standards.

The Internal Audit is organisationally independent in carrying out its tasks and determines the manner of operating and reporting as well as preparing its findings, opinions and recommendations on its own. It is administratively responsible to the Management Board and functionally to the Audit Committee and the Supervisory Board of HBOR, to which reports are submitted semi-annually. Based on the audit report and according to the recommendations of the Internal Audit, the Management Board makes the necessary decisions to take corrective measures and activities.

## **COMPLIANCE MONITORING FUNCTION**

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The function of monitoring compliance has been established as an independent and permanent control function. Compliance monitoring activities include the identification and assessment of compliance risks to which HBOR is or might be exposed as well as the provision of advice to the Management Board and other responsible persons on the manner of applying relevant legislation, standards and rules, including the information on the latest news regarding these issues.

The compliance monitoring function evaluates the impacts that new, and amendments to relevant, laws and other regulations will have on the operations of HBOR, assesses the compliance of new products or new procedures with the relevant laws and regulations and with the amendments to the regulations, provides advice during the preparation of compliance-related training programmes, provides advice and training relating to ethical behaviour, supervises the implementation and fulfilment of the provisions of HBOR's Code of Ethics. The compliance monitoring function submits periodical reports to the Management Board, the Audit Committee and the Supervisory Board of HBOR.

### **Personal data protection**

In 2025, HBOR continued with the implementation of activities for the purpose of adjusting business processes to the general data protection regulations and the related regulations, as well as with the implementation of internal education programmes for employees in the personal data processing area, including also the education of employees on the artificial intelligence systems use in accordance with the regulatory requirements. Implemented changes in the personal data processing procedures and continuous education of employees have additionally reduced the risks of processing personal data of HBOR's clients, employees and other persons.

### **Anti-money laundering and counter-terrorism financing**

In its operations, HBOR implements the measures, actions and procedures aimed at the prevention of money laundering and terrorist financing in accordance with the provisions of the Anti-Money Laundering and Terrorist Financing Act, secondary legislation and guidelines of the bodies in charge as well as in accordance with internal documents of HBOR.

### **Restrictive measures**

For the purpose of implementing restrictive measures, HBOR fulfils the obligations set out in the Act on Restrictive Measures, secondary legislation and guidelines of the bodies in charge, as well as the internal documents of HBOR.

## **SUSTAINABLE FINANCE**

During 2025, activities aimed at aligning, managing and reporting on significant sustainability impacts, risks and opportunities related to sustainability were continued. The Sustainable Finance Committee regularly supervises and monitors the status of activities across 5 main activity groups: portfolio analysis, incorporation of climate risks, adjustment to sustainability reporting requirements, further development of the strategic framework and the continuation of developing internal professional capacities.

The Corporate Sustainability Reporting Directive (CSRD) was transposed into Croatian legislation in 2024. Thus, HBOR became a second-wave reporting entity, with the obligation of reporting by using the European Sustainability Reporting Standards (ESRS) for the 2025 business year, with the report being published in 2026.

In 2025, a new package of legislative proposals aimed at simplifying EU rules, increasing of competitiveness and releasing of additional investment capacities (the so-called OMNIBUS) was adopted. Also, two-year postponements of the application of sustainability reporting requirements for the second and third waves of reporting entities (the so-called *Stop the clock*) were voted for.

As the second-wave reporting entity, HBOR closely monitored the implementation of OMNIBUS at national level in the transitional year 2025, and at the same time it has continued the practice of long-term voluntary reporting. The regular annual Sustainability Report for 2024 was published in July 2025.

Considering the uncertainty regarding the outcome of the OMNIBUS proposal during the preparation of the sustainability report, the report was prepared with the use of 2 reporting frameworks (GRI and individual ESRS requirements), and the reporting structure from the previous reporting structure was retained.

## **HUMAN RESOURCES**

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In 2025, HBOR continued to put an emphasis on employees as one of the key foundations of HBOR's successful operations that continuously demonstrated high expertise and client-orientation, as well as inventiveness in creating adequate financial solutions for the needs of the Croatian economy.

Human Resources implement the HBOR's human resources process management, including management support.

One of the important segments of human resources management in 2025 was related to attracting high-quality employees and developing and retaining highly qualified staff. During 2025, 47 public competitions were implemented, under which more than 1,900 applications were processed.

Beside the selection, Human Resources systematically carry out in-house and external educations of employees, thus investing actively in the development and upgrading of employees' competences that are fundamental both for core as well as other business processes of HBOR.

Success at work of all employees is further monitored and documented on a quarterly basis, whereas individual interviews take place on an annual basis.

In 2025, HBOR retained its manner of operations that is organised in the way that employees can occasionally perform their duties by working from home. Work from home has been regulated with those employees, the nature of whose tasks and duties allows it.

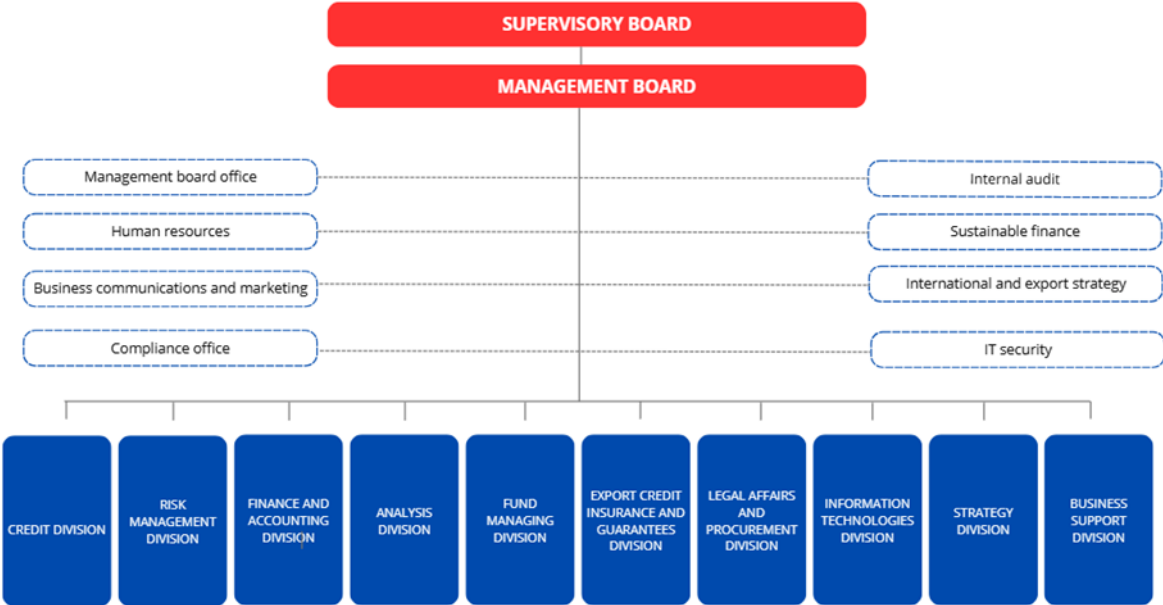
As at 31 December 2025, there were altogether 457 employees in HBOR, of which 295 women and 162 men.

The average age of employees was 46. The share of women in the total number of employees was 65 percent and the share of men 35 percent.

373 employees, i.e. 82 percent hold a university degree.

The annual employee turnover rate in 2025 was 5.55 percent, and for core business 3.73 percent. The total number of employees who left HBOR in 2025 was 25, of which 4 were employees from core business.

**Organisational structure of HBOR as at 31 December 2025**



**REGIONAL OFFICES**

During 2025, the Regional Offices Department of HBOR, which includes eight regional offices, implemented the activities in accordance with approved plans, especially in the segments of presentations and training, as well as initiating the lending activities in proportion to HBOR's total lending activity at the institution level.

In the performance of planned activities, all regional offices successfully cooperated with local and regional government units, including municipalities, cities and counties, as well as with their competent administrative departments for the economy. Further, cooperation was realised with the

relevant chambers of commerce and chambers of trade, entrepreneurial centres, development agencies as well as local action groups. Large part of regional offices' activities was focused on providing information and advisory services to entrepreneurs with regard to the use of HBOR's products as a source of finance for investments in business start-ups, growth and development. In 2025, the new Regional Office for Central Croatia started to operate. In this way, balanced territorial representation has been ensured and the quality of HBOR's services provided to clients in all parts of the Republic of Croatia additionally improved.

Regional offices represent a key distribution channel for HBOR's products, especially in the context of activities implemented under the National Recovery and Resilience Plan, realisation of operational programmes defined by the HBOR's Business Strategy and the financial instruments implemented by HBOR as forms of innovative financing in the Republic of Croatia.

## **OTHER ACTIVITIES**

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### **Cooperation with EIB**

In July 2025, the European Investment Bank (EIB) and HBOR signed the first tranche of the Finance Contract in the amount of EUR 150 million (of the total EUR 350 million) intended for the financing of projects of Mid-Caps, large private companies and public entities in the Republic of Croatia. Special emphasis of this loan is put on promoting green investments, which will contribute to the fulfilment of HBOR's strategic goals in the area of green transition.

### **Cooperation with CEB**

In April 2025, the Council of Europe Development Bank (CEB) and HBOR signed a loan agreement in the amount of EUR 250 million, intended for investments in micro, small and medium-sized enterprises, municipal infrastructure and public sector, including affordable housing in the Republic of Croatia.

### **International cooperation and internationalisation**

HBOR maintains diversified international relations through active participation in the work of international organisations and associations, as well as through quality bilateral cooperation with institutions operating in the same or related areas, including numerous national and multilateral development banks, export credit agencies and other financial institutions.

During 2025, HBOR additionally strengthened its position on the international financial scene, since the members of the Management Board of HBOR were re-elected to the management bodies of two international associations. At the global level, the re-election of Hrvoje Čuvalo, the President of the Management Board of HBOR, for a new two-year term of office in the Steering Group of the International Development Finance Club (IDFC), which brings together development banks from around the world, is to be particularly pointed out. This further strengthened HBOR's position in initiatives aimed at sustainable development, especially in promoting the role of development banks in the global financial architecture. All of the above includes cooperation on key issues of sustainable financing within the framework of international cooperation with development banks.

In terms of representation in the European associations at the highest level, the Member of HBOR's Management Board Alan Herjavec was re-elected for a new term of office of three years to the Management Board of the European Long-Term Investors Association (ELTI). The Association brings together 34 European development banks and institutions with the aim of strengthening cooperation with EU bodies and institutions dedicated to the development of long-term investment and reporting to EU institutions on the role and potential of development banks as key actors for long-term financing.

In addition to re-election to the management bodies, in 2025, strong engagement of the Management Board members in the EAPB management bodies continued, in which Hrvoje Čuvalo, President of the Management Board, is an active representative of smaller European development banks, and Josip Pavković, the Member of the Management Board, is in the BACEE Management Board.

Through the activities of the Management Board in the highest governing bodies of the association, HBOR directly influences the shaping of European policies for the sustainable development of economies by promoting common interests in the European Commission and the European Parliament with the aim of strengthening European competitiveness for the benefit of the national economies of the association members. The active participation of numerous employees in the expert working bodies of international associations has enabled better insight into the development policies of the EU and other development banks and the strengthening of own capacities.

It is important to point out that in 2025, HBOR became a member of AECM, the European Association of Guarantee Institutions, which is extremely important to us due to the complementarity of the association's strategy with activities and professional exchanges relevant to the implementation of our goals.

Participating in the meetings of international associations, among other things, creates an opportunity for our employees to better get acquainted with other European financial institutions, development banks, and build a knowledge base on the products and business models of promotional/public banks from other countries.

Also, through its international activity, HBOR participates in the development of common positions of members of associations that are communicated to the creators of EU policies and regulators, and also represents the voice of small banks in associations.

On bilateral level, during 2025, HBOR exchanged knowledge and practices at numerous bilateral exchanges, both online and in person, of which we highlight the ELTI and AECM programmes and also the cooperation with CDP, KfW, AFD, SID, InvestNL, Bpifrance and others.

Furthermore, HBOR provided advisory and professional assistance to the Development Bank of Kenya, which, in cooperation with the World Bank, paid an expert visit to HBOR. During the reporting period, we also hosted other foreign delegations, i.e. visits and expert exchanges.

In 2025, active cooperation between HBOR and the Network of European Financial Institutions for SMEs (NEFI), the United Nations Environment Finance Initiative (UNEP FI), the UN Global Compact, as well as several bilateral chambers of commerce continued.

It should also be emphasised that during the reporting year, HBOR continued to actively participate in meetings of the Export Credits Group (ECG) of the Council of the European Union, in meetings of the Commission Expert Group on Enhanced Coordination of External Financial Tools, as well as in meetings of the working group of the OECD Arrangement on Officially Supported Export Credits. At these

meetings, HBOR, as an expert member of the Croatian delegation, contributed to discussions on topics related to export credit operations, and was actively engaged in the process of Croatia's accession to the OECD.

### **TANGIBLE ASSETS MANAGEMENT**

During 2025, nine immovable properties were acquired in exchange for unpaid receivables, while in the same period, six such properties were sold.

In 2025, the redefining of prices of immovable property taken over in exchange for due receivables was carried out, with the aim of adjusting to market conditions and preparing the sales activities in 2026.

In the reporting period, business premises with a total net area of 246.85 m<sup>2</sup> were purchased at Zelinska 3 in Zagreb. At the same time, the analysis of the real estate market continued to ensure long-term sufficiency of office capacity for all HBOR employees.

The implementation of a new software system for inventory accounting has improved the processes of recording and monitoring assets 2025.

### **PUBLICITY OF OPERATIONS**

In the reporting 2025, HBOR continued to act in accordance with the principles of transparency and openness to the public, thus ensuring timely and available disclosure of information about its operations. HBOR publishes certain information, such as agendas and decisions from the meetings of the Credit Committee, the Management Board and the Supervisory Board, proactively and in an anonymised form, while protecting information that represent business and banking secret.

Data on beneficiaries and amounts of state aid, as well as on beneficiaries and amounts of de minimis aid awarded in the previous year, are also published on an annual basis. In 2025, 7 requests for access to information pursuant to the Act on the Right of Access to Information were received.

During the reporting period, 39 public procurement procedures were published in the Electronic Public Procurement Classifieds.

## OPERATIONS OF HRVATSKO KREDITNO OSIGURANJE GROUP

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### HRVATSKO KREDITNO OSIGURANJE D.D. AND POSLOVNI INFO SERVIS D.O.O.

Hrvatsko kreditno osiguranje d.d. (HKO) is a joint-stock insurance company specialised in the insurance of short-term receivables arisen from the sale of goods or services among business entities.

The Croatian Financial Services Supervisory Agency (HANFA) issued on 16 February 2026 a decision by which HKO was granted an authorisation to perform insurance business within the non-life insurance group for insurance type 15. Guarantee insurance.

In October 2010, HKO established the company called Poslovni info servis d.o.o. and started to operate as the Hrvatsko kreditno osiguranje Group (HKO Group) and to prepare consolidated financials. Within the HKO Group, the company Poslovni info servis d.o.o. (PIS) is in charge of analysing and assessing credit risks relating to insurance transactions.

As at 31 December 2025, there were 23 employees at HKO Group, of which 19 were employed with HKO, and 4 with PIS. 20 employees had university degrees and three had secondary school education.

### Ownership structure

HKO is 100% owned by the Croatian Bank for Reconstruction and Development.

### Management

Legal status, organisation and management of the Company, other issues important for the operations of the Company and other harmonisation issues provided for in the Companies Act and the Insurance Act are determined by the Statutes of the Company. Company management bodies are Management Board, Supervisory Board and Shareholders' Meeting.

### People authorised to represent

#### Management Board in 2025:

- Zvonimir Samodol, Chairman of the Management Board
- Ružica Adamović, Member of the Management Board (until 12 October 2025)
- Ana Handžiski, Member of the Management Board (as of 13 October 2025)

### Supervisory Board of HKO

In 2025, the Supervisory Board of HKO was comprised of the following members:

- Ante Artuković, Chairman of the Supervisory Board
- Andreja Mergeduš, Deputy Chairman of the Supervisory Board
- Gordan Kuvsek, Member of the Supervisory Board
- Marija Jerkić, Member of the Supervisory Board
- Marin Pranjić, Member of the Supervisory Board

### Audit Committee of HKO

In 2025, the Audit Committee of HKO was comprised of the following members:

- Marin Pranjić, Chairman of the Audit Committee

- Ante Artuković, Deputy Chairman of the Audit Committee
- Ivica Granić, Member of the Audit Committee

#### **Poslovni info servis d.o.o.**

Jelena Boromisa performed the function of the Manager of PIS.

Ivana Paić was the authorised representative of the Company.

#### **Reporting to the supervisory bodies**

In 2025, the Company provided regular reports to the supervisory bodies on all relevant facts and changes in the Company pursuant to the Insurance Act, the ordinances of the Croatian Financial Services Supervisory Agency and other regulations in force. The Company regularly met all requirements of the supervisory bodies in terms of control of operations and submission of the Company's data.

#### **OPERATIONS IN 2025**

In 2025, Hrvatsko kreditno osiguranje d.d. u 2025 generated gross premium income of EUR 2.61 million, an increase of 10.8% on the previous year. Export receivables accounted for 50.7% of the total premium income.

In 2025, the total reported insured turnover amounted to EUR 1.67 billion, an increase of 6.1% on the previous year. Of this amount, insured export turnover amounted to EUR 0.85 billion and accounted for 50.6% of the total insured turnover.

As at 31 December 2025, total exposure in accordance with the approved limits by buyers stood at EUR 819 million, an increase of 2.8% compared with 31 December 2024.

As at 31 December 2025, altogether 9,155 credit limits were covered by the insurance, an increase of 2.8% on the previous year. Within the total structure of limits, 6,320 credit limits were related to domestic receivables, and 2,835 credit limits were related to export receivables towards buyers in 57 countries worldwide.

In 2025, the Company paid indemnities and related cost coverage in the total amount of EUR 885 thousand, and recovered amounts of EUR 42 thousand. Therefore, the amount of liquidated indemnities amounted to EUR 843 thousand, whereas in the previous year, the amount of liquidated indemnities was EUR 114 thousand. The indemnities were paid for buyers in Croatia, Italy, Hungary, Belgium, Austria, Germany and Bosnia and Herzegovina.

**Insurance business indicators (In EUR million)**

	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Insured turnover</b>	1,712.84	1,575.89	1,671.48
<b>Gross exposure to buyers (as at 31 December)</b>	745.30	796.18	818.67
<b>Gross premium charged</b>	2.48	2.35	2.61
<b>Liquidated indemnities</b>	1.85	0.11	0.84
<b>Number of active limits (as at 31 December)</b>	8,126	8,907	9,155

Acquisition costs, marketing costs, administration costs and other operating expenses of the HKO Group in 2025 amounted to EUR 1.60 million, whereas, at the Company level, they amounted to EUR 1.34 million.

Risk assessment fee income stood at EUR 0.33 million, whereas they amounted to EUR 0.31 million in 2024.

Net investment income in 2025 stood at EUR 0.21 million (EUR 0.25 million in 2024).

At the end of the business year 2025, the HKO Group recorded profit before taxes for the year in the amount of EUR 0.03 million, whereas in 2024, profit before taxes for the year amounted to EUR 0.35 million.

As at 31 December 2025, the total assets of the HKO Group amounted to EUR 11.28 million, an increase of 0.78% compared to 31 December 2024, when they stood at EUR 11.19 million.

As at 31 December 2025, the total capital of the HKO Group amounted to EUR 8.25 million.

## PRINCIPLES OF FINANCIAL REPORTING

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The HBOR Group prepares:

1. Separate financial statements of the parent company – HBOR, and
2. Consolidated financial statements that include HBOR and companies under its control, i.e. subsidiary companies.

When preparing and presenting its annual financial statements, the HBOR Group applies the International Financial Reporting Standards adopted by the European Union (“EU IFRS”).

Financial statements are prepared and presented in order to provide information on the financial position, success in operations and changes in the financial position of HBOR and the HBOR Group in order to enable their users to make appropriate economic decisions and in order to give financial information about how the strategy of the HBOR Group is carried out.

For the purpose of financial reporting and disclosures, the HBOR Group applies the following principles:

- **Transparency in presentation** in order to enhance its users’ understanding of the presented information,
- **Consistency in presentation** within each reporting period and between reporting periods,
- **Simplicity in presentation** in order to allow the users to gain an easier understanding of the financial position, business performance and changes in financial position, as well as to ease decision-making,
- **Focusing on legal requirements** in order to ensure compliance,
- **Application of the best presentation practices** appropriate to the Group’s activities with respect to up-to-date international trends in financial reporting as well as market requirements.

## OVERVIEW OF FINANCIAL PERFORMANCE IN 2025

The financial statements include both separate financial statements of HBOR and consolidated financial statements of the HBOR Group.

In the text to follow, an overview of the financial performance and operations is given separately for the HBOR Group and HBOR as the parent company and the entity subject to this report.

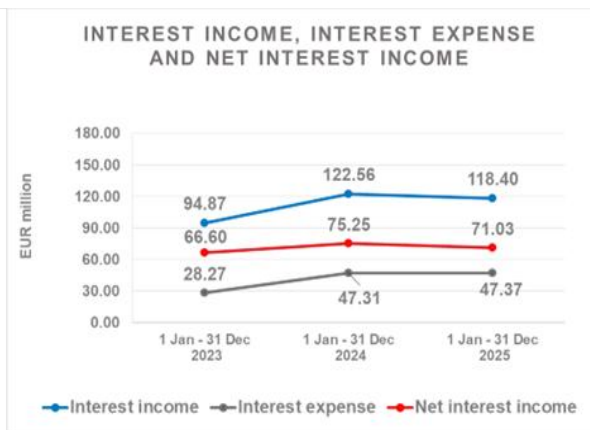
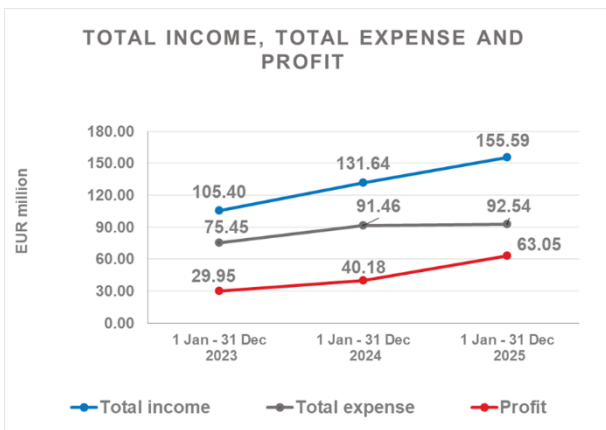
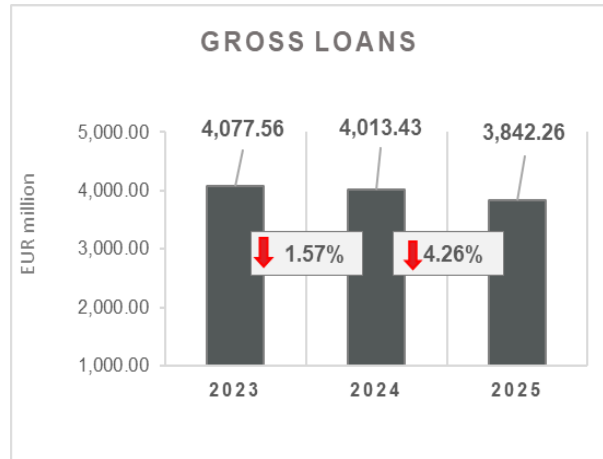
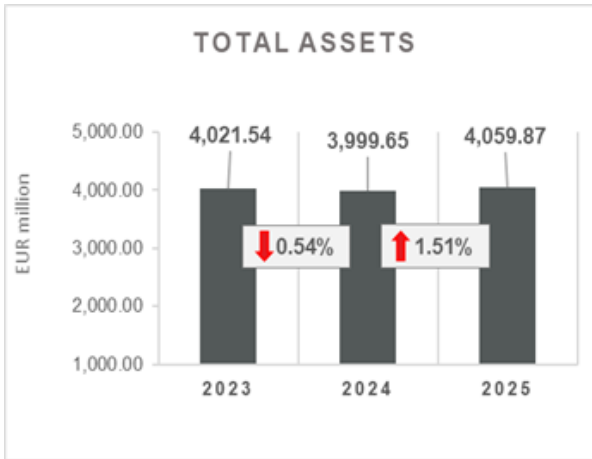
The separate and consolidated Annual Financial Statements of HBOR for 2025, which can be found enclosed, have been audited by the audit companies Šibenski Revicon d.o.o. and BDO Croatia d.o.o. that expressed an unqualified opinion in the common Independent Auditor's Report.

## OVERVIEW OF FINANCIAL PERFORMANCE OF THE GROUP

Having in mind the size of the subsidiary companies and the volume of their operations compared with the operations of the parent company, their financial data are not significant so as to be particularly highlighted within the framework of the consolidated financial statements. Consequently, they do not have a material effect on the consolidated financial statements in comparison with the separate statements of HBOR as the parent company. The Hrvatsko kreditno osiguranje Group represents only 0.28 percent of the parent company's assets.

### Breakdown of the most significant financial information of the HBOR Group, in million of euros

	2023	2024	2025
<b>Total assets</b>	4,021.54	3,999.65	4,059.87
<b>Gross loans</b>	4,077.56	4,013.43	3,842.26
<b>Total equity</b>	1,457.88	1,504.29	1,569.12
<b>Total income</b>	105.40	131.64	155.59
<b>Total expense</b>	(75.45)	(91.46)	(92.54)
<b>Profit</b>	29.95	40.18	63.05
<b>Interest income calculated on the basis of effective interest rate and income from the cancellation of subsidy deferral at the expense of HBOR's operations</b>	94.87	122.56	118.40
<b>Interest expense</b>	(28.27)	(47.31)	(47.37)
<b>Net interest income</b>	66.60	75.25	71.03



## **Results of the Group**

In 2025, the HBOR Group generated profit after tax in the amount of EUR 63.05 million. The recorded profit is by 56.92 percent higher as compared to the previous year, and the reasons are stated in the description of HBOR's financial performance.

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 2025, total income on consolidated basis amounted to EUR 155.59 million, whereas total expenses amounted to EUR 92.54 million.

In the breakdown of income of the Group, the largest portion, i.e. 76.10 percent, relates to interest income as a result of operations of the parent company.

A major part of total expenses relates to interest expenses of 51.19 percent and operating expenses of 39.81 percent as a result of operation of the parent company.

The consolidated operating expenses in 2025 amounted to EUR 36.84 million and consisted of general and administrative expenses and other operating expenses.

There were 480 employees in the Group on 31 December 2025, whereas there had been 466 employees in the Group at the end of 2024.

## **Assets and liabilities of the Group**

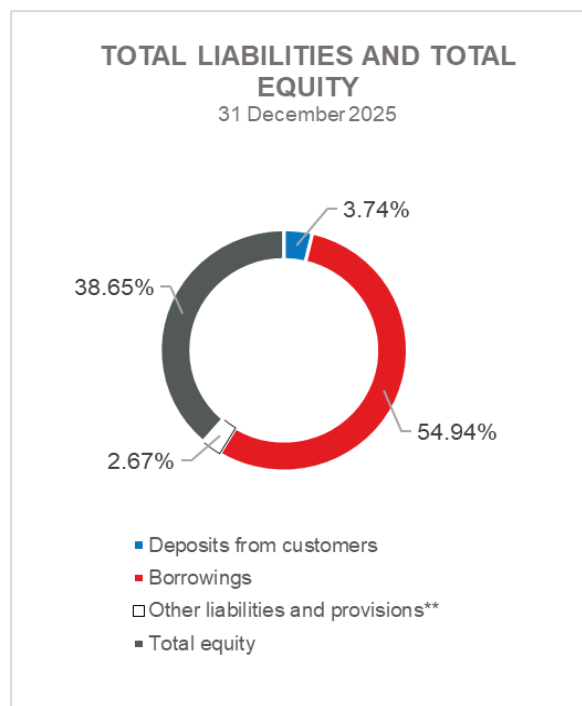
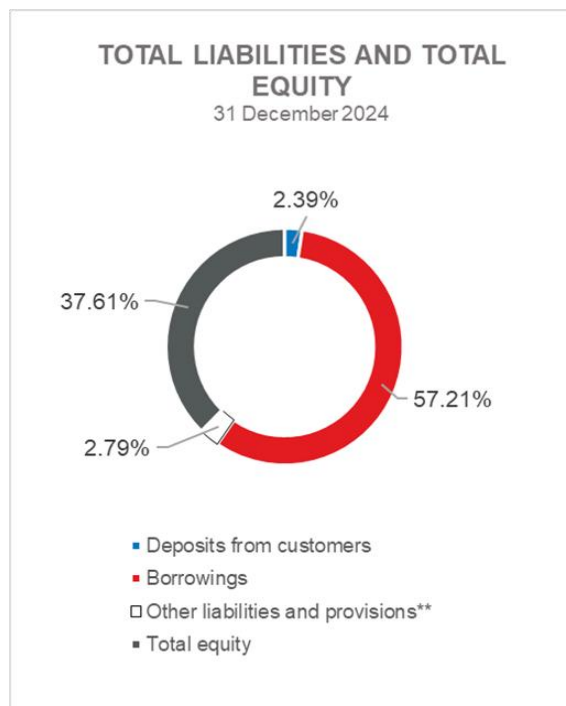
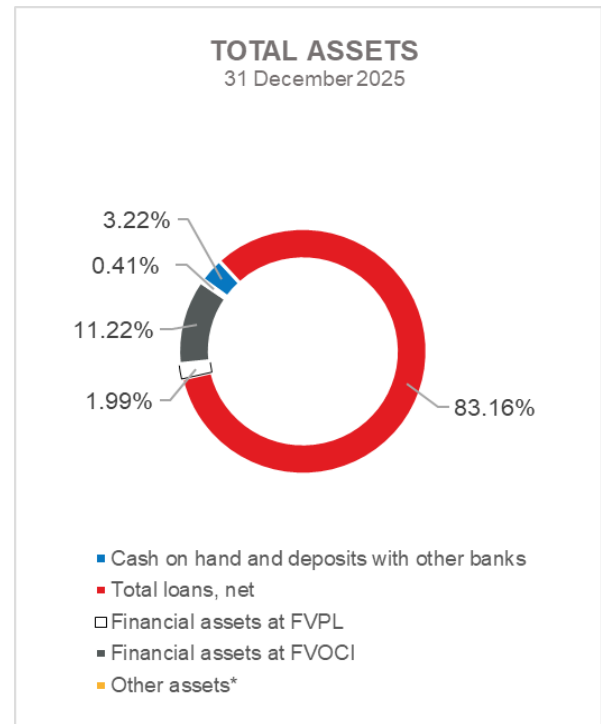
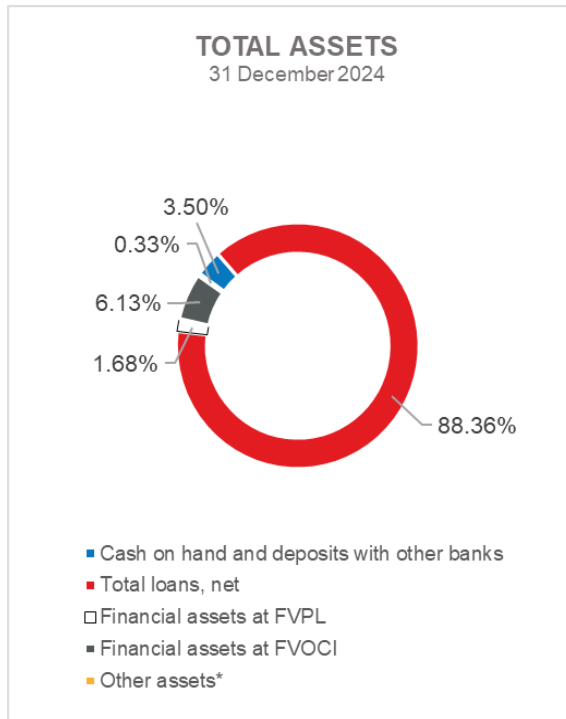
Total assets of the Group on a consolidated basis amount to EUR 4,059.87 million and increased by 1.51 percent as compared to the previous year.

In the breakdown of assets, the major portion relates to the lending activities of the parent company, i.e. net loans account for 83.16 percent of total assets.

Total liabilities and total equity as at 31 December 2025 amount to EUR 4,059.87 million and, out of this amount, total liabilities amount to EUR 2,490.75 million, i.e. 61.35 percent.

In total liabilities and total equity of the Group, the major portion, i.e. 54.94 percent, consists of the borrowings of the parent company.

At the end of 2025, total equity on consolidated basis amounted to EUR 1,569.12 million and accounted for 38.65 percent of total liabilities and total equity of the Group.



\*Property, plant and equipment and intangible assets, Foreclosed assets and Other assets.

\*\* Provisioning includes provisioning for guarantees, commitments and other liabilities.

## **OVERVIEW OF FINANCIAL PERFORMANCE OF HBOR**

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

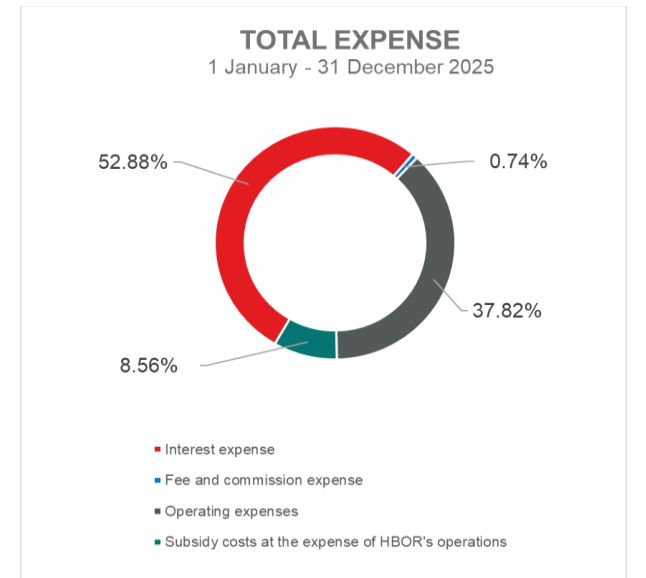
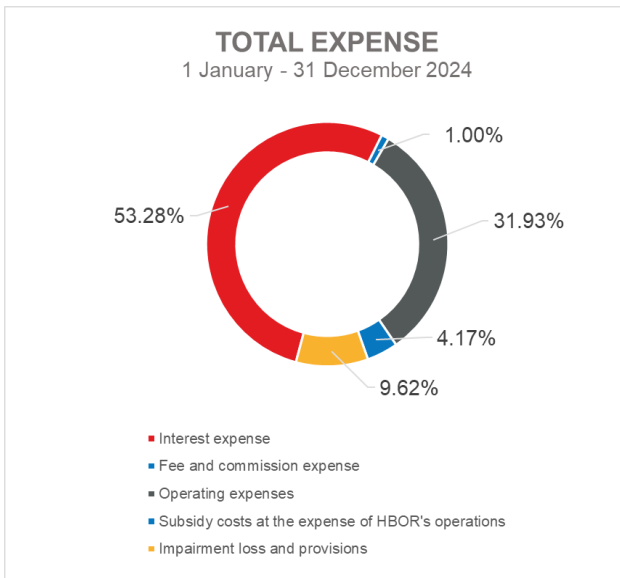
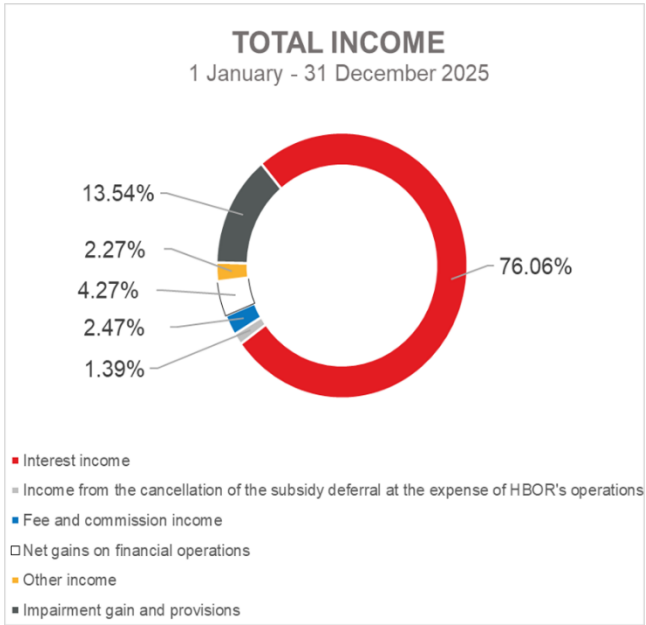
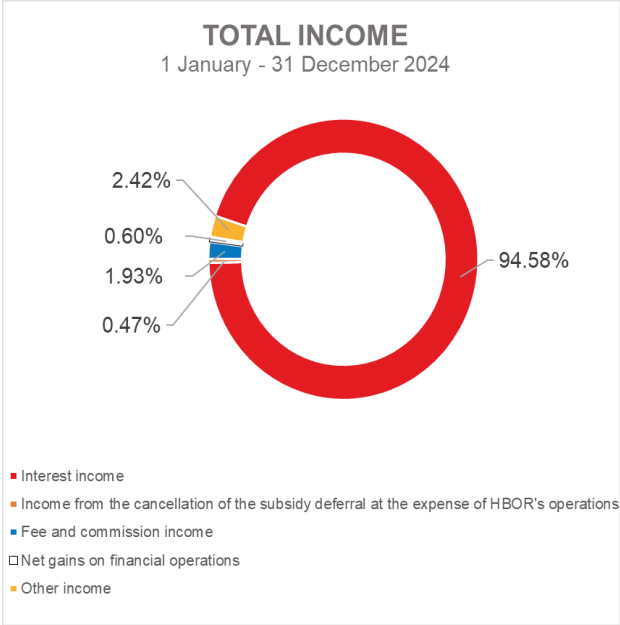
### **Financial performance**

In 2025, HBOR generated total income of EUR 152.61 million, expenses in the amount of EUR 89.58 million and profit in the amount of EUR 63.03 million. HBOR's profit generated in 2025 increased by EUR 23.13 million compared with the profit generated in 2024, i.e. by 57.97 percent.

The circumstances which resulted in the increased profit generated in 2025 compared to the profit generated in 2024 are as follows:

- Decrease in interest income of EUR 5.63 million,
- Increase in interest income from the cancellation of subsidy deferral at the expense of HBOR's operations of EUR 1.52 million,
- Increase in interest expenses of EUR 0.07 million,
- Increase in fee and commission net income of EUR 1.52 million,
- Increase in net gains from financial operations of EUR 5.75 million,
- Increase in other income of EUR 0.35 million,
- Decrease in net losses from impairment and provisions of EUR 29.20 million,
- Increase in operating expenses of EUR 5.54 million,
- Increase in subsidy costs at the expense of HBOR's operations of EUR 3.97 million.

A detailed description of trends is given for each category separately in the following text.



### **Net interest income**

Net interest income amounted to EUR 70.82 million, a decrease of 5.57 percent on the previous reporting year due to a decrease in interest income of EUR 4.11 million and an increase in interest expenses of EUR 0.07 million.

Interest income, calculated on the basis of the effective interest rate method, amounted to EUR 118.19 million, a decrease of 3.36 percent on the last year. The decrease in interest income is the result of the increase in premature loan repayments and the decrease in the amount of collected default interest compared to the previous year.

Interest expenses amounted to EUR 47.37 million and remained at the previous year level.

Having in mind the described trends, a higher decrease in interest income in the absolute amount of EUR 4.11 million than the increase in interest expenses of EUR 0.07 million affected the decrease in net interest margin compared to the previous year, which stood at 1.70 percent, while in the previous year it amounted to 1.86 percent.

### **Net fee and commission income**

Net fee and commission income amounted to EUR 3.11 million, an increase of 95.60 percent compared with the previous year due to a higher increase in fee and commission income of EUR 1.29 million and the decrease in fee and commission expenses of EUR 0.23 million.

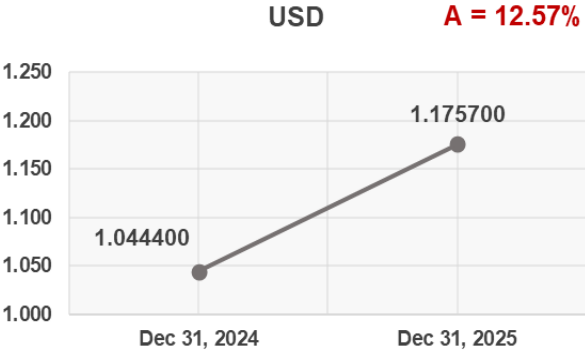
The increase in fee and commission income is mostly a result of an increase in fee income under agent transactions due to an increase in volume of mandate transactions.

**Net gains/(losses) on financial operations**

Neto gains/(losses) on financial operations are comprised of net foreign exchange gains/(losses) on the principal amount of receivables and liabilities, gains/(losses) arising out of value adjustment of financial assets stated at fair value through profit or loss and realised gains/(losses) arising out of financial assets at fair value through other comprehensive income.

In the reporting period, net gains on financial operations amounted to EUR 6.52 million, whereas in the previous year, net gains amounted to EUR 0.77 million.

A breakdown of changes in the exchange rate of the EUR against the USD:



Note:

A = EUR appreciation 2025/2024

Funds and sources of funds that are denominated in another currency or are indexed to the currency clause are converted by HBOR into the equivalent value in EUR at the middle exchange rate of HBOR or another agreed exchange rate on the reporting date.

Revenues and expenditures in another currency are converted at the exchange rate on the transaction date. The resulting foreign exchange gains or losses are recorded in the Profit or Loss Account in net figures.

**Operating expenses**

Operating expenses that include general and administrative expenses and other operating expenses stood at EUR 33.88 million, an increase of 19.55 percent compared with the previous year, mostly as a result of an increase in administration costs.

At the end of 2025, the total number of employees was 457 (on 31 December 2024: 446 employees).

**Subsidy costs at the expense of HBOR's operations**

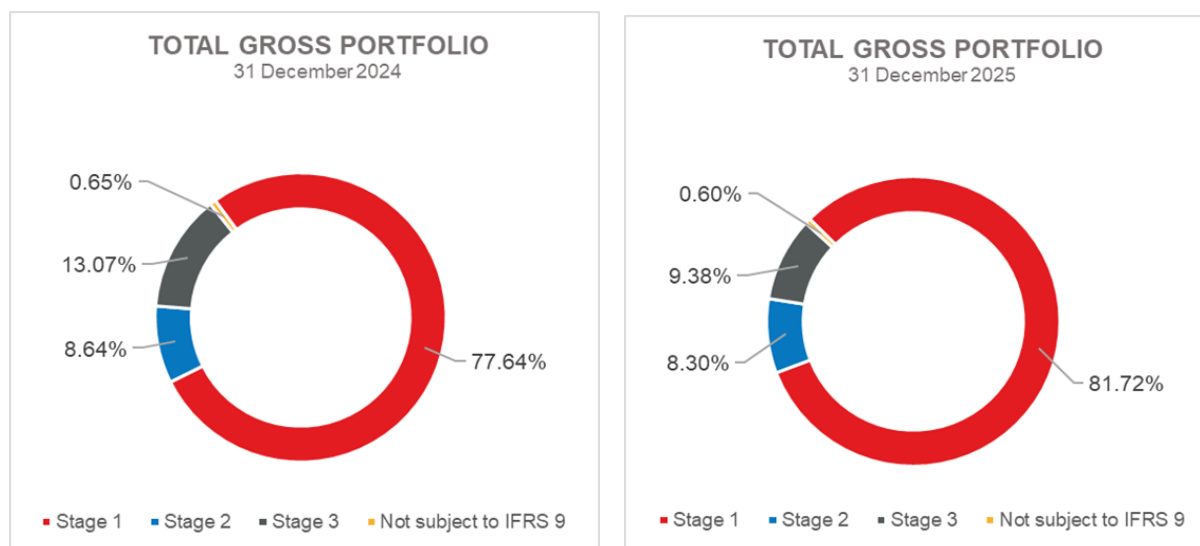
In 2023, HBOR launched a new product of interest rate subsidy at the expense of HBOR's operations. The funds for subsidising interest rates are provided by HBOR from its own sources.

In the reporting period, the cost of subsidy at the expense of HBOR's operations was realised in the amount of EUR 7.67 million.

## Impairment gain/(loss) and provisions

In the reporting period, placement impairment net gains stood at EUR 20.66 million, whereas, in the previous year, net losses stood at EUR 8.54 million.

The text to follow contains a breakdown of portfolio quality:



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

	2024		2025	
	Amount	Breakdown(%)	Amount	Breakdown(%)
<b>Total gross portfolio, EUR million</b>	<b>4,992.72</b>	<b>100.00</b>	<b>5,222.57</b>	<b>100.00</b>
<b>Of which:</b>				
- financial institutions	1,580.79	31.66	1,587.64	30.40
- direct	3,411.93	68.34	3,634.93	69.60
<b>Total provisions, EUR million</b>	<b>496.73</b>	<b>100.00</b>	<b>493.60</b>	<b>100.00</b>
<b>Of which:</b>				
- financial institutions	8.23	1.66	2.00	0.41
- direct	488.50	98.34	491.60	99.59
<b>Provisions/gross portfolio</b>	<b>9.95 percent</b>		<b>9.45 percent</b>	

## **Significant changes in financial position**

Total assets of HBOR as at 31 December 2025 amounted to EUR 4,056.04 million, an increase of 1.50 percent compared with the previous year.

### **Cash on hand and deposits with other banks**

At the end of 2025, cash on hand and deposits with other banks amounted to EUR 126.49 million representing 3.12 percent of total assets, a decrease of 6.96 percent compared with the previous year.

### **Loans to financial institutions and other customers**

Total net loans decreased by 4.47 percent on the previous year and stood at EUR 3.376,29 million at the end of 2025 representing 83.24 percent of total assets.

Total gross loans amounted to EUR 3,842.26 million, a decrease of 4.26 percent compared with the previous year. Gross loans to other customers decreased by 6.02 percent compared with the beginning of the year, while gross loans to financial institutions decreased by 0.33 percent compared to the previous year.

At the end of 2025, the proportion between gross loans on-lent through financial institutions and direct placements stood at 32.00 percent : 68.00 percent ( 31 December 2024: 30.73 percent : 69.27 percent).

### **Financial assets at fair value through profit or loss**

Loans at fair value (pursuant to HBOR's decision, mezzanine loans are classified to this category), investments in investment funds and a part of equity instruments are classified to these assets. As at 31 December 2025, the total amount of these assets equalled EUR 80.62 million representing 1.99 of total assets.

### **Financial assets at fair value through other comprehensive income**

#### **a) Debt securities**

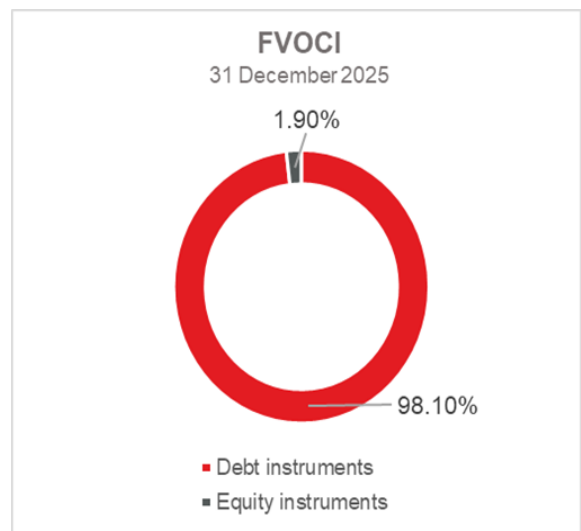
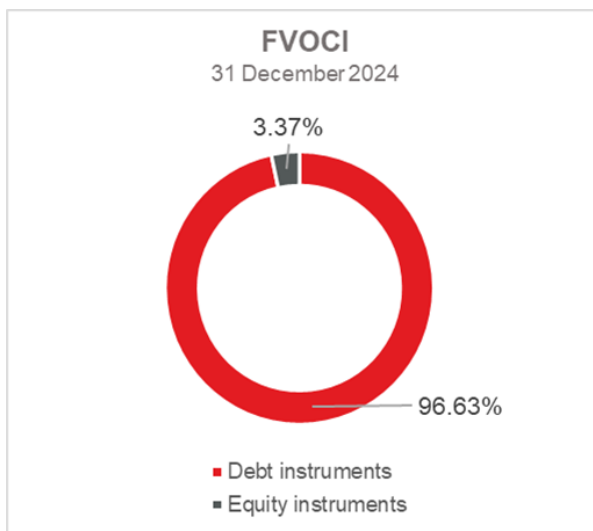
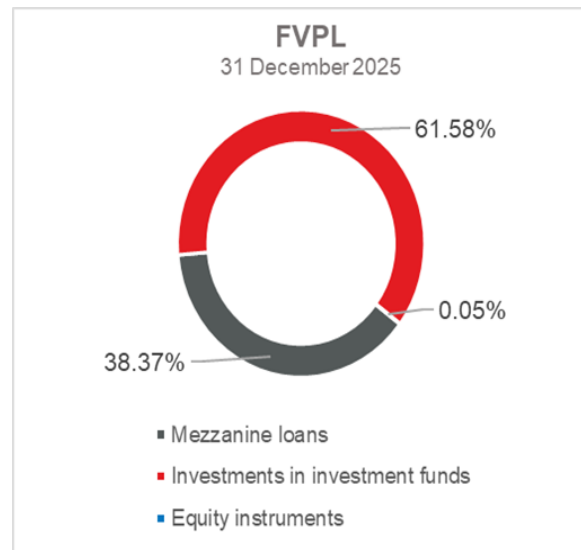
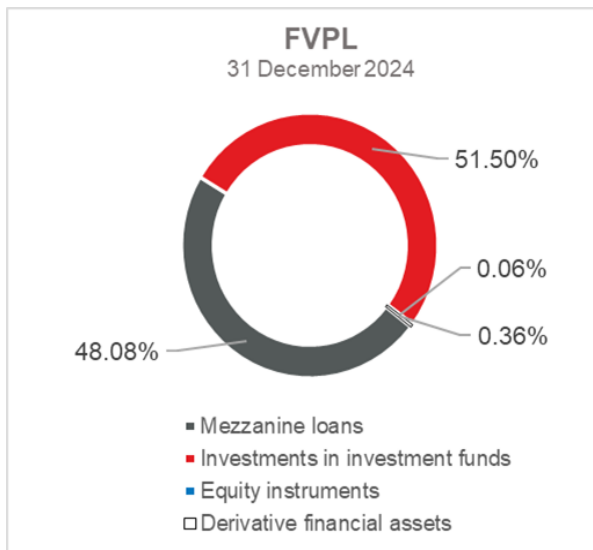
Bonds of the Republic of Croatia and of companies, and treasury bills of the Ministry of Finance as part of liquidity reserve are classified to these assets. On the reporting date, they amounted to EUR 441.70 million, representing 10.89 percent of total assets.

The impairment of these financial assets is calculated through the application of the model of expected credit losses in the manner that provisions are recognised in the accounts of other comprehensive income, thus not reducing the carrying amount of these financial assets in the statement on financial position. On the reporting date, they amounted to EUR 0.34 million.

## b) Equity instruments

Equity instruments (shares of companies) that HBOR does not intend to sell and to which irrevocable option of subsequent measurement of fair value through other comprehensive income without recycling is applied are classified to these assets, i.e. reserves recognised under other comprehensive income will never be transferred to the statement on profit or loss.

On the reporting date, these assets amounted to EUR 8.55 million, representing 0.21 percent of total assets.



## Total liabilities

At the end of 2025, total liabilities amounted to EUR 2,487.72 million, which represents 61.33 percent of total liabilities and total equity. A major part of total liabilities consists of HBOR's borrowings in the total amount of EUR 2,230.30 million.

Borrowings decreased by 2.53 percent compared with the beginning of the year, whereas changes in these liabilities are shown in the table below:

	(EUR million)
- Draw-down of funds borrowed under previously contracted funds of special financial institutions and under general borrowings	439.39
- Repayment of borrowings and bonds payable	(494.00)
- Foreign exchange gains or losses	(1.92)
- Other calculations*	(1.43)
<b>Total changes</b>	<b>(57.96)</b>

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

During 2025, HBOR continued to raise funds, and, in Q2 2025, HBOR and the Council of Europe Development Bank (CEB) signed a EUR 250 million Loan Agreement intended for the financing of micro, small and medium-sized enterprises, urban, rural and regional development as well as social and affordable housing projects in the Republic of Croatia.

Furthermore, at the beginning of Q3, a EUR 150 million Finance Contract was signed with the European Investment Bank (EIB) intended to finance the projects of Mid-Caps, public sector entities and large private companies in Croatia with a special emphasis on promoting green investments as the first tranche of a new EUR 350 million financing accord between the EIB and HBOR.

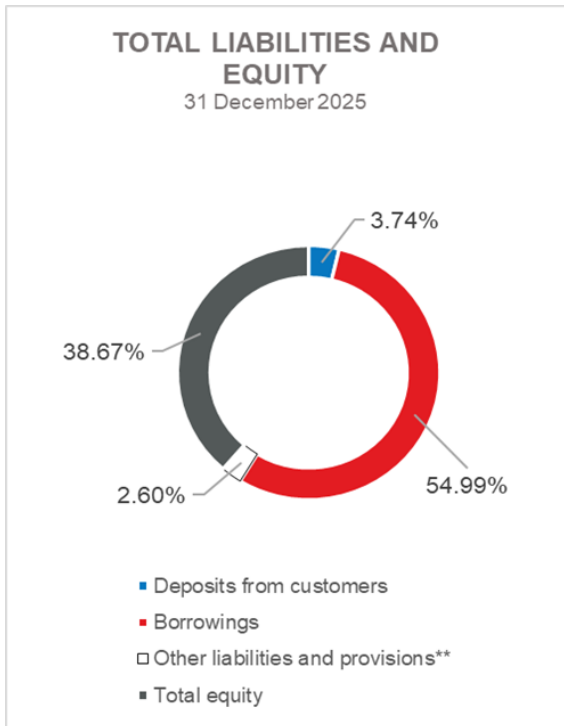
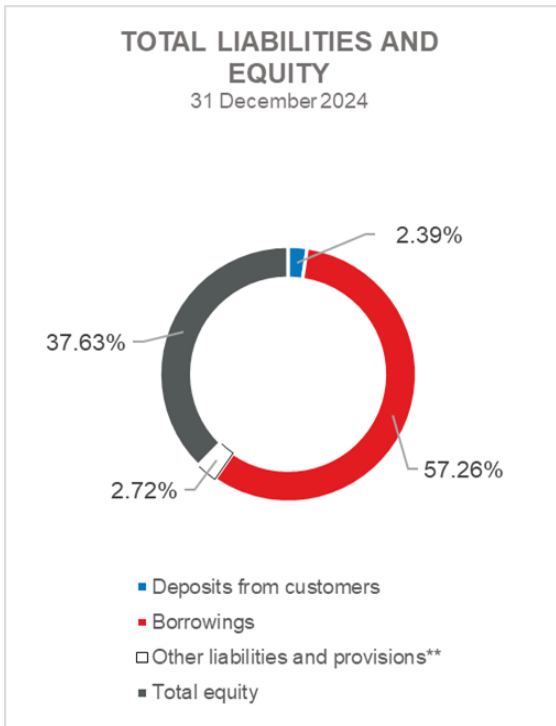
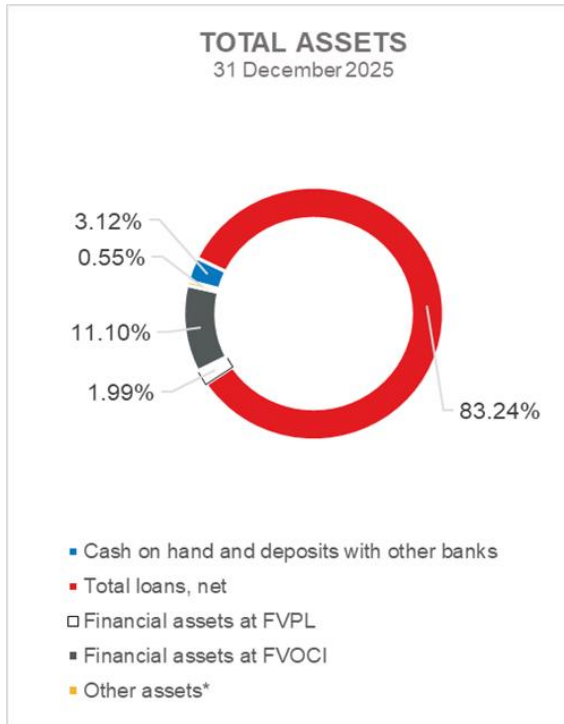
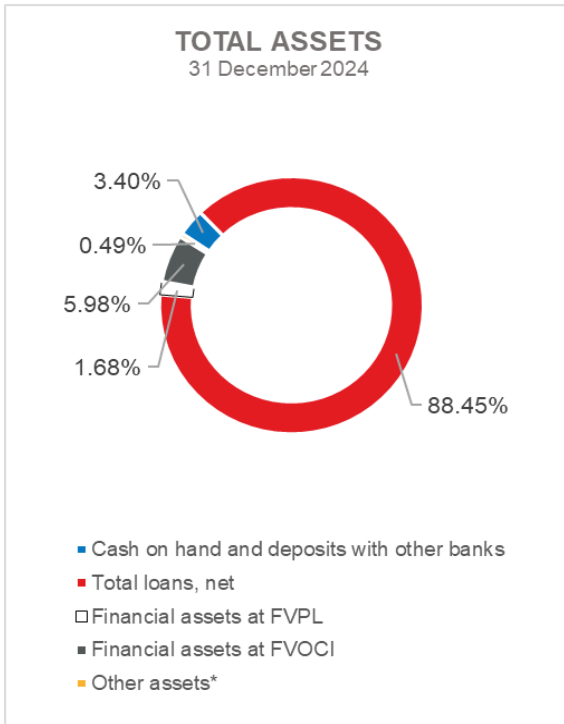
## Total equity

Total equity amounted to EUR 1,568.32 million, representing 38.67 percent of total liabilities and total equity.

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

In the reporting period, the amount of EUR 2.50 million was contributed from the budget of the Republic of Croatia into the founder's capital. At the end of 2025, the total amount of capital contributed from the budget of the Republic of Croatia stood at EUR 907.75 million, and the remaining amount to be contributed to the founder's capital up to the total amount of EUR 929.06 million set by the HBOR Act was EUR 21.31 million.

Pursuant to the provisions of the HBOR Act, the entire profits of the Bank generated in the reporting period are allocated to the reserves.



\*Investments in subsidiaries, Property, plant and equipment and intangible assets, Foreclosed assets and Other assets.

\*\*Other liabilities, Provisioning for guarantees, commitments and other liabilities.

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

Annual financial statements for 2025

Zagreb, March 2026

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## Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual report

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The Management Board of the Croatian Bank for Reconstruction and Development ("HBOR" or "the Bank") is required to prepare separate and consolidated financial statements for each financial year which give a true and fair view of the financial position of the Bank and Group of the Croatian Bank for Reconstruction and Development ("the Group") and of the results of their operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time.

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 judgments 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 submission of its Annual Report to the Supervisory Board, after which the Supervisory Board submits it for approval to the Parliament of the Republic of Croatia.

The separate and consolidated financial statements set out on pages 71 to 224 were authorised by the Management Board on 26 March 2026 for issue to the Supervisory Board and are signed below to signify this.

The Management Board is also responsible for the preparation and content of the Management Report and Statement on the Code of Corporate Governance Application as required by the Croatian Accounting Law, and other information (together "other information"). The Management Report presented on pages 4 to 5, Statement on the Code of Corporate Governance Application presented on pages 6 to 9 and other information presented on pages 10 to 59 were approved by the Management Board on 26 March 2026.

Signed on behalf of the Croatian Bank for Reconstruction and Development



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Marin Pranjic

**Finance and Accounting  
Division  
Executive Director**



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Hrvoje Čuvalo, MSc

**President of the Management  
Board**



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Alan Herjavec, MSc

**Member of the  
Management Board**



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Josip Pavkovic

**Member of the  
Management Board**

Zagreb, 26 March 2026



**INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**Report on the Audit of the annual separate and consolidated Financial Statements**

**Opinion**

We have audited the annual separate financial statements of Croatian Bank for Reconstruction and Development ("the Bank") and the consolidated financial statements of the Bank and its subsidiary ("the Group"), which comprise the separate and consolidated statements of financial position of the Bank and the Group, respectively, as at 31 December 2025, and their respective separate and consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual separate and consolidated financial statements give a true and fair view of the separate financial position of the Bank and consolidated financial position of the Group as at 31 December 2025 and of their respective separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual separate and consolidated Financial Statements. We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethical Standards Board for Accountants ("IESBA", "IESBA Code"), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public entities in the Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)**

**Report on the Audit of the annual separate and consolidated Financial Statements (continued)**

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Impairment of loans to other customers</b>	
<p>As at 31 December 2025, in the financial statements of the Bank and the Group, gross loans to other customers: EUR 2,613 million, related impairment allowance: EUR 464 million and revenue from the release provisions recognised in the income statement for the year then ended: EUR 22 million (31 December 2024: gross loans to other customers: EUR 2,780 million, impairment allowance: EUR 472 million, impairment loss recognised in the income statement for the year ended 31 December 2024: EUR 3 million).</p> <p>Please refer to note 4 Summary of significant accounting policies, note 10 Impairment loss and provisions, note 15 Loans to other customers and credit risk section of the note 31 Risk management</p>	
<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<p>Loss allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within loans to other customers at the reporting date. We focused on this area as the determination of loss allowances requires a significant judgment over the amounts of any such impairment.</p> <p>Impairment allowances for performing exposures (Stage 1 and Stage 2) and non-performing exposures (Stage 3) up to EUR 400 thousand individually are determined by modelling techniques ("collective impairment allowance"). These collective impairment models rely on a number of parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk, forward-looking information and management judgment.</p> <p>For non-performing exposures exceeding to EUR 400 thousand individually, the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. Related loss allowances are determined on an individual basis by means of a discounted cash flows analysis.</p>	<p>Our audit procedures in this area, performed with the assistance from our own financial instruments and information technology (IT) specialists, included, among others:</p> <ul style="list-style-type: none"> <li>• Consideration of a business model for financial asset management and review of placement groups;</li> <li>• Acquiring the functioning of internal control systems in relation to the process of assessing the required impairment of loans granted to the Bank's clients;</li> <li>• Inquiring of the risk management and IT personnel to update our understanding of the loan provisioning process, IT applications used therein, key data sources and assumptions for data used in the ECL model. Also, assessing and testing of IT control environment for data security and access;</li> <li>• Inspecting the Bank's and the Group's impairment provisioning methods and models, and assessing their continued compliance with the relevant requirements of the financial reporting standards;</li> <li>• Testing the design, implementation and operating effectiveness of selected controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the identification of events of default, appropriateness of the classification of exposures into performing and non-performing and their segmentation into homogenous groups, calculation of days past due, collateral valuations and calculation of the loss allowances;</li> </ul>

INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)

Report on the Audit of the annual separate and consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of loans to other customers (continued)	
Key audit matter	How our audit addressed the matter
<p>For the above reasons, impairment of loans to other customers was determined by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered this area to be our key audit matter.</p>	<ul style="list-style-type: none"> <li>Selecting a sample of individual exposures, with focus on those exposures with the greatest potential impact on the financial statements due to their magnitude and risk characteristics, as well as lower value items, which we independently assessed as high-risk, such as watchlisted, restructured or rescheduled exposures, loans to clients operating in higher risk industries, non-performing exposures with low provision coverage and loans with significant change in the provision coverage;</li> <li>For the sample selected, critically assessing, by reference to the underlying documentation (loan files) and through inquiries of the Bank's and the Group's loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2025;</li> </ul> <p>For loss allowance calculated individually, our audit procedures included:</p> <ul style="list-style-type: none"> <li>For those loans where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period by reference to publicly available resources and historical experience. We sought the Management Board's explanations for any material discrepancies identified.</li> </ul> <p>For loss allowance calculated on a collective basis, our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing whether the definition of default and the relevant staging criteria were appropriate and consistently applied.</li> <li>Obtaining the relevant forward-looking information and macroeconomic forecasts used in the Bank's and the Group's ECL estimate. Independently assessing the information by reference to publicly available sources.</li> </ul>

**INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)**

**Report on the Audit of the annual separate and consolidated Financial Statements (continued)**

**Key Audit Matters (continued)**

Impairment of loans to other customers (continued)	
Key audit matter	How our audit addressed the matter
	<ul style="list-style-type: none"> <li>• For a sample of exposures, challenging key model parameters, as follows:               <ul style="list-style-type: none"> <li>○ EAD - by tracing underlying data on exposures to loan contracts;</li> <li>○ LGD and PD - by reference to the Bank's historical experience, adjusted where relevant for the expected changes in economic conditions as derived from the forward-looking information;</li> </ul> </li> <li>• Obtaining Bank's and the Group's results of back testing performed over the PD and LGD parameters used in prior periods and seeking the Management Board's explanations for any material discrepancies identified.</li> </ul> <p>For loss allowance in totality, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposures in total gross exposures, and the non-performing loans provision coverage;</li> <li>• Examining whether the Bank's and the Group's loan impairment and credit risk-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.</li> </ul>

**INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)**

**Report on the Audit of the annual separate and consolidated Financial Statements (continued)**

**Other Information**

Management is responsible for the other information. The other information comprises Management Board Report and Corporate Governance Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and the Corporate Governance Report, we also performed procedures prescribed by the Accounting Act. These procedures include verifying whether the Management Report has been prepared in accordance with Article 24 of the Accounting Act and whether the Corporate Governance Report contains the information required by Article 25 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures performed, we report that:

1. the information given in the Management Report and Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
2. the Management Report has been prepared, in all material respects, in accordance with Article 24 of the Accounting Act;
3. the Corporate Governance Report includes the information specified in Article 25 of the Accounting Act.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)**

### **Report on the Audit of the annual separate and consolidated Financial Statements (continued)**

#### **Responsibilities of Management and Those Charged with Governance for the annual separate and consolidated Financial Statements**

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

In preparing the annual separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the annual separate and consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the annual separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)**

**Report on the Audit of the annual separate and consolidated Financial Statements (continued)**

**Auditor's Responsibilities for the Audit of the annual separate and consolidated Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual separate and consolidated financial statements, including the disclosures, and whether the annual separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

**INDEPENDENT JOINT AUDITOR'S REPORT TO THE OWNER OF CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (CONTINUED)**

**Report on the Audit of the annual separate and consolidated Financial Statements (continued)**

**Report on Other Legal and Regulatory Requirements**

BDO Croatia d.o.o. i ŠIBENSKI REVICON d.o.o. was appointed by those charged with governance on 17 September 2024 to audit the annual separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2025. Total uninterrupted period of engagement of BDO Croatia d.o.o. is 7 years. Total uninterrupted period of engagement of ŠIBENSKI REVICON d.o.o. is 2 years.

In an audit of the annual separate and consolidated financial statements of the Bank and the Group for the year 2025, we determined the materiality levels for the annual financial statements as a whole, as follows:

- for the annual separate financial statements: EUR 16 million
- for the annual consolidated financial statements: EUR 16 million

which represents approximately 1% of the net assets of the Bank and the Group as at 31 December 2025.

We selected net assets as the benchmark because we believe that this is the most appropriate measure according to which users most often assess the performance of the Bank and the Group, and it is also a generally accepted measure.

Our audit opinion is consistent with the additional report for the Audit Committee of the Bank prepared in accordance with requirements of Articles 11 of Regulations (EU) no. 537/2014.

During the period between the starting date of the audited separate and consolidated financial statements of the Bank and the Group for the year 2025 and the date of this Report, we have not provide any banned non-audit services to the Bank or the Group and did not provide design and implementation of internal controls or the management procedures risk associated with the preparation and/or control of financial information or the design and implementation of financial information technology systems, and we maintained our independence from the Bank and the Group in performing the audit.

The engaged partners in the audit of the annual separate and consolidated financial statements of the Bank and the Group for the year 2025, resulting in Independent Joint Auditor's Report, are Ivan Čajko, certified auditor (BDO Croatia d.o.o.) and Radovan Lucić, certified auditor (ŠIBENSKI REVICON d.o.o.).

Zagreb, 26 March 2026

Zagreb, 26 March 2026

BDO Croatia d.o.o.  
Radnička cesta 180  
10000 Zagreb  
Croatia

ŠIBENSKI REVICON d.o.o.  
Stjepana Radića 44  
22000 Šibenik  
Croatia

**ŠIBENSKI REVICON d.o.o.**  
za reviziju i poslovne usluge  
**ŠIBENIK**  
**S. Radića 44**

  
Hrvoje Stipić, President of the Management Board

  
Radovan Lucić, Director and Certified Auditor

  
Ivan Čajko, Certified Auditor

**BDO**  
BDO Croatia d.o.o.  
Zagreb, Radnička cesta 180  
OIB: 76394522236

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Consolidated Financial Statements of the Group  
Income Statement for the year ended 31 December  
(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Interest income calculated using the effective interest method	5	116,283	121,960
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		2,120	598
Interest expense	6	(47,373)	(47,309)
<b>Net interest income</b>		<b>71,030</b>	<b>75,249</b>
Fee and commission income	7	3,775	2,484
Fee and commission expense	7	(663)	(895)
<b>Net fee and commission income</b>		<b>3,112</b>	<b>1,589</b>
Net gains on financial operations	8	6,517	767
Other income		6,256	5,835
		<b>86,915</b>	<b>83,440</b>
Employee expenses	9 a)	(19,450)	(18,013)
Depreciation and amortisation	9 b)	(2,204)	(1,998)
Other expenses	9 c)	(15,181)	(10,939)
Subsidy costs at the expense of HBOR's operations		(7,665)	(3,701)
Impairment gain/(loss) and provisions	10	20,644	(8,543)
<b>Profit before income tax</b>		<b>63,059</b>	<b>40,246</b>
Income tax	11	(6)	(64)
<b>Profit for the year</b>		<b>63,053</b>	<b>40,182</b>
<b>Attributable to:</b>			
<b>Owner of the Bank</b>		<b>63,053</b>	<b>40,182</b>

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

Consolidated Financial Statements of the Group  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31  
December

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
<b>Profit for the year</b>	<b>63,053</b>	<b>40,182</b>
<b>Other comprehensive income</b>		
<b>Items that are not transferred subsequently to profit or loss:</b>		
Unrealised actuarial (losses)	(143)	(592)
<b>Total items that are not transferred subsequently to profit or loss</b>	<b>(143)</b>	<b>(592)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Net changes in financial assets at fair value through other comprehensive income	(583)	3,831
Deferred tax – other comprehensive income	5	(30)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(578)</b>	<b>3,801</b>
<b>Other comprehensive income after income tax</b>	<b>(721)</b>	<b>3,209</b>
<b>Total comprehensive income after income tax</b>	<b>62,332</b>	<b>43,391</b>
<b>Attributable to:</b>		
<b>Owner of the Bank</b>	<b>62,332</b>	<b>43,391</b>

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

Consolidated Financial Statements of the Group  
Statement of Financial Position as of 31 December  
(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
<b>Assets</b>			
Cash on hand and current accounts with banks	12	67,806	46,061
Deposits with other banks	13	63,002	93,871
Loans to financial institutions	14	1,227,583	1,225,809
Loans to other customers	15	2,148,705	2,308,436
Financial assets at fair value through profit or loss	16	80,625	67,047
Financial assets at fair value through other comprehensive income	17	455,474	245,387
Property, plant and equipment and intangible assets	19	8,592	5,095
Foreclosed assets	20	2,596	2,140
Other assets	21	5,485	5,801
<b>Total assets</b>		<b>4,059,868</b>	<b>3,999,647</b>
<b>Liabilities</b>			
Deposits from customers	22	151,867	95,512
Borrowings	23	2,230,304	2,288,268
Provisions for guarantees, commitments and other liabilities	24	34,607	23,368
Other liabilities	25	73,972	88,213
<b>Total liabilities</b>		<b>2,490,750</b>	<b>2,495,361</b>
<b>Equity</b>			
Founder's capital	26	964,389	961,889
Retained earnings and reserves		539,127	498,945
Other reserves		911	1,632
Profit for the year		63,053	40,182
Guarantee fund	27	1,638	1,638
<b>Total equity</b>		<b>1,569,118</b>	<b>1,504,286</b>
<b>Total liabilities and total equity</b>		<b>4,059,868</b>	<b>3,999,647</b>

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

Consolidated Financial Statements of the Group  
Statement of Cash Flows for the year ended 31 December  
(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
<b>Operating activities</b>			
Profit before income tax		63,059	40,246
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		2,204	1,998
Income tax		(6)	(64)
Impairment loss and provisions		(20,644)	8,543
Subsidy cost at the expense of HBOR's operations		7,665	3,701
Accrued interest		16,317	(714)
Deferred fees		7,062	5,233
Net (loss)/gain from trading with derivative financial instruments		(160)	390
Other changes in assets at fair value		7,477	787
<i>Operating profit before working capital changes</i>		<i>82,974</i>	<i>60,120</i>
<i>Changes in operating assets and liabilities:</i>			
Net decrease/(increase) in deposits with other banks, before impairment		31,071	(22,065)
Net decrease in loans to financial institutions, before impairment		1,865	20,211
Net decrease in loans to other customers, before loss impairment		140,820	37,076
Net (increase)/decrease in foreclosed assets		(505)	151
Net (increase)/decrease in other assets, before impairment		(449)	5,282
Net increase/(decrease) in deposits from banks and companies		56,327	(99,313)
Net (decrease) in other liabilities, before provisions		(14,265)	(5,105)
<b>Net cash provided from/(used in) operating activities</b>		<b>297,838</b>	<b>(3,643)</b>
<b>Investment activities</b>			
Purchase of financial assets at fair value through profit or loss		(9,362)	(14,924)
Sale of financial assets at fair value through profit or loss		117	-
Purchase of financial assets at fair value through other comprehensive income		(415,503)	(117,307)
Sale of financial assets at fair value through other comprehensive income		208,472	110,103
Net purchase of property, plant and equipment and intangible assets		(4,868)	(1,389)
<b>Net cash (used in) investment activities</b>		<b>(221,144)</b>	<b>(23,517)</b>
<b>Financing activities</b>			
Increase in founder's capital		2,500	3,000
Increase in borrowings – withdrawn funds		439,387	689,684
Decrease in borrowings – repayments of principal		(494,000)	(655,843)
Other		(1,051)	(6,739)
<b>Net cash (used in)/provided from financing activities</b>		<b>(53,164)</b>	<b>30,102</b>
<b>Effect of foreign currency to cash and cash equivalents</b>			
Net foreign exchange		(1,909)	971
<b>Net effect</b>		<b>(1,909)</b>	<b>971</b>
Net increase in cash and cash equivalents		21,621	3,913
Cash and cash equivalents balance as of 1 January, before impairment		46,205	42,292
Net increase in cash and cash equivalents		21,622	3,913
<b>Cash and cash equivalents balance as of 31 December before impairment</b>	<b>12</b>	<b>67,826</b>	<b>46,205</b>
<b>Additional note - Operational cash flows</b>			
Interest paid		48,611	43,412
Interest received		114,795	101,491

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

Consolidated Financial Statements of the Group  
Statement of Changes in Equity for the year ended 31 December  
(All amounts are expressed in thousands of Euros)

	Founder's capital EUR '000	Retained earnings and re- serves EUR '000	Other reserves EUR '000	Profit for the year EUR '000	Guarantee fund EUR '000	Total EUR '000
<b>Balance as of 1 January 2024</b>	<b>958,889</b>	<b>468,998</b>	<b>(1,577)</b>	<b>29,947</b>	<b>1,638</b>	<b>1,457,895</b>
Profit for the year	-	-	-	40,182	-	<b>40,182</b>
Other comprehensive income	-	-	3,209	-	-	<b>3,209</b>
Total comprehensive income	-	-	3,209	40,182	-	<b>43,391</b>
Capital paid-in from the State Budget	3,000	-	-	-	-	<b>3,000</b>
Transfer of profit 2023 to retained earnings	-	29,947	-	(29,947)	-	-
<b>Balance as of 31 December 2024</b>	<b>961,889</b>	<b>498,945</b>	<b>1,632</b>	<b>40,182</b>	<b>1,638</b>	<b>1,504,286</b>
Profit for the year	-	-	-	63,053	-	<b>63,053</b>
Other comprehensive income	-	-	(721)	-	-	<b>(721)</b>
Total comprehensive income	-	-	(721)	63,053	-	<b>62,332</b>
Capital paid-in from the State Budget	2,500	-	-	-	-	<b>2,500</b>
Transfer of profit 2024 to retained earnings	-	40,182	-	(40,182)	-	-
<b>Balance as of 31 December 2025</b>	<b>964,389</b>	<b>539,127</b>	<b>911</b>	<b>63,053</b>	<b>1,638</b>	<b>1,569,118</b>

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

Separate Financial Statements of the Bank  
Income Statement for the year ended 31 December  
(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
Interest income calculated using the effective interest method	5	116,066	121,702
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		2,120	598
Interest expense	6	(47,368)	(47,303)
<b>Net interest income</b>		<b>70,818</b>	<b>74,997</b>
Fee and commission income	7	3,775	2,484
Fee and commission expense	7	(663)	(895)
<b>Net fee and commission income</b>		<b>3,112</b>	<b>1,589</b>
Net gains on financial operations	8	6,517	768
Other income		3,468	3,122
		<b>83,915</b>	<b>80,476</b>
Employee expenses	9 a)	(18,797)	(17,410)
Depreciation and amortisation	9 b)	(2,123)	(1,916)
Other expenses	9 c)	(12,964)	(9,009)
Subsidy costs at the expense of HBOR's operations		(7,665)	(3,701)
Impairment gain/(loss) and provisions	10	20,664	(8,543)
<b>Profit before income tax</b>		<b>63,030</b>	<b>39,897</b>
Income tax	11	-	-
<b>Profit for the year</b>		<b>63,030</b>	<b>39,897</b>
<b>Attributable to:</b>			
<b>Owner of the Bank</b>		<b>63,030</b>	<b>39,897</b>

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

Separate Financial Statements of the Bank  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31  
December

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
<b>Profit for the year</b>	<b>63,030</b>	<b>39,897</b>
<b>Other comprehensive income</b>		
<b>Items that are not transferred subsequently to profit or loss:</b>		
Unrealised actuarial (losses)	(143)	(592)
<b>Total items that are not transferred subsequently to profit or loss</b>	<b>(143)</b>	<b>(592)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Net changes in financial assets at fair value through other comprehensive income	(563)	3,665
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(563)</b>	<b>3,665</b>
<b>Other comprehensive income after income tax</b>	<b>(706)</b>	<b>3,073</b>
<b>Total comprehensive income after income tax</b>	<b>62,324</b>	<b>42,970</b>
<b>Attributable to:</b>		
<b>Owner of the Bank</b>	<b>62,324</b>	<b>42,970</b>

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

Separate Financial Statements of the Bank  
Statement of Financial Position as of 31 December  
(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
<b>Assets</b>			
Cash on hand and current accounts with banks	12	66,985	45,543
Deposits with other banks	13	59,501	90,410
Loans to financial institutions	14	1,227,583	1,225,809
Loans to other customers	15	2,148,705	2,308,436
Financial assets at fair value through profit or loss	16	80,625	67,047
Financial assets at fair value through other comprehensive income	17	450,250	239,222
Investments in subsidiaries	18	7,449	7,449
Property, plant and equipment and intangible assets	19	8,389	4,882
Foreclosed assets	20	2,596	2,140
Other assets	21	3,956	4,967
<b>Total assets</b>		<b>4,056,039</b>	<b>3,995,905</b>
<b>Liabilities</b>			
Deposits from customers	22	151,867	95,512
Borrowings	23	2,230,304	2,288,268
Provisions for guarantees, commitments and other liabilities	24	34,605	23,368
Other liabilities	25	70,946	85,264
<b>Total liabilities</b>		<b>2,487,722</b>	<b>2,492,412</b>
<b>Equity</b>			
Founder's capital	26	964,373	961,873
Retained earnings and reserves		537,852	497,955
Other reserves		1,424	2,130
Profit for the year		63,030	39,897
Guarantee fund	27	1,638	1,638
<b>Total equity</b>		<b>1,568,317</b>	<b>1,503,493</b>
<b>Total liabilities and total equity</b>		<b>4,056,039</b>	<b>3,995,905</b>

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

Separate Financial Statements of the Bank  
Statement of Cash Flows for the year ended 31 December

(All amounts are expressed in thousands of Euros)

	Notes	2025 EUR '000	2024 EUR '000
<b>Operating activities</b>			
Profit before income tax		63,030	39,897
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		2,123	1,916
Impairment loss and provisions		(20,664)	8,543
Subsidy cost at the expense of HBOR's operations		7,665	3,701
Accrued interest		16,284	(721)
Deferred fees		7,062	5,233
Net (loss)/gains from trading with derivative financial instruments		(160)	390
Other changes in assets at fair value		7,475	787
<i>Operating profit before working capital changes</i>		<i>82,815</i>	<i>59,746</i>
<i>Changes in operating assets and liabilities:</i>			
Net decrease/(increase) in deposits with other banks, before impairment		31,121	(20,915)
Net decrease in loans to financial institutions, before impairment		1,865	20,211
Net decrease in loans to other customers, before impairment		140,820	37,076
Net (increase)/decrease in foreclosed assets		(505)	151
Net decrease in other assets, before impairment		201	5,247
Net increase/(decrease) in deposits from banks and companies		56,327	(99,313)
Net (decrease) in other liabilities, before provisions		(14,318)	(5,465)
<b>Net cash provided from/(used in) operating activities</b>		<b>298,326</b>	<b>(3,262)</b>
<b>Investment activities</b>			
Purchase of financial assets at fair value through profit or loss income		(9,362)	(14,924)
Sale of financial assets at fair value through profit or loss		117	-
Purchase of financial assets at fair value through other comprehensive income		(418,708)	(117,307)
Sale of financial assets at fair value through other comprehensive income		208,472	110,103
Net purchase of property, plant and equipment and intangible assets		(4,794)	(1,238)
<b>Net cash (used in) investment activities</b>		<b>(224,275)</b>	<b>(23,366)</b>
<b>Financing activities</b>			
Increase in founder's capital		2,500	3,000
Increase in borrowings – withdrawn funds		439,387	689,684
Decrease in borrowings – repayments of principle		(494,000)	(655,843)
Other		1,289	(7,198)
<b>Net cash (used in)/provided from financing activities</b>		<b>(50,824)</b>	<b>29,643</b>
<b>Effect of foreign currency to cash and cash equivalents</b>			
Net foreign exchange		(1,909)	970
<b>Net effect</b>		<b>(1,909)</b>	<b>970</b>
Net increase in cash and cash equivalents		21,318	3,985
Cash and cash equivalents balance as of 1 January, before impairment		45,686	41,701
Net increase in cash and cash equivalents		21,318	3,985
<b>Cash and cash equivalents balance as at 31 December, before impairment</b>	<b>12</b>	<b>67,004</b>	<b>45,686</b>
<b>Additional note – operating activities</b>			
Interest paid		48,611	43,412
Interest received		114,635	101,347

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

Separate Financial Statements of the Bank  
Statement of Changes in Equity for the year ended 31 December  
(All amounts are expressed in thousands of Euros)

	Founder's capital EUR '000	Retained earnings and re- serves EUR '000	Other reserves EUR '000	Profit for the year EUR '000	Guarantee fund EUR '000	Total EUR '000
<b>Balance as at 1 January 2024</b>	<b>958,873</b>	<b>468,113</b>	<b>(943)</b>	<b>29,842</b>	<b>1,638</b>	<b>1,457,523</b>
Profit for the year	-	-	-	39,897	-	<b>39,897</b>
Other comprehensive income	-	-	3,073	-	-	<b>3,073</b>
Total comprehensive income	-	-	3,073	39,897	-	<b>42,970</b>
Capital paid-in from the State Budget	3,000	-	-	-	-	<b>3,000</b>
Transfer of profit 2023 to retained earnings	-	29,842	-	(29,842)	-	-
<b>Balance as at 31 December 2024</b>	<b>961,873</b>	<b>497,955</b>	<b>2,130</b>	<b>39,897</b>	<b>1,638</b>	<b>1,503,493</b>
Profit for the year	-	-	-	63,030	-	<b>63,030</b>
Other comprehensive income	-	-	(706)	-	-	<b>(706)</b>
Total comprehensive income	-	-	(706)	63,030	-	<b>62,324</b>
Capital paid-in from the State Budget	2,500	-	-	-	-	<b>2,500</b>
Transfer of profit 2024 to retained earnings	-	39,897	-	(39,897)	-	-
<b>Balance as at 31 December 2025</b>	<b>964,373</b>	<b>537,852</b>	<b>1,424</b>	<b>63,030</b>	<b>1,638</b>	<b>1,568,317</b>

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 year ended 31 December 2025

(All amounts are expressed in thousands of Euros)

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## 1. General information

### 1.1. Group:

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

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

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

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

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

As of 31 December 2025, the Group had 480 employees (31 December 2024: 466 employees), while the average number of employees during the current business year equalled 472 (during 2024, the average number of employees was 447).

### 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.

# Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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## 1. General information (continued)

### 1.2. Bank (continued):

#### *Supervisory Board*

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

- Marko Primorac, PhD, associate professor, Deputy Prime Minister of the Republic of Croatia and 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.

After the reporting period, the Government of the Republic of Croatia, at its meeting held on 5 February 2026, made a Decision on the appointment of Tomislav Čorić, PhD, Deputy Prime Minister of the Republic of Croatia and Minister of Finance, as President of the Supervisory Board of the Croatian Bank for Reconstruction and Development. Prior to that, the Government of the Republic of Croatia, at the same meeting, made a Decision on the dismissal of Marko Primorac, PhD, as president of the Supervisory Board of the Croatian Bank for Reconstruction and Development.

Pursuant to the aforementioned, HBOR's Supervisory Board has consisted of the following members as of 5 February 2026:

- Tomislav Čorić, PhD, Deputy Prime Minister of the Republic of Croatia and 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.

#### *Management Board*

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

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

As of 31 December 2025, HBOR had 457 employees (31 December 2024: 446 employees), while the average number of employees during the current business year equalled 450 (during 2024, the average number of employees was 427).

# Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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## 1. General information (continued)

### 1.2. Bank (continued):

#### *Audit Committee*

As of 31 December 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. Current economic situation

Global developments in 2025 were marked by the continuation of Russia-Ukraine war, conflicts in the Middle East and geopolitical conflicts that have greatly affected the economic situation.

Climate change and sustainability still remain the key issues that require joint action at the global level.

Digitalisation and the development of artificial intelligence become a key topic of global competition and encourage economic transformation, as well as the creation of new industries, which gives rise to the need to establish strong regulatory frameworks.

The HBOR Group actively monitors economic trends, identifies market needs and market gaps and responds in timely manner to changes in the domestic and international economic environment in order to provide effective support to the development of the Republic of Croatia.

The HBOR Group responds to the needs of the economic, financial and social sectors through financial services that complement the market with transparent and responsible business in accordance with best practices.

During 2025, the HBOR Group provided proactive support to the sustainable development of the Croatian economy, provided financial support to the economy and adjusted its products and services to market needs, filled market gaps and provided financing and export insurance to sectors of the economy whose needs could not be met by the private sector.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 1. General information (continued)

#### 1.3. Current economic situation (continued)

The HBOR Group is focused on achieving measurable economic and social factors, as well as on balanced and sustainable regional development of the Republic of Croatia. It encourages the development of the equity and quasi-equity capital market, the growth of entrepreneurial activities in less developed areas and provides support to exporters to strengthen their international competitiveness. Through its activities, the HBOR Group is particularly focused on supporting the private sector, with an emphasis on small and medium-sized enterprises, digitalisation and automation, as well as research and development, while financing the public and private sector projects aimed at the green transition, increasing energy efficiency and the use of renewable energy sources.

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.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### **2. Basis of Preparation of the Financial Statements**

#### **2.1. Statement of compliance**

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. They were authorised for issue by the Bank's Management Board on 26 March 2026.

#### **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 consolidated and separated financial statements in accordance with IFRSs adopted by European Union, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 3. Use of judgements and estimates (continued)

#### *Judgements*

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding (Note 4.1.G.ii.)
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL
- determination of control over investees (Note 4.1.A.)

#### *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 is included in the following notes

- impairment of financial instruments: determination of inputs into the ECL measurement model, incorporation of forward-looking information (Note 4.1.G.ix.)
- impairment of financial instruments: key assumptions used in estimating recoverable cash flows (Note 4.1.G.ix.)
- significant accounting estimates and judgements related to the application of IFRS 9 are described in Note (Note 4.1.G.)

### 4. Summary of significant accounting policies

#### 4.1. Significant accounting policies

Principal accounting policies applied when preparing these financial statements are summarized below.

The Group has consistently applied the following accounting policies to all periods presented in these separate and consolidated financial statements.

#### **A. Basis of consolidation**

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### *Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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#### 4. Summary of significant accounting policies (continued)

##### 4.1. Significant accounting policies (continued)

###### A. Basis of consolidation (continued)

###### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

###### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

###### B. Foreign currency transactions and foreign currency clause

Funds and sources of funds that are denominated in another currency or are indexed to the currency clause are converted by HBOR into the equivalent value in EUR at the middle exchange rate of HBOR or another agreed exchange rate on the reporting date.

Revenues and expenditures in another currency are converted at the exchange rate on the transaction date. The resulting foreign exchange gains or losses are recorded in the Profit or Loss Account in net figures.

Foreign exchange gains/losses arising from the translation of the equity investments, in respect of which an election has been made to present subsequent changes in fair value in other comprehensive income, are recognised in other comprehensive income. Amounts recognised in other comprehensive income arising from equity investments are not transferred to the profit or loss, they are retained in other comprehensive income at the moment of derecognition.

An overview of the euro exchange rate development in relation to the dollar exchange rate according to the middle exchange rate of HBOR that was used in compiling the financial statements on the reporting date is:

31 December 2025	EUR 1 = USD 1.1757
31 December 2024	EUR 1 = USD 1.0444

###### C. Interest income and expense

###### *Effective interest rate*

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets ("POCI"), the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit loss. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit loss.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**C. Interest income and expense (continued)**

*Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

*Calculation of interest income and expense*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For the purpose of calculation of interest income for exposures allocated to Stage 3 or for assets classified as purchased or originated credit-impaired financial assets, the concept of time value of money is used (unwinding). Unwinding, i.e. interest income for the mentioned exposures is calculated after the date of transfer of exposure to Stage 3 or after the date of classification of assets as POCI and is recorded as provisions for the financial instrument with simultaneous decrease of interest income.

Fees constituting interest income, which are related to the generation of a placement and are accrued and collected at approval and placement of loan funds or during loan contract period, are deferred and recognised in the profit or loss using the effective interest rate method over the period to which they relate.

Interest income and expense are recognized in the profit or loss when earned or incurred. Interest income and expense are recognized in the profit or loss for all interest-bearing instruments on an accrual basis using the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or on a shorter period, where appropriate. Interest income includes coupons earned on fixed income investments.

Loan origination fees, together with estimated related costs, are deferred and proportionally recognized as an adjustment to the effective yield on the loan over the term of loan.

Notional interest is recognized on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value and are recognized in the profit or loss.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 4. Summary of significant accounting policies (continued)

#### 4.1. Significant accounting policies (continued)

##### D. Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see (C)). Other fee and commission income – fees income from companies for guarantees granted and other services rendered by the Group, together with commissions for managing funds for and on behalf of legal entities and fees for foreign and domestic payment transactions – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Fee and commission income of non-interest income character (loan management fees for and on behalf of other parties, payment transaction fees, other fees of non-interest type) are recognized in the profit or loss as they incur.

##### E. Leases

###### (a) The Group as a lessee

When concluding a contract, the Group assesses whether it is a lease contract or whether an individual contract contains elements of a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether the contract conveys the right to control the use of an identified asset, the Group uses the definition of lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability upon lease commencement. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments before or at the lease commencement plus any direct costs incurred and an estimate of costs for dismantling and removing any improvements in the premises of subsidiaries and branch offices.

The right-of-use asset is subsequently depreciated using the straight-line method from the date of lease commencement until the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is measured at the present value of all lease payments that have not been made by the lease commencement date using a discount rate. The discount rate is equal to the average weighted interest rate on HBOR placements determined for the previous business year.

Lease payments included in the measurement of the lease liability include the following payments that have not been settled by the first day of the lease term:

- a) fixed payments;
- b) variable payments that depend on a specific index or rate;
- c) amounts expected to be paid on behalf of the guaranteed residual value;
- d) the price of using the redemption option if there is a high probability of using that option; and
- e) penalties for termination of lease.

The Group presents assets with the right of use in note 21. Other assets, and lease liabilities in note 25. Other liabilities, due to intangible amount.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**E. Leases (continued)**

(a) The Group as a lessee (continued)

Short-term leases and leases of low value assets

The Group has chosen the option of not recognising the right-of-use assets and lease liabilities for low value assets leases and short-term leases. The Group recognises lease payments related to these leases as a cost using the straight-line method over the lease term.

The Group had no financial leases in its portfolio.

(b) The Group as a lessor

Leases in which the lessor retains substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. Operating lease assets are included in 'Investments in property' in the statement of financial position. Investments in property are disclosed in Note 21. Other assets due to immaterial amount. Assets are depreciated on a straight-line basis in the same way as other items of property and equipment. Lease income is recognised over the term of the lease.

**F. Income tax**

Based on Article 9 of the Act on the HBOR, the parent company is exempt from income tax. Income tax liabilities arise exclusively from the activities of the other members of the Group.

The income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at date of reporting, and any adjustments to tax payable in respect of previous years.

Deferred taxes are calculated by using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at date of reporting.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at date of reporting, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each statement of financial position date, the Group reassesses unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities**

***i. Recognition and initial measurement***

The Group initially recognises loans to financial institutions, loans to other customers, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

***ii. Classification***

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair value through other comprehensive income or Fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at Fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Group may irrevocably designate that a financial asset is measured at fair value through profit or loss (financial assets that otherwise meet amortized cost requirements or at fair value through other comprehensive income) if this eliminates or significantly reduces the accounting mismatch that would otherwise have occurred.

***Business models***

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. All financial assets, except for investments in equity securities classified in the category of investments in associates and subsidiary with more than 20% of voting power or control, are grouped in business models which reflects how the Group manages the group of financial assets to realise certain business objective and to generate cash flows.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**ii. Classification (continued)**

Business models of the Group are:

- Business model, whose objective is to hold assets for the collection of contractual cash flows – it includes all financial assets held for the purpose of collection of contractual cash flows over the lifetime of the financial instrument.  
For the purpose of classification in this business model, financial assets go through the SPPI (Solely payment of principal and interest) test, and the following financial assets are allocated to this model:
  - o current accounts with banks,
  - o deposits with banks,
  - o loans and reversed repo placements,
  - o other receivables.Credit risk is a basic risk managed under this business model.
  
- Business model aimed to collect the contractual cash flows and sale of financial assets – it includes financial assets held for the purpose of collecting the agreed cash flows and sale of financial assets.  
The following financial assets are allocated to the business model for the purpose of collection and sale:
  - o Debt securities (pass SPPI test),
  - o Equity securities (fail SPPI test),
  - o Shares in investment funds (fail SPPI test),Liquidity risk is a basic risk managed under this business model.
  
- Business model under which financial assets are measured at fair value through profit and loss account (fail SPPI test) – combines all financial assets that are not held under the previously mentioned two business models.  
Financial assets under this business model are managed for the purpose of generating cash flows from the sale of assets and generating short-term profit.

**iii. SPPI test**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Test of features of contractual cash flows from the point of view of solely payment of principal and interest (hereinafter: SPPI test) is one of the criteria for the classification of financial assets in an individual category of measurement. SPPI test is implemented for the purpose of establishing whether the interest rate on unsettled principle reflects the fee for time value of money, credit risk and other basic risks of borrowing, lending costs and profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**iii. SPPI test (continued)**

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

SPPI test is performed:

- For each financial asset, allocated to a business model whose purpose is to hold financial assets for the payment of contractual cash flows and a business model for the purpose of collecting contractual cash flows and selling financial asset on the date of its initial recognition,
- For each financial asset in cases where the original asset has been significantly modified and therefore re-recognised as new assets,
- When introducing new models and/or loan programs to determine in advance the eligibility of the considered loan term and conditions in relation to the need to subsequently monitor the value of any financial assets that would arise from them.

**iv. Reclassification of financial assets**

In case of change in the business model of financial assets management, all financial assets affected by the reclassification will be reclassified. Reclassification will be made prospectively, from the date of the reclassification, or from the first day of the next accounting period, respectively, without restating the previously recognised profit, loss or interest.

**v. Derecognition**

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received for the part derecognised (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**v. Derecognition (continued)**

From 1 January 2018 any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at fair value through other comprehensive income is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

**Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

**vi. Modification of financial assets**

Modification of financial assets means any change in contractual terms that results in the change in contractual cash-flows. In the case of a modification that is not substantial, the change in contractual terms does not result in the derecognition of the respective financial assets and the new gross carrying amount is established as present value of modified contractual cash-flows discounted by applying the original effective interest rate (EIR).

The difference between the original gross carrying amount before modification and the gross carrying amount established on the basis of modified cash-flows after modification is recognised in Profit or loss.

In the case of a substantial modification of financial assets, the financial assets are derecognised before modification and the modified financial assets are newly recognised as “new” financial assets and the new effective interest rate is established. The date of modification of contractual provisions is considered to be the date of initial recognition. Impairment of newly recognised financial assets is recognised in the amount of the expected credit losses in a twelve-month period (Stage 1) until the conditions for the reclassification to Stage 2 have been met. If it is established that the modified financial assets at initial recognition have been credit impaired, the financial assets are recognised as purchased or originated credit-impaired financial assets (POCI assets) and the credit risk adjusted effective interest rate is determined.

For the purpose of deciding whether the quantitative modification is material or immaterial, quantitative test is implemented to establish whether the materiality threshold has been exceeded. Gross carrying amounts before and after the modification are compared, and new cash flows are discounted by the original effective interest rate. As materiality threshold of quantitative modifications affecting the cash flows modification, difference in the amount of initial cash flow compared to the modified cash flow in the amount of 10% change of the initial cash flow is established.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**vii. Purchased or originated credit-impaired financial assets (POCI assets)**

POCI assets are financial assets for which, at initial recognition, there is objective evidence of credit impairment as the credit risk of originated or issued assets is very high or, in the case of purchase, the assets have been purchased at a high discount.

At initial measurement of POCI assets, its carrying amount is not reduced by the loss allowance, but POCI assets are recognised in the amount of fair value that includes expected credit losses.

At initial recognition, expected credit losses are stated as impairment loss that occurred at initial recognition in the statement of financial position. At the same time, in the statement on profit or loss, only impairment losses arisen at initial recognition are recognized, if these are issued POCI assets or POCI assets that arose after significant modification.

Loss allowance is recognised in the statement on financial position in the amount of cumulative changes in the lifetime expected credit losses arisen after the initial recognition of POCI assets, with simultaneous recognition of profit or loss from impairment in the statement on profit or loss.

The decrease in the lifetime expected credit losses in relation to the amount of expected credit losses at initial recognition, is recognised as a negative amount of loss allowance, with simultaneous recognition of profit from impairment in the statement on profit or loss.

Financial assets recognised as POCI assets on the following reporting dates are allocated to Stage 2 according to credit impairment criteria or remain allocated to Stage 3 until derecognition.

**viii. Fair value measurement**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date in the principal or the most advantageous market under current market conditions.

Basic price is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique.

At initial recognition, when an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price).

The fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

If another IFRS requires or permits an entity to measure an asset or a liability initially at fair value and the transaction price differs from fair value, the Group shall recognize the resulting gain or loss in profit or loss unless that IFRS specifies otherwise.

For measuring fair value the Group is maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group selects inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**viii. Fair value measurement (continued)**

If an asset or a liability measured at fair value has a bid price and an ask price (e.g. an input from a dealer market), the Group uses the price within the bid-ask spread as the most representative of fair value.

In accordance with the above, the carrying amount of money and balances on transaction accounts are generally stated approximately at their fair values.

The estimated fair value of deposits approximates their carrying amounts since all deposits mature up to 90 days.

Loans and advances to banks and other customers are presented net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. When considering the fair value, subsidised interest is also taken into account, which is presented in the discounted amount as deferred recognition of interest income in other liabilities.

The Bank's long-term borrowings have no quoted market price, and their fair value is estimated as the present value of future cash flows, discounted at interest rates in effect at the reporting date for new borrowings of a similar nature and with a similar remaining maturity.

The fair value of bonds issued by HBOR is presented by using level 2 inputs that are observable at Bloomberg service on the basis of mid-rate of Bloomberg Generic (BGN) prices.

BGN or Bloomberg Generic price is the simple average price that includes indicative prices and executable prices. The mid-rate is the average between the quoted "ask" price and the "bid" price.

The Group takes care of the fair value hierarchy presentation that comprises of three levels of inputs to valuation techniques used to measure fair value as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Inputs:</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.	Unobservable inputs for the asset or liability or adjusted market inputs.

The Group discloses transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer occurred.

Comparison between the fair value and the carrying value of financial instruments that are not measured at fair value is given in Note 32.2.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

***ix. Impairment***

Impairment of financial assets is recognised under the model of expected credit losses for assets that are subsequently measured at amortised cost and assets that are subsequently measured at fair value through other comprehensive income.

Impairment is performed during the accounting periods and at the year end at the balance sheet date, and the effects of impairment are stated for each asset individually in the statement on financial position, other comprehensive income and statement on profit and loss.

Impairment is performed by applying the general and simplified approach.

According to the **general approach** of impairment, financial assets are allocated at initial recognition to:

- Stage 1 – financial assets with no significant credit risk or
- POCI assets as financial assets that are purchased or originally credit impaired that are allocated to stage 3.

At the future reporting dates, all financial assets that have not been recognised as POCI assets are allocated in risk categories depending on the assessment whether significant increase in credit risk occurred and in accordance with other credit impairment criteria to three stages:

Stage 1 – financial instruments with low credit risk,

Stage 2 – financial instruments of clients where significant increase in credit risk is identified since initial recognition to this stage or

Stage 3 – financial instruments of clients in default.

Financial assets recognised as POCI assets on the following reporting dates are allocated to Stage 2 according to credit impairment criteria or remain allocated to Stage 3 until derecognition.

Impairment corresponds to the amount of expected credit losses in a twelve-month period for financial assets classified to Stage 1, or to the amount of expected credit losses during the lifetime of the instrument if the financial assets are classified to Stage 2 and Stage 3.

At this point, the credit loss is the difference between all contracted cash flows and all cash flows expected from the debtors, discounted to present value by applying the original effective interest rate, or, in the case of POCI assets, by applying the effective interest rate adjusted for credit risk.

In the case of short-term financial assets with agreed maturity of one year or less and the financial assets with the period in which future cash flows are expected is less than one year from the balance sheet date, the reduction of expected credit loss to the present value is not carried out.

For financial assets that are subsequently measured at amortised cost, impairment is recognised as an expense in the income statement, and impairment provisions reduce the carrying amount of the financial asset in the statement of financial position. Provisions for impairment are reduced or cancelled in the event of a reduction in expected credit losses or due to the collection of receivables in the statement of financial position and are simultaneously recognised as income from the cancellation of provisions or income upon collection in the profit and loss account.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

***ix. Impairment (continued)***

Impairment of financial assets classified at fair value through other comprehensive income is calculated by applying the model of expected credit losses in the manner that the loss allowances are recognised in other comprehensive income and do not reduce the carrying value of these financial assets in the Statement of Financial Position, with all gains or losses resulting from the impairment recognised in the profit or loss.

Gains or losses resulting from the change in the fair value of these financial assets are recognised as other comprehensive income, whereas foreign exchange gains or losses are recognised in the profit or loss.

The accumulated gains/losses recognised as other comprehensive income are reclassified from equity to the Profit or Loss after derecognition of assets and represent the reclassification adjustment, except for equity securities classified as financial assets at fair value through other comprehensive income, where reserves recognized within other comprehensive income will never be transferred to profit and loss.

Financial assets classified as assets at fair value through the Profit or Loss are initially and subsequently measured at the established fair value and are not subject to impairment; the fair value of assets is, however, established in accordance with the internal documents that regulate the methods of determining the value of financial instruments until derecognition of financial instruments.

Decrease or increase in the fair value of these financial assets is recorded through the increase or decrease in their carrying amount in the Statement of Financial Position, whereas gains or losses resulting from the change in the fair value are recognised in the Statement on Profit or Loss.

**Simplified approach** of impairment can be applied only from receivables from customers or receivables for leases as well as on other non-interest fees, and this impairment always equals the amount of the expected credit losses during the lifetime of the instrument.

At the initial recognition, the financial assets are allocated to Stage 2 (all financial assets that have not been credit impaired at initial recognition) or Stage 3 (all purchased or originated credit-impaired assets – POCI assets).

At the future reporting dates, all financial assets, including POCI assets, are allocated exclusively in accordance with the credit impairment criteria to Stage 2 and Stage 3.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

***ix. Impairment (continued)***

Details regarding the methodology are stated in Note 31. Risk Management.

***x. Financial assets-categories***

Financial assets of the Group are comprised of:

- Funds on the transaction accounts,
- Deposits with banks,
- Loans,
- Debt securities,
- Equity securities,
- Shares in investment funds,
- Derivative financial assets and
- Other receivables.

***Current accounts with banks***

Current accounts with banks are allocated to a business model whose purpose is to hold assets for the payment of contracted cash flows and they meet the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments.

Pursuant to the above, Current accounts with banks are classified to the assets subsequently measured at amortised cost.

In the case of identified expected credit losses on funds on transaction accounts with domestic banks and abroad, impairment is performed but the expected credit losses are not discounted to present value in accordance with the short-term character of these financial assets.

***Deposits with banks***

Deposits with banks are allocated to a business model whose purpose is to hold assets for the collection of contractual cash flows and they pass the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments.

Pursuant to the above, deposits with banks are classified to the assets subsequently measured at amortised cost.

Impairment is determined in the amount of the expected credit losses, however, in the case of short-term deposits, they are not discounted to present value in accordance with their short-term character.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**x. Financial assets-categories (continued)**

*Loans*

Loans are allocated to a business model whose purpose is to hold assets for the collection of contractual cash flows. Loans that pass the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments are classified to the assets subsequently measured at amortised cost. Loans that fail the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments are classified to the assets subsequently measured at fair value through profit or loss.

Impairment of loans subsequently measured at amortised cost is determined in the amount of the expected credit losses by applying the general impairment approach (see G.ix. Impairment).

Loan receivables are based on contracts. Any amendments to contract provisions that change the agreed loan cash flows are considered to be a modification of a loan (see G.vi. Modification of financial assets).

Loans purchased or originated, for which the existence of expected credit losses was determined at initial recognition, are considered to be POCI assets (see G.vii. Purchased or originated credit-impaired financial assets (POCI assets)).

Interest income from fees is recognised in the profit or loss using the effective interest rate method wherever applicable. If a fee, which represents an incremental loan cost, arises before the first loan disbursement, the fee income is recognised in profit or loss on a time-proportionate basis (the so-called linear method) until the effective interest rate has been set. From the moment when the effective interest rate is set until the end of the loan lifetime, interest income is recognised in the profit or loss by applying the effective interest rate method on the unamortised fee amount.

Loans classified to assets subsequently measured at fair value through profit or loss are not subject to impairment, but the Methodology described in Note G.x. "Investments in investment funds" apply to both initial and subsequent measurements.

In its portfolio, HBOR also has loans at interest rates that are lower than market interest rates, which have been approved with a subsidy from HBOR. These loans are stated in accordance with IFRS 9.

A non-market interest rate is any interest rate that is lower than the market interest rate as defined by the Ordinance on the Implementation, Accounting Records and Accounting Reports on Interest Rate Subsidies at the Expense of HBOR.

Non-market interest rate loans are initially recognised at the present value of future cash flows (including the contracted interest minus HBOR's subsidy) discounted at market interest rates. The difference between the obtained value and the cash outflow is HBOR's subsidy and is recognised as a loss in the profit and loss account in the period when the loan is entered into HBOR's business books.

Interest income on non-market interest rate loans is calculated using the effective interest rate method. At the same time, the income from the nominal interest rate on loans and the amortisation of recognised discount (loss) at initial recognition is recognised in the total interest income in the statement of comprehensive income.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**x. Financial assets-categories (continued)**

*Debt securities*

HBOR invests a portion of liquidity reserve funds in debt securities in accordance with the terms and conditions prescribed by the bank's internal documents regulating HBOR's investment policy. Owing to the development role of HBOR that has been determined by the Act on HBOR, and owing to the preservation of capital and the reduction of risks arising from the performance of activities determined by the Act on HBOR to the lowest level possible, the Bank does not acquire securities and investments for the purpose of recording short-term profit or loss from trading activities, it does so for the purpose of maintaining short-term liquidity reserves and managing short-term liquidity.

Debt securities are comprised of bonds and money market instruments: treasury bills and commercial papers.

Debt securities are allocated to a business model whose purpose is to collect the contractual cash flows and to sell the financial assets, they pass the SPPI test and are classified to the assets subsequently measured at fair value through other comprehensive income.

Debt securities are recorded off-balance sheet at nominal value as at the trading date, and they are recognised in the statement of financial position at fair value as at the settlement date including transaction costs directly attributable to the acquisition of financial assets.

The earned interest is recognised as interest receivables as at the settlement date and does not represent HBOR's revenue.

Interest accrued on the nominal value of debt securities is proportional to the interest rate and maturity date and is recognised as interest income in the profit or loss using the effective interest rate method.

Amortisation of initially recognised premium or discount and transaction costs for purchased debt securities is recognised in the profit or loss as an increase or a decrease in interest income using the effective interest rate method.

Debt securities are measured at balance sheet date at fair value that is determined in the manner prescribed by internal documents regulating the methods of measurement of financial instruments (Financial Instruments Measurement Methodology). Gains or losses arising from the change in the fair value of these financial assets are recognised in other comprehensive income, and foreign exchange gains or losses are recognised in the profit or loss.

If financial assets cease to be recognised, the cumulative gains or losses recognised in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustment.

Impairment is determined in the amount of the expected credit losses (see G.ix. Impairment - general approach).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**x. Financial assets-categories (continued)**

*Equity securities*

The accounting treatment of investment in ordinary or preference shares or business interests depends on the degree of control and influence HBOR has over the business and operating policies of company and on the type of investment.

Investments are broken down as follows:

- 1) investment without significant influence – equity stake below 20 %,
- 2) investment in associates – significant influence,
- 3) investment in subsidiaries – controlling influence.

When preparing separate and consolidated financial statements, investments in associates and subsidiaries are stated either:

- 1) at acquisition cost, or
- 2) in accordance with IFRS 9, or
- 3) using the equity method.

The same accounting treatment is used for every investment category.

Where investments in subsidiaries and associates, stated at acquisition cost or using the equity method, are classified as investments held for sale or distribution, they are stated in accordance with the IFRS 5 “Foreclosed assets and Discontinued Operations”.

In such circumstances, measurement of investments accounted for in accordance with the IFRS 9 is not changed.

*Investments without significant influence – equity stake below 20 %*

Equity securities are allocated to a business model whose purpose is to collect the contractual cash flows and to sell the financial assets and fail the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments. Therefore, equity securities are classified to the assets subsequently measured at fair value through profit or loss and are initially and subsequently measured at fair value.

The option of fair value through other comprehensive income is applied to the portion of equity securities: shares in the SWIFT company and in the European Investment Fund owing to the intention to permanently retain these shares in HBOR’s portfolio. The option of fair value through other comprehensive income represents the manner of subsequent measurement where all changes in fair value are recognised in other comprehensive income and not in profit or loss. This is an irrevocable election and all equity instruments remain classified to this model of subsequent measurement until the moment of derecognition.

Gains or losses resulting from changes in exchange rates of foreign currencies are recognised in other comprehensive income. The amounts recognised in other comprehensive income are not transferred to the profit or loss and are retained within the other comprehensive income at the moment of derecognition.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**x. Financial assets-categories (continued)**

*Equity securities (continued)*

*Investments without significant influence – equity stake below 20 % (continued)*

Dividend income from equity securities is recognised on the basis of payment decision and in the period in which it is made, which is made by the assembly or another competent body, if it is reasonable that the dividend will be collected.

If the collection is uncertain, income shall be recognised at the moment of collection only.

Dividend is recognised in the profit or loss for all equity instruments irrespective of whether they have been classified as instruments subsequently measured at fair value through profit or loss or as instruments subsequently measured at fair value through other comprehensive income.

*Investments in subsidiaries – controlling influence (see A. Subsidiary companies)*

*Investments in investment funds*

Investments in investment funds relate to the shares in cash or bond UCITS open-ended investment funds and to the shares in PE/VC venture capital alternative investment funds.

Shares in investment funds fail the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments. Therefore, they are classified to the assets subsequently measured at fair value through profit or loss.

The fair value of shares in investment funds is established in accordance with internal documents regulating the methods of measurement of financial instruments (Financial Instruments Measurement Methodology) until the moment of derecognition of financial instrument, whereas it is recognised in the business books at fair value through profit or loss.

*Derivative financial instruments*

Derivative financial assets relate to the FX Forward and FX Swap instruments contracted for the purpose of managing the currency and the liquidity risks.

Derivative financial assets are allocated to a business model within which financial assets are measured at fair value through profit or loss and, according to the terms of the Methodology for Classification and Measurement of Financial Instruments, does not pass the SPPI test. Accordingly, it is classified to assets/liabilities that are subsequently measured at fair value through profit or loss and are measured as assets when their fair value is positive, i.e. as liabilities when they are negative.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**x. Financial assets-categories (continued)**

*Derivative financial instruments (continued)*

The contractual value of derivative financial instruments is initially recognised in off-balance sheet records as at the contract date with simultaneous recognition of changes in fair value in the statement of financial position and profit or loss from the change in fair value in profit or loss until the moment of derecognition.

The fair value of derivative financial assets is established as the present value of all future cash flows in accordance with the methodology prescribed by internal documents regulating the methods of measurement of financial instruments (Financial Instruments Measurement Methodology).

HBOR does not hold or issue derivatives for speculative purposes.

None of these instruments meets the requirements of the hedging instrument under IFRS 9.

Derivative financial instruments – positive fair value are stated in the note Financial assets at fair value through profit or loss, while derivative financial instruments – negative fair value are stated in the note Other liabilities, due to the immaterial amount.

*Other receivables*

Other receivables include receivables due and not due from accrued non-interest income resulting from fees and commissions as well as other receivables not included in other items: advances to suppliers for short-term assets, receivables from buyers, individual prepayments and funds in accruals.

Receivables based on fees that have the character of non-interest income are fees for guarantees issued, fees for managing loans for and on behalf of others, fees for rendering payment transfer services, other fees of non-interest character.

Other receivables mature within the period of one year and sooner and are considered short-term receivables recognised in the statement of financial position as receivables not due or at the maturity date in accordance with the invoiced realisation principle.

Other receivables are allocated to a business model whose purpose is to hold assets for the collection of contractual cash flows and pass the SPPI test in accordance with the Methodology for the Classification and Measurement of Financial Instruments. Therefore, other receivables are classified to the assets subsequently measured at amortised cost.

Impairment of other receivables is determined in the amount of the expected credit losses, and it is not discounted to present value in accordance with the short-term character of these financial assets.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**G. Financial assets and financial liabilities (continued)**

**x. Financial assets-categories (continued)**

*Other receivables (continued)*

Impairment is performed by applying the impairment simplified approach (see G.ix. Impairment – simplified approach).

Contractual penalty interest is charged on overdue receivables under other receivables, and, if it is not contracted, legal penalty interest is charged.

**H. Property, plant and equipment and intangible assets**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Land is not depreciated.

Estimated useful lives are as follows:

		<b>2025</b>		<b>2024</b>
	Useful life expressed in years	Annual depreciation rates	Useful life expressed in years	Annual depreciation rates
Buildings	20	5%	20	5%
Computers	2	50%	2	50%
Furniture and Equipment	4	25%	4	25%
Vehicles	5	20%	5	20%
Other assets and investments not mentioned	10	10%	10	10%
Intangible Assets	4	25%	4	25%

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**H. Property, plant and equipment and intangible assets (continued)**

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**I. Investment property**

Investment property held by the Group to earn rentals or for capital appreciation is initially measured at cost, and subsequently reduced by accumulated depreciation and any impairment losses.

Subsequent cost of replacing part of an existing asset is recognized in the carrying amount of an investment property at the time that cost is incurred, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed during the period in which they are incurred.

Land is not depreciated. Depreciation is provided on other investment property on a straight-line basis at prescribed rates designed to write off the cost over the estimated useful life of the asset.

The estimated useful life of the assets expressed in years is as follows:

	<b>2025</b>	<b>2024</b>
	years	years
Leased property	20	20

Remaining value, depreciation methods and the estimated useful life are reviewed periodically and reconciled, if necessary, at every financial position reporting date. If the carrying amount of the assets is found to be higher than the assessed recoverable amount, it is immediately written-off to the recoverable amount. Gains and losses from alienation are assessed by comparing sale revenues against the book amount and recorded in the comprehensive income.

Investment property is stated in Note 21. Other assets due to immaterial amount.

**J. Foreclosed assets**

Foreclosed assets consist of property, plant and equipment that the Group acquired in settlement of uncollected receivables. The Group expects that the carrying amount of these assets will be recovered principally through a sale transaction rather than through continuing use.

The Group measures these assets at the lower of its carrying amount and fair value (determined by an independent assessor) less estimated expected costs to sell.

Depreciation on these assets is not charged.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### **4. Summary of significant accounting policies (continued)**

#### **4.1. Significant accounting policies (continued)**

##### **J. Foreclosed assets (continued)**

The Group recognises an impairment provision for any initial or subsequent partial write-off of these assets up to the fair value less costs to sell. It recognises a gain for any subsequent increase in fair value of assets less costs to sell up to the amount of cumulative impairment provision that has been recognised.

Impairment provisions are recognised in profit or loss, as well as gains/losses upon subsequent measurement and on sale of the Foreclosed assets.

##### **K. Deposits, borrowings and debt securities issued**

Debt securities issued and borrowings are the Group's sources of debt funding.

Deposits, debt securities issued and borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at Fair value through profit or loss.

Financial liabilities are stated in the contracted currency translated to euro at the middle exchange rate of the Croatian National Bank, contract exchange rate or determined rate arising from business and financial transactions based on documentation.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as collateralized loans taken from financial institutions, and the underlying asset continues to be recognised in the Group's financial statements.

##### **L. Government grants**

Interest for the borrowers qualifying for subsidized interest under the Programme of Preferential Financing through HBOR's Loan Programmes, is subsidized by the Republic of Croatia – the Ministry of Finance during the entire loan repayment period, under the Programme NRRP – Interest Subsidy Fund for SMEs, under the Programme NRRP – Interest Subsidy Fund for MIDCAP and Large entrepreneurs, under the Programme NRRP – Interest Subsidy for Public Sector, then by the Ministry of Agriculture, Forestry and Fisheries for working capital measures for entrepreneurs in the wood processing and furniture production industries.

The discounted amount of the interest subsidies provided for the final user is presented as deferred interest income in other liabilities and is recognized in the profit or loss on a time basis during the repayment of the loan. Consequently, loans are measured at amortized cost by using interest rate without taking into account the effects of subsidies contributed by the State.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### **4. Summary of significant accounting policies (continued)**

#### **4.1. Significant accounting policies (continued)**

##### **M. Loan commitments**

The Group has issued no loan commitments that are measured at Fair value through profit or loss.

For other loan commitments:

- from 1 January 2018: the Group recognises a loss allowance;
- before 1 January 2018: the Group recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from loan commitments are included within provisions.

##### **N. Employee benefits**

The Group pays contributions to mandatory pension plans on a mandatory, contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group recognizes provisions for other liabilities towards employees when there is a contractual obligation or practice in the past based on which the obligation has arisen. Further, the Group recognizes the liabilities for accumulated vacation allowances based on unutilised vacation days as of the date of the financial statements.

##### **O. Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which are subject to risks and rewards that are different from those of other segments. Limited segment information is presented in respect of the Group's business segments. The primary format of business segments is based on the Bank's management and internal reporting structure.

The Group has identified three main segments: banking activities, insurance activities and other activities.

Since the Group predominantly operates in the Republic of Croatia, there are no secondary (geographical) segments.

##### **P. Managed funds for and on behalf of third parties**

The Bank manages significant assets for and on behalf of the Ministry of Finance, Ministry of the Economy, Ministry of the Sea, Transport and Infrastructure, Ministry of Agriculture, Forestry and Fisheries, Ministry of Regional Development and EU Funds, the Ministry of Foreign and European Affairs, the Croatian Agency for SMEs, Innovation and Investments ("HAMAG-BICRO") and commercial banks, that are used for the financing of reconstruction and development programmes.

These amounts do not represent assets of HBOR and are excluded from the Bank's Statement of financial position but are recorded separately from the Bank's operations.

Revenues and expense relating to this business activity are charged to third parties, and the Bank does not have other liabilities nor bears any risks. For services provided within the framework of some of the programmes, the Bank charges a fee, whereas other programmes are performed by the Bank free of charge (see Note 29.).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**4. Summary of significant accounting policies (continued)**

**4.1. Significant accounting policies (continued)**

**R. Subsidising interest rates at the expense of HBOR's operations**

HBOR continues to implement interest rate subsidy at the expense of HBOR's operations. The funds for subsidising interest rates are provided by HBOR from its own sources.

Loans at a reduced interest rate that is lower than the market interest rate are hereby introduced into HBOR's portfolio (see 4.1. G. x. Loans).

In accordance with the requirements of the standard, such a financial instrument is initially recognised at fair value defined as the present value of the expected cash flows discounted at the market interest rate, whereas the difference between that amount and the granted loan amount is recognised as an expense for the period (link to the position in the Profit and Loss Account: "Subsidy cost at the expense of HBOR's operations").

Interest income on non-market interest rate loans is calculated by applying the effective interest rate method on the remaining balance of debt in certain accounting periods, and the discount recognised during initial recognition is amortised throughout the lifetime of the instrument, which directly increases the value of interest income in the recognition periods (link to the position in the Profit and Loss Account: "Income from the cancellation of the subsidy deferral at the expense of HBOR's operations").

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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#### **4.2. 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***

The following amendment to the existing standard issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the period beginning 1 January 2025:

- Lack of exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The adoption of this amendment to existing standard did not lead to significant changes in the Group’s financial statements.

The following illustrative examples have been issued during 2025 with no effective date:

- Illustrative examples on reporting uncertainties in financial statements

On 28 November 2025, the IASB issued Disclosures about Uncertainties in the Financial Statements – Illustrative examples, which amended multiple IFRS Accounting Standards to include illustrative examples demonstrating how companies can apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The illustrative examples are accompanying materials to IFRS Accounting Standards and do not have an effective date. The IASB had issued a near-final staff draft of the illustrative examples in July 2025.

The Group has considered these illustrative examples in its preparation of the separate / consolidated financial statements and no additional disclosures or changes in presentation were considered necessary.

##### ***Standards and amendments to existing standards published by the IASB and adopted in the European Union, but not yet in force***

The following amendments are effective for the annual reporting period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”)

The Group is currently assessing the effect of these new amendments to the accounting standards.

##### ***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 has not yet decided on (date of entry into force set out below relate to IFRSs issued by the IASB):

The following standards are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

Group is currently assessing the effect of these new accounting standards.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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#### **4. Summary of significant accounting policies (continued)**

##### **4.2. Adoption of new and amended International Financial Reporting Standards (“IFRS”) and Interpretations (continued)**

###### ***New standards and amendments to existing standards published by the IASB, but not yet adopted in the European Union (continued)***

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**5. Interest income calculated using the effective interest method**

Interest income by borrowers:

	<b>2025</b>	<b>Group</b>	<b>2025</b>	<b>Bank</b>
	<b>EUR '000</b>	<b>2024</b>	<b>EUR '000</b>	<b>2024</b>
		<b>EUR '000</b>		<b>EUR '000</b>
Public sector	25,646	23,650	25,524	23,493
State-owned companies	5,001	7,344	5,001	7,344
Foreign companies	788	361	788	361
Domestic companies	51,932	56,046	51,906	56,041
Domestic financial institutions	26,487	23,909	26,418	23,813
Foreign financial institutions	919	1,925	919	1,925
Penalty interest	3,855	7,056	3,855	7,056
Other	1,655	1,669	1,655	1,669
	<b>116,283</b>	<b>121,960</b>	<b>116,066</b>	<b>121,702</b>

Interest income by type of facility:

	<b>2025</b>	<b>Group</b>	<b>2025</b>	<b>Bank</b>
	<b>EUR '000</b>	<b>2024</b>	<b>EUR '000</b>	<b>2024</b>
		<b>EUR '000</b>		<b>EUR '000</b>
Interest on loans				
- financial institutions	25,173	22,543	25,173	22,543
- other customers	80,943	89,808	80,943	89,808
	<b>106,116</b>	<b>112,351</b>	<b>106,116</b>	<b>112,351</b>
Investments in securities	7,934	6,316	7,786	6,154
- <i>Bonds of the Republic of Croatia</i>	6,338	5,616	6,217	5,459
- <i>Corporate bonds</i>	34	13	7	8
- <i>Treasury bills of the Ministry of Finance</i>	1,562	687	1,562	687
Deposits	2,233	3,293	2,164	3,197
	<b>116,283</b>	<b>121,960</b>	<b>116,066</b>	<b>121,702</b>

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 25 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 in 2025 amounts to EUR 16,455 thousand (31 December 2024: EUR 17,607 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

## 6. Interest expense

Interest expense by type of payee:

	2025 EUR '000	Group 2024 EUR '000	2025 EUR '000	Bank 2024 EUR '000
Domestic financial institutions	7,206	2,301	7,206	2,301
Foreign financial institutions	31,611	31,424	31,611	31,424
State units	8,520	13,542	8,520	13,542
Other	36	42	31	36
	<b>47,373</b>	<b>47,309</b>	<b>47,368</b>	<b>47,303</b>

Interest expense by type of facility:

	2025 EUR '000	Group 2024 EUR '000	2025 EUR '000	Bank 2024 EUR '000
Borrowings	47,040	43,715	47,040	43,715
Deposits	297	3,552	297	3,552
Leases – interest expenses on long term contracts	36	42	31	36
	<b>47,373</b>	<b>47,309</b>	<b>47,368</b>	<b>47,303</b>

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.

## 7. Net fee and commission income

	Group and Bank	
	2025 EUR '000	2024 EUR '000
<b>Fee and commission income from contracts with customers:</b>		
Asset management - from managed funds for and on behalf of third parties	3,174	1,993
From payment operations	38	52
Other	1	17
<b>Total fee and commission income from contracts with customers</b>	<b>3,213</b>	<b>2,062</b>
From issued guarantees	562	422
<b>Total fee and commission income</b>	<b>3,775</b>	<b>2,484</b>
Fee and commission expense	(663)	(895)
<b>Net fee and commission income</b>	<b>3,112</b>	<b>1,589</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**8. Net gains/(losses) on financial operations**

	<b>2025</b>	<b>Group</b>	<b>2025</b>	<b>Bank</b>
	<b>EUR '000</b>	<b>2024</b>	<b>EUR '000</b>	<b>2024</b>
		<b>EUR '000</b>		<b>EUR '000</b>
Net foreign exchange gains/(losses) on foreign currency assets:				
Cash on hand, accounts at banks and due from banks	(674)	66	(674)	66
Loans given to financial institutions and other customers	(94)	398	(94)	398
Financial assets at fair value through profit or loss	(365)	242	(365)	242
Financial assets at fair value through other comprehensive income	4	-	4	-
Other	(981)	644	(981)	644
	<u>(2,110)</u>	<u>1,350</u>	<u>(2,110)</u>	<u>1,350</u>
Net foreign exchange gains/(losses) on foreign currency liabilities:				
Deposits	442	(878)	442	(878)
Borrowings and issued long-term securities	1,946	(1,070)	1,946	(1,070)
Other	(10)	90	(10)	91
	<u>2,378</u>	<u>(1,858)</u>	<u>2,378</u>	<u>(1,857)</u>
<b>Net foreign exchange gains/(losses) on foreign currency assets and liabilities</b>	<b><u>268</u></b>	<b><u>(508)</u></b>	<b><u>268</u></b>	<b><u>(507)</u></b>
Gains/(losses) on assets at fair value through profit or loss	4,845	(1,354)	4,845	(1,354)
Gain/(Loss) from trading with derivative financial instruments	(160)	390	(160)	390
Interest income-Loans at FVPL	1,564	2,239	1,564	2,239
<b>Net gains/(losses) on financial operations</b>	<b><u>6,517</u></b>	<b><u>767</u></b>	<b><u>6,517</u></b>	<b><u>768</u></b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**9. Operating expenses**

Operating expenses can be shown as follows:

	<b>2025</b>	<b>Group</b>	<b>2025</b>	<b>Bank</b>
	<b>EUR '000</b>	<b>2024</b>	<b>EUR '000</b>	<b>2024</b>
		<b>EUR '000</b>		<b>EUR '000</b>
9 a) Employee expenses	19,450	18,013	18,797	17,410
9 b) Depreciation	2,204	1,998	2,123	1,916
9 c) Other expenses	15,181	10,939	12,964	9,009
<i>Of which:</i>				
<i>Administration expenses</i>	<i>7,565</i>	<i>4,103</i>	<i>7,456</i>	<i>4,018</i>
<i>Material and services</i>	<i>4,876</i>	<i>4,550</i>	<i>4,515</i>	<i>4,196</i>
<i>Other expenses</i>	<i>2,740</i>	<i>2,286</i>	<i>993</i>	<i>795</i>
	<b>36,835</b>	<b>30,950</b>	<b>33,884</b>	<b>28,335</b>

Material and services contain audit costs as follows:

	<b>2025</b>	<b>Group</b>	<b>2025</b>	<b>Bank</b>
	<b>EUR '000</b>	<b>2024</b>	<b>EUR '000</b>	<b>2024</b>
		<b>EUR '000</b>		<b>EUR '000</b>
Audit services	135	130	112	112
Non-audit services	9	26	9	26
<b>Audit expenses</b>	<b>144</b>	<b>156</b>	<b>121</b>	<b>138</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**10. Impairment loss and provisions**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Impairment losses on cash on hand and due from financial institutions	(124)	(15)	(124)	(15)
Impairment losses on deposits with other banks	(184)	16	(185)	14
Impairment losses on loans to financial institutions	(5,801)	911	(5,801)	911
Impairment losses on loans to other customers and interest	(22,236)	(2,583)	(22,236)	(2,583)
Modification (gain)/loss – financial institutions	(259)	(460)	(259)	(460)
Modification (gain)/loss – other customers	(3,599)	(1,031)	(3,599)	(1,031)
POCI assets – fair value adjustment at initial recognition	543	13,010	543	13,010
Impairment of financial assets at fair value through other comprehensive income	(67)	(29)	(75)	(28)
Impairment losses on other assets	(16)	314	(26)	315
Provisions for commitments	12,004	1,883	12,004	1,883
Provision for guarantees	(1,271)	(3,517)	(1,271)	(3,517)
<b>Total</b>	<b>(21,010)</b>	<b>8,499</b>	<b>(21,029)</b>	<b>8,499</b>

**b) Other impairment losses and provisions**

	<b>Group</b>		<b>Bank</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Impairment losses on foreclosed assets	49	-	49	-
Provision for other liabilities	348	120	347	120
Other adjustments	(31)	(76)	(31)	(76)
<b>Total</b>	<b>366</b>	<b>44</b>	<b>365</b>	<b>44</b>
<b>Total</b>	<b>(20,644)</b>	<b>8,543</b>	<b>(20,664)</b>	<b>8,543</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**11. Income tax**

Based on Article 9 of the Act on the HBOR, the parent company is exempt from income tax, Income tax liabilities arise exclusively from the activities of the other members of the Group.

	<b>2025</b>	<b>Group 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
<b>Recognised in Income Statement</b>		
Current tax - recognised in Income Statement	(6)	(64)
<b>Income tax</b>	<b>(6)</b>	<b>(64)</b>
<b>Income tax reconciliation</b>		
<b>Profit before tax</b>	<b>63,059</b>	<b>40,246</b>
Profit of the Bank not subject to income tax	(63,030)	(39,897)
<b>Profit before tax subject to income tax</b>	<b>29</b>	<b>349</b>
Income tax at 18% rate	5	(57)
Income tax at 10% rate	(6)	(3)
Non-deductible expense	7	6
Tax-exempt income	(12)	(10)
<b>Total income tax expense</b>	<b>(6)</b>	<b>(64)</b>

The determined tax liability is subject to different interpretations regarding the assessment of the eligibility of costs and the coverage of income for tax purposes. The Group has undertaken a number of activities to ensure that the determined current tax liability is entirely in compliance with the Income Tax Act.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**12. Cash on hand and current accounts with banks**

	<b>31 December 2025 EUR '000</b>	<b>Group 31 December 2024 EUR '000</b>	<b>31 December 2025 EUR '000</b>	<b>Bank 31 December 2024 EUR '000</b>
Account with the Croatian National Bank	2	2	2	2
Accounts with the domestic banks	67,594	45,800	66,772	45,281
Accounts with foreign banks	161	174	161	174
Foreign currency account – domestic banks	30	33	30	33
Foreign currency account – foreign banks	39	196	39	196
	<b>67,826</b>	<b>46,205</b>	<b>67,004</b>	<b>45,686</b>
Loss allowances	(20)	(144)	(19)	(143)
	<b>67,806</b>	<b>46,061</b>	<b>66,985</b>	<b>45,543</b>

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

	<b>31 December 2025</b>							
	<b>Group</b>				<b>Bank</b>			
	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>Total EUR '000</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>Total EUR '000</b>
Gross amount	67,826	-	-	67,826	67,004	-	-	67,004
Loss allowances	(20)	-	-	(20)	(19)	-	-	(19)
<b>Balance as of 31 December 2025</b>	<b>67,806</b>	<b>-</b>	<b>-</b>	<b>67,806</b>	<b>66,985</b>	<b>-</b>	<b>-</b>	<b>66,985</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**12. 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:

	<b>Jan 1 – Dec 31, 2025</b>	<b>Group Jan 1 - Dec 31, 2024</b>	<b>Jan 1 - Dec 31, 2025</b>	<b>Bank Jan 1 - Dec 31, 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance as of 1 January	144	159	143	158
Net (decrease) of loss allowances on amounts due from banks	(124)	(15)	(124)	(15)
<i>Total recognised through Income Statement (Note 10)</i>	(124)	(15)	(124)	(15)
<b>Balance at the end of the reporting period</b>	<b>20</b>	<b>144</b>	<b>19</b>	<b>143</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**13. Deposits with other banks**

	<b>31 December 2025 EUR '000</b>	<b>Group 31 December 2024 EUR '000</b>	<b>31 December 2025 EUR '000</b>	<b>Bank 31 December 2024 EUR '000</b>
Deposits with foreign banks	4,219	22,615	4,219	22,615
Deposits with domestic banks	58,829	71,451	55,328	68,001
Accrued interest	7	42	1	26
	<b>63,055</b>	<b>94,108</b>	<b>59,548</b>	<b>90,642</b>
Loss allowances	(53)	(237)	(47)	(232)
	<b>63,002</b>	<b>93,871</b>	<b>59,501</b>	<b>90,410</b>

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

<b>31 December 2025</b>				<b>Group</b>				<b>Bank</b>
	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>Total EUR '000</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>Total EUR '000</b>
Gross amount	63,055	-	-	<b>63,055</b>	59,548	-	-	<b>59,548</b>
Loss allowances	(53)	-	-	<b>(53)</b>	(47)	-	-	<b>(47)</b>
<b>Balance as of 31 December 2025</b>	<b>63,002</b>	-	-	<b>63,002</b>	<b>59,501</b>	-	-	<b>59,501</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**13. Deposits with other banks (continued)**

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

	<b>Jan 1 – Dec 31, 2025</b>	<b>Group Jan 1 - Dec 31, 2024</b>	<b>Jan 1 – Dec 31, 2025</b>	<b>Bank Jan 1 - Dec 31, 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance as of 1 January	237	221	232	218
Net (decrease)/increase of loss allowances on deposits with other banks	(184)	16	(185)	14
<i>Total recognised through Income Statement (Note 10)</i>	(184)	16	(185)	14
<b>Balance at the end of the reporting period</b>	<b>53</b>	<b>237</b>	<b>47</b>	<b>232</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**14. Loans to financial institutions**

	<b>Group and Bank</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Long-term loans under loan programmes	1,075,367	1,143,620
Short-term loans and reverse repo transactions	158,388	92,000
Accrued interest	934	891
Deferred recognition of loan origination fees	(5,269)	(3,064)
	1,229,420	1,233,447
Loss allowances	(1,837)	(7,638)
	<b>1,227,583</b>	<b>1,225,809</b>

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

<b>31 December 2025</b>	<b>Group and Bank</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Gross amount	1,211,069	17,484	867	1,229,420
Loss allowances	(728)	(400)	(709)	(1,837)
<b>Balance as of 31 December 2025</b>	<b>1,210,341</b>	<b>17,084</b>	<b>158</b>	<b>1,227,583</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**14. Loans to financial institutions (continued)**

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

	<b>Jan 1 - Dec 31, 2025 EUR '000</b>	<b>Group and Bank Jan 1 - Dec 31, 2024 EUR '000</b>
Balance as of 1 January	7,638	6,727
Net (decrease)/increase of loss allowances on loans to financial institutions	(5,801)	911
<i>Total recognised through Income Statement (Note 10)</i>	<i>(5,801)</i>	<i>911</i>
<b>Balance at the end of the reporting period</b>	<b>1,837</b>	<b>7,638</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**14. Loans to financial institutions (continued)**

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

	<b>31 December 2025 EUR '000</b>	<b>Group and Bank 31 December 2024 EUR '000</b>
EU Projects	52,045	52,086
Financial Restructuring	5,169	4,602
Pre-Export Finance	135	135
Public Sector Investment	235,196	190,432
Private Sector Investment	231,570	201,756
Youth, Female, Start-up Entrepreneurship	20,027	12,560
Working Capital	10,377	14,146
Working Capital – COVID 19 measures and CRISIS 2022	1,645	3,094
Loan programme for reconstruction and development of the economy	42,542	55,484
Export financing	95,511	121,758
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	65,309	77,482
Loan programme for small and medium-sized enterprises	315,818	409,954
Loan programme for war-torn and demolished housing and business facilities	23	131
Other	158,388	92,000
Accrued interest	934	891
Deferred recognition of loan fees	(5,269)	(3,064)
	<u>1,229,420</u>	<u>1,233,447</u>
Loss allowances	(1,837)	(7,638)
	<u><b>1,227,583</b></u>	<u><b>1,225,809</b></u>

Average interest rates on total loans to financial institutions are stated at 0.63% (31 December 2024: 0.56%) and average interests rates on loans under HBOR loan programmes excluding the liquidity reserve are stated at 0.56% (31 December 2024: 0.50%).

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 158,388 thousand (31 December 2024: EUR 92,000 thousand). The above placements are collateralized by securities in the amount of EUR 167,279 thousand (31 December 2024: EUR 97,235 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**15. Loans to other customers**

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

	<b>Group and Bank</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Domestic companies	1,620,247	1,806,108
State-owned companies	142,697	171,981
Public sector	748,178	701,615
Foreign companies	34,095	8,596
Other	51,656	53,840
Accrued interest	33,728	51,552
Deferred recognition of loan origination fees	(18,088)	(13,714)
	<u>2,612,513</u>	<u>2,779,978</u>
Loss allowances	(463,808)	(471,542)
	<u><b>2,148,705</b></u>	<u><b>2,308,436</b></u>

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

<b>31 December 2025</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>		<b>Group and Bank Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>EUR '000</b>
				<b>EUR '000</b>	<b>EUR '000</b>	
Gross amount	1,779,394	356,575	404,945	6,497	65,102	<b>2,612,513</b>
Loss allowances	(41,522)	(117,266)	(269,226)	(352)	(35,442)	<b>(463,808)</b>
<b>Balance as of 31 December 2025</b>	<b>1,737,872</b>	<b>239,309</b>	<b>135,719</b>	<b>6,145</b>	<b>29,660</b>	<b>2,148,705</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**15. Loans to other customers (continued)**

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

	<b>Jan 1 - Dec 31, 2025 EUR '000</b>	<b>Group and Bank Jan 1 - Dec 31, 2024 EUR '000</b>
Balance as of 1 January	471,542	470,757
Net (decrease) of loss allowances on loans to other customers and interest	(22,236)	(2,583)
<i>Total recognised through Income Statement (Note 10)</i>	<u>(22,236)</u>	<u>(2,583)</u>
Net foreign exchange gain/loss on loss allowances	(2,841)	537
Write-offs	(1,497)	(2,235)
Transfer to off-balance sheet records	(5,816)	(3,984)
Unwinding – changes due to the lapse of time	2,108	315
Interest transferred from the off-balance sheet records and other	22,548	8,735
<b>Balance at the end of the reporting period</b>	<b><u>463,808</u></b>	<b><u>471,542</u></b>

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 1,497 thousand (31 December 2024: EUR 2,235 thousand) in 2025 relates mostly to the permanent derecognition from the business records, in 2024 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 5,816 thousand (31 December 2024: EUR 3,984 thousand) was 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**15. Loans to other customers (continued)**

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

	<b>Group and Bank</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
EU Projects	148,452	97,039
Financial Restructuring	137,097	105,324
Pre-Export Finance	1,818	3,090
Public Sector Investment	362,245	307,501
Private Sector Investment	479,485	401,241
Youth, Female, Start-up Entrepreneurship	18,830	9,271
Working Capital	147,707	239,521
Working Capital – COVID 19 measures and CRISIS 2022	295,114	435,086
Loan programme for reconstruction and development of the economy	165,853	203,649
Export financing	339,489	377,654
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	386,304	445,375
Loan programme for small and medium-sized enterprises	65,099	81,015
Sustainable Tourism Loans	1,277	-
Urban Development Fund	801	-
Production Modernisation Loans	7,055	-
Other	40,247	36,374
Accrued interest	33,728	51,552
Deferred recognition of loan origination fees	(18,088)	(13,714)
	2,612,513	2,779,978
Loss allowances	(463,808)	(471,542)
	<b>2,148,705</b>	<b>2,308,436</b>

Average interest rates on loans to other customers are stated at 2.01% (1 January - 31 December 2024: 2.26%) and average interest rates on loans under HBOR loan programmes excluding the liquidity reserve are stated at 2.00% (1 January - 31 December 2024: 2.25%).

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 4,950 thousand (31 December 2024: EUR 1,550 thousand). The above placements are collateralized by securities in the amount of EUR 5,232 thousand (31 December 2024: EUR 1,640 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**16. Financial assets at fair value through profit or loss**

	<b>31 December 2025 EUR '000</b>	<b>Group and Bank 31 December 2024 EUR '000</b>
<b><i>Loans at FVPL:</i></b>		
Mezzanine loans	30,935	32,233
	<b>30,935</b>	<b>32,233</b>
<b><i>Investments in investment funds:</i></b>		
Investments in investment funds at FVPL	49,648	34,529
	<b>49,648</b>	<b>34,529</b>
<b><i>Unlisted equity instruments:</i></b>		
Depository receipt - DR	42	42
	<b>42</b>	<b>42</b>
<b>Derivative financial assets-positive fair value</b>	<b>-</b>	<b>243</b>
	<b>80,625</b>	<b>67,047</b>

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

As at 31 December 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**17. Financial assets at fair value through other comprehensive income**

	<b>31 December 2025 EUR '000</b>	<b>Group 31 December 2024 EUR '000</b>	<b>31 December 2025 EUR '000</b>	<b>Bank 31 December 2024 EUR '000</b>
<b>Debt instruments:</b>				
<b>Listed debt instruments:</b>				
Bonds of the Republic of Croatia	215,377	221,308	210,978	215,756
Corporate bonds	805	571	-	-
Treasury bills of the Ministry of Finance	227,623	11,919	227,623	11,919
Accrued interest	2,921	3,304	2,901	3,262
	<b>446,726</b>	<b>237,102</b>	<b>441,502</b>	<b>230,937</b>
<b>Unlisted debt instruments:</b>				
Corporate bonds	63	73	63	73
Convertible bonds - CB	137	137	137	137
Accrued interest	2	2	2	2
	<b>202</b>	<b>212</b>	<b>202</b>	<b>212</b>
<b>Equity instruments:</b>				
<b>Unlisted equity instruments:</b>				
Investments in shares of foreign legal entities - SWIFT	9	8	9	8
Shares of foreign financial institutions – EIF	8,537	8,065	8,537	8,065
	<b>8,546</b>	<b>8,073</b>	<b>8,546</b>	<b>8,073</b>
	<b>455,474</b>	<b>245,387</b>	<b>450,250</b>	<b>239,222</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

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

31 December 2025	Group							Bank
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	446,791	-	137	<b>446,928</b>	441,567	-	137	<b>441,704</b>
<b>Balance as of</b>								
<b>31 December 2025</b>	<b>446,791</b>	<b>-</b>	<b>137</b>	<b>446,928</b>	<b>441,567</b>	<b>-</b>	<b>137</b>	<b>441,704</b>

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

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

	Group			Bank
	Jan 1 – Dec 31, 2025	Jan 1 – Dec 31, 2024	Jan 1 – Dec 31, 2025	Jan 1 – Dec 31, 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	425	454	414	442
Net (release) of loss allowances	(67)	(29)	(75)	(28)
<i>Total recognised through Income Statement (Note 10)</i>	(67)	(29)	(75)	(28)
<b>Balance at the end of the reporting period</b>	<b>358</b>	<b>425</b>	<b>339</b>	<b>414</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

The following text contains investment breakdown:

	Date of issue	Date of maturity	Interest rate (%)	31 December 2025 EUR '000	Group 31 December 2024 EUR '000	31 December 2025 EUR '000	Bank 31 December 2024 EUR '000
<b>Debt instruments:</b>							
Listed debt instruments:							
<i>Bonds of the Republic of Croatia:</i>							
RHMF-O-267E	15.7.2022	15.7.2026	2.13	21,176	20,828	21,176	20,827
XS1117298916	11.3.2015	11.3.2025	3.0	24,125	38,711	24,125	38,711
XS1843434876	19.6.2019	19.6.2029	1.125	1,904	1,868	1,904	1,868
RHMF-O-257A	9.7.2015	9.7.2025	4.5	-	1,120	-	-
RHMF-O-26CA	14.12.2015	14.12.2026	4.25	15,300	5,147	14,231	4,069
RHMF-O-273N	10.3.2025	10.3.2027	2.65	36,454	-	36,454	-
RHMF-O-277N	12.7.2024	12.7.2027	3.3	40,515	40,612	40,515	40,612
RHMF-O-282A	7.2.2017	7.2.2028	2.875	1,588	1,586	1,336	1,333
RHMF-O-287A	5.7.2021	5.7.2028	0.5	5,818	5,670	5,818	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	11,006	-	11,006	-
RHMF-O-34BA	27.11.2019	27.11.2034	1.0	1,779	1,789	-	-
RHMF-O-347A	12.7.2024	12.7.2034	3.5	10,204	10,425	10,204	10,425
RHMF-O-357A	4.7.2025	4.7.2035	3.0	4,884	-	4,884	-
RHMF-O-403E	3.3.2020	3.3.2040	1.25	901	919	-	-
RHMF-O-253A	3.3.2020	3.3.2025	0.25	-	15,503	-	15,503
RHMF-O-253B	8.3.2023	8.3.2025	3.65	-	37,159	-	37,159
RHMFO33BA	24.11.2023	24.11.2033	3.75	39,325	39,579	39,325	39,579
<i>Corporate bonds:</i>							
JDGL-O-29CA	3.12.2024	3.12.2029	4.13	409	399	-	-
HRATGRO25CA5	11.12.2020	11.12.2025	0.88	-	172	-	-
HRATGRO305A0	23.5.2025	23.5.2030	2.88	396	-	-	-
Treasury bills up to 91 days			2.101	99,553	-	99,553	
Treasury bills up to 182 days			2.773	-	11,919	-	11,919
Treasury bills up to 364 days			2.184-2.270	128,070	-	128,070	-
Accrued interest				2,921	3,304	2,901	3,262
				<b>446,726</b>	<b>237,102</b>	<b>441,502</b>	<b>230,937</b>
Unlisted debt instruments:							
<i>Corporate bonds:</i>							
LNGU-O-31AE	24.7.2015	15.10.2031	4.5	63	73	63	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
				<b>202</b>	<b>212</b>	<b>202</b>	<b>212</b>
<b>Equity instruments:</b>							
<i>Unlisted equity instruments:</i>							
Investments in shares of foreign legal entities - SWIFT				9	8	9	8
Investments in shares of foreign financial institutions - EIF				8,537	8,065	8,537	8,065
				<b>8,546</b>	<b>8,073</b>	<b>8,546</b>	<b>8,073</b>
<b>Total</b>				<b>455,474</b>	<b>245,387</b>	<b>450,250</b>	<b>239,222</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**18. Investments in subsidiaries**

As at 31 December 2025, the Bank's subsidiaries are as follows:

Consolidated company	Activity	Ownership 31 December 2025	Ownership 31 December 2024	Investment 31 December 2025	Investment 31 December 2024
		%	%	EUR '000	EUR '000
<b>Direct share</b>					
Hrvatsko kreditno osiguranje d.d. Zagreb, Republic of Croatia	Providing insurance for company's foreign and domestic short-term receivables regarding shipments of goods and services	100%	100%	7,449	7,449
<b>Total</b>				<b>7,449</b>	<b>7,449</b>

Result of the subsidiary has been disclosed in Appendix – Financial performance of the HKO Group.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**19. Property, plant and equipment and intangible assets**

Group	Buildings	Computers	Furniture, equipment and vehicles	Property, plant and equipment and intangible assets not ready for use	Total property, plant and equipment	Intangible assets	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>31 December 2025</b>							
<b>Cost</b>							
<b>Balance as of 31 December 2024</b>	<b>10,469</b>	<b>1,618</b>	<b>1,798</b>	<b>485</b>	<b>14,370</b>	<b>5,414</b>	<b>19,784</b>
Additions	-	24	39	4,743	4,806	-	4,806
Transfer from assets not yet ready for use	768	1	-	(1,222)	(453)	453	-
Adjustments	-	(1)	-	(11)	(12)	8	(4)
Disposals and write-offs	-	(122)	(82)	-	(204)	(81)	(285)
Returned to use	24	-	176	-	200	(38)	162
<b>Balance as of 31 December 2025</b>	<b>11,261</b>	<b>1,520</b>	<b>1,931</b>	<b>3,995</b>	<b>18,707</b>	<b>5,756</b>	<b>24,463</b>
<b>Accumulated depreciation and write-off</b>							
<b>Balance as of 31 December 2024</b>	<b>7,570</b>	<b>1,376</b>	<b>1,233</b>	<b>-</b>	<b>10,179</b>	<b>4,510</b>	<b>14,689</b>
Depreciation for 2025	561	178	177	-	916	452	1,368
Adjustments	-	-	-	-	-	-	-
Disposals and write-offs	-	(121)	(65)	-	(186)	-	(186)
<b>Balance as of 31 December 2025</b>	<b>8,131</b>	<b>1,433</b>	<b>1,345</b>	<b>-</b>	<b>10,909</b>	<b>4,962</b>	<b>15,871</b>
<b>Net book value at 31 December 2025</b>	<b>3,130</b>	<b>87</b>	<b>586</b>	<b>3,995</b>	<b>7,798</b>	<b>794</b>	<b>8,592</b>
<b>Net book value at 31 December 2024</b>	<b>2,899</b>	<b>242</b>	<b>565</b>	<b>485</b>	<b>4,191</b>	<b>904</b>	<b>5,095</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**19. Property, plant and equipment and intangible assets (continued)**

Group	Buildings	Computers	Furniture, equipment and vehi- cles	Property, plant and equipment and intangible assets not ready for use	Total property, plant and equipment	Intangible assets	Total
<b>31 December 2024</b>							
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Cost</b>							
<b>Balance as of 31 December 2023</b>	<b>10,355</b>	<b>1,398</b>	<b>1,619</b>	<b>109</b>	<b>13,481</b>	<b>5,078</b>	<b>18,559</b>
Correction of opening balance	-	(9)	(6)	-	(15)	-	(15)
<b>Balance as of 1 January 2024</b>	<b>10,355</b>	<b>1,389</b>	<b>1,613</b>	<b>109</b>	<b>13,466</b>	<b>5,078</b>	<b>18,544</b>
Additions	113	4	28	1,245	1,390	4	1,394
Transfer from assets not yet ready for use	-	273	260	(866)	(333)	333	-
Adjustments	1	(3)	1	(3)	(4)	-	(4)
Disposals and write-offs	-	(63)	(363)	-	(426)	(1)	(427)
Returned to use	-	18	259	-	277	-	277
<b>Balance as of 31 December 2024</b>	<b>10,469</b>	<b>1,618</b>	<b>1,798</b>	<b>485</b>	<b>14,370</b>	<b>5,414</b>	<b>19,784</b>
<b>Accumulated depreciation and write-off</b>							
<b>Balance as of 31 December 2023</b>	<b>7,035</b>	<b>1,350</b>	<b>1,193</b>	<b>-</b>	<b>9,578</b>	<b>4,113</b>	<b>13,691</b>
Correction of opening balance	-	(9)	(6)	-	(15)	-	(15)
<b>Balance as of 1 January 2024</b>	<b>7,035</b>	<b>1,341</b>	<b>1,187</b>	<b>-</b>	<b>9,563</b>	<b>4,113</b>	<b>13,676</b>
Depreciation for 2024	535	83	145	-	763	397	1,160
Adjustments	-	(3)	1	-	(2)	-	(2)
Disposals and write-offs	-	(63)	(359)	-	(422)	-	(422)
Returned to use	-	18	259	-	277	-	277
<b>Balance as of 31 December 2024</b>	<b>7,570</b>	<b>1,376</b>	<b>1,233</b>	<b>-</b>	<b>10,179</b>	<b>4,510</b>	<b>14,689</b>
<b>Net book value at 31 December 2024</b>	<b>2,899</b>	<b>242</b>	<b>565</b>	<b>485</b>	<b>4,191</b>	<b>904</b>	<b>5,095</b>
<b>Net book value at 31 December 2023</b>	<b>3,320</b>	<b>48</b>	<b>426</b>	<b>109</b>	<b>3,903</b>	<b>965</b>	<b>4,868</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**19. Property, plant and equipment and intangible assets (continued)**

Bank	Buildings	Computers	Furniture, equipment and vehicles	Property, plant and equipment and intangible assets not ready for use	Total property, plant and equipment	Intangible assets	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>31 December 2025</b>							
<b>Cost</b>							
<b>Balance as of 31 December 2024</b>	<b>10,233</b>	<b>1,518</b>	<b>1,722</b>	<b>485</b>	<b>13,958</b>	<b>5,212</b>	<b>19,170</b>
Additions	-	-	-	4,732	4,732	-	4,732
Transfer from assets not ready for use	768	1	-	(1,222)	(453)	453	-
Disposals and write-offs	-	(111)	(81)	-	(192)	(81)	(273)
Returned to use	24	-	176	-	200	(38)	162
<b>Balance as of 31 December 2025</b>	<b>11,025</b>	<b>1,408</b>	<b>1,817</b>	<b>3,995</b>	<b>18,245</b>	<b>5,546</b>	<b>23,791</b>
<b>Accumulated depreciation and write-off</b>							
<b>Balance as of 31 December 2024</b>	<b>7,426</b>	<b>1,287</b>	<b>1,200</b>	<b>-</b>	<b>9,913</b>	<b>4,375</b>	<b>14,288</b>
Depreciation for 2025	538	166	159	-	863	424	1,287
Disposals and write-offs	-	(109)	(64)	-	(173)	-	(173)
<b>Balance as of 31 December 2025</b>	<b>7,964</b>	<b>1,344</b>	<b>1,295</b>	<b>-</b>	<b>10,603</b>	<b>4,799</b>	<b>15,402</b>
<b>Net book value at 31 December 2025</b>	<b>3,061</b>	<b>64</b>	<b>522</b>	<b>3,995</b>	<b>7,642</b>	<b>747</b>	<b>8,389</b>
<b>Net book value at 31 December 2024</b>	<b>2,807</b>	<b>231</b>	<b>522</b>	<b>485</b>	<b>4,045</b>	<b>837</b>	<b>4,882</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**19. Property, plant and equipment and intangible assets (continued)**

Bank	Buildings	Computers	Furniture, equipment and vehicles	Property, plant and equipment and intangible assets not ready for use	Total property, plant and equipment	Intangible assets	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>31 December 2024</b>							
<b>Cost</b>							
<b>Balance as of 31 December 2023</b>	<b>10,233</b>	<b>1,294</b>	<b>1,570</b>	<b>109</b>	<b>13,206</b>	<b>4,879</b>	<b>18,085</b>
Correction of opening balance	-	(12)	(4)	-	(16)	-	(16)
<b>Balance as of 1 January 2024</b>	<b>10,233</b>	<b>1,282</b>	<b>1,566</b>	<b>109</b>	<b>13,190</b>	<b>4,879</b>	<b>18,069</b>
Additions	-	-	-	1,242	1,242	-	1,242
Transfer from assets not ready for use	-	273	260	(866)	(333)	333	-
Disposals and write-offs	-	(55)	(363)	-	(418)	-	(418)
Returned to use	-	18	259	-	277	-	277
<b>Balance as of 31 December 2024</b>	<b>10,233</b>	<b>1,518</b>	<b>1,722</b>	<b>485</b>	<b>13,958</b>	<b>5,212</b>	<b>19,170</b>
<b>Accumulated depreciation and write-off</b>							
<b>Balance as of 31 December 2023</b>	<b>6,914</b>	<b>1,268</b>	<b>1,174</b>	<b>-</b>	<b>9,356</b>	<b>4,006</b>	<b>13,362</b>
Correction of opening balance	-	(12)	(4)	-	(16)	-	(16)
<b>Balance as of 1 January 2024</b>	<b>6,914</b>	<b>1,256</b>	<b>1,170</b>	<b>-</b>	<b>9,340</b>	<b>4,006</b>	<b>13,346</b>
Depreciation for 2024	512	68	130	-	710	369	1,079
Disposals and write-offs	-	(55)	(359)	-	(414)	-	(414)
Returned to use	-	18	259	-	277	-	277
<b>Balance as of 31 December 2024</b>	<b>7,426</b>	<b>1,287</b>	<b>1,200</b>	<b>-</b>	<b>9,913</b>	<b>4,375</b>	<b>14,288</b>
<b>Net book value at 31 December 2024</b>	<b>2,807</b>	<b>231</b>	<b>522</b>	<b>485</b>	<b>4,045</b>	<b>837</b>	<b>4,882</b>
<b>Net book value at 31 December 2023</b>	<b>3,319</b>	<b>26</b>	<b>396</b>	<b>109</b>	<b>3,850</b>	<b>873</b>	<b>4,723</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**20. Foreclosed assets**

	<b>31 December 2025 EUR '000</b>	<b>Group and Bank 31 December 2024 EUR '000</b>
Foreclosed assets, net	2,596	2,140
	<b>2,596</b>	<b>2,140</b>

In 2025, acquisition of property took place with present value in the amount of EUR 784 thousand, acquisition value of EUR 784 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 2025, sale of foreclosed assets took place with present value in the amount of EUR 256 thousand, acquisition value of EUR 341 thousand and provisions of EUR 85 thousand, and relates to land plot in the amount of EUR 38 thousand and buildings in the amount of EUR 218 thousand (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 2025, foreclosed assets were transferred to lease on the item Investments in property in the amount of EUR 287 thousand (2024: EUR 303 thousand), which is presented under Other assets due to immaterial significance. In 2025, this property was depreciated in the amount of EUR 16 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 3,996 thousand.

Adjustment increase amount for the Group and the Bank that has an effect on the profit or loss stood at EUR 49 thousand in 2025 (in 2024: increase of EUR 0 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**21. Other assets**

	<b>Group</b>			<b>Bank</b>
	<b>31 December 2025</b>	<b>31 December 2024</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Fees receivable	3,466	3,334	3,466	3,334
Other receivables	1,287	2,319	1,287	2,319
Prepaid expenses	731	585	712	568
Accrued income	1,277	1,458	1,277	1,458
Assets related to insurance contracts	1,329	683	-	-
Receivables for risk assessment fees	50	48	-	-
Deferred tax assets	115	111	-	-
Current tax assets	50	-	-	-
Leased assets	1,084	1,210	1,084	1,210
Other assets	337	321	354	338
	<b>9,726</b>	<b>10,069</b>	<b>8,180</b>	<b>9,227</b>
Loss allowances	<b>(4,241)</b>	<b>(4,268)</b>	<b>(4,224)</b>	<b>(4,260)</b>
	<b>5,485</b>	<b>5,801</b>	<b>3,956</b>	<b>4,967</b>

Lease assets are recognised in accordance with the application of the IFRS 16 and depreciation during the year stood at EUR 820 thousand for the Group and Bank.

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

	<b>Group</b>					<b>Bank</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI Stage 3</b>	<b>Total</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>	<b>31 December 2025</b>
Gross amount	1,652	47	4,430	3	<b>6,132</b>	273	47	4,430	3	<b>4,753</b>	
Loss allowances	(19)	(6)	(4,215)	(1)	<b>(4,241)</b>	(2)	(6)	(4,215)	(1)	<b>(4,224)</b>	
<b>Balance as of</b>											
<b>31 December 2025</b>	<b>1,633</b>	<b>41</b>	<b>215</b>	<b>2</b>	<b>1,891</b>	<b>271</b>	<b>41</b>	<b>215</b>	<b>2</b>	<b>529</b>	

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**21. Other assets (continued)**

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

	31 December 2025 EUR '000	Group 31 December 2024 EUR '000	31 December 2025 EUR '000	Bank 31 December 2024 EUR '000
Fees receivable	3,466	3,334	3,466	3,334
Other receivables	1,287	2,319	1,287	2,319
Assets related to insurance contracts	1,329	683	-	-
Receivables for risk assessment fees	50	48	-	-
	6,132	6,384	4,753	5,653
Loss allowance	(4,241)	(4,268)	(4,224)	(4,260)
<b>Assets exposed to credit risk</b>	<b>1,891</b>	<b>2,116</b>	<b>529</b>	<b>1,393</b>

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

	Jan 1 - Dec 31, 2025 EUR '000	Group Jan 1 - Dec 31, 2024 EUR '000	Jan 1 - Dec 31, 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 (release)/increase of loss allowances on other assets	(16)	314	(26)	315
<i>Total recognised through Income statement (Note 10)</i>	<i>(16)</i>	<i>314</i>	<i>(26)</i>	<i>315</i>
Write-offs	(4)	(434)	(4)	(434)
Transfer to off-balance sheet records	(1)	(14)	(1)	(14)
Net foreign exchange gain/(loss) on loss allowances	(10)	7	(10)	7
Other adjustments	4	2	5	1
<b>Balance at the end of the reporting period</b>	<b>4,241</b>	<b>4,268</b>	<b>4,224</b>	<b>4,260</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**22. Deposits from customers**

	<b>31 December 2025 EUR '000</b>	<b>Group and Bank 31 December 2024 EUR '000</b>
Bank deposits and deposits of foreign financial institutions	19,500	-
Account of the Ministry of Finance of the Republic of Croatia	4,163	4,252
Special purpose accounts of the companies	17,919	11,917
State institutions' deposits	40,225	34,764
Other deposits	69,991	44,538
	<u>151,798</u>	<u>95,471</u>
Accrued interest	69	41
	<b><u>151,867</u></b>	<b><u>95,512</u></b>

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 4,163 thousand (31 December 2024: EUR 4,252 thousand).

State institutions' 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, Forestry and Fisheries, the Ministry of Regional Development and EU Funds and the Croatian Agency for SMEs, Innovations and Investments ("HAMAG-BICRO").

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.

HBOR does not pay interest on the above deposits.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**23. Borrowings**

	<b>31 December 2025</b>	<b>Group and Bank 31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Balance as of 1 January	2,283,672	2,248,771
New borrowings	439,387	689,684
Repayments	(494,000)	(655,843)
Net foreign exchange gain/loss	(1,923)	1,060
	<u>2,227,136</u>	<u>2,283,672</u>
Accrued interest	5,710	7,621
Deferred fees	(2,542)	(3,025)
	<u><b>2,230,304</b></u>	<u><b>2,288,268</b></u>

	<b>31 December 2025</b>	<b>Group and Bank 31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Borrowings from foreign financial institutions a)	1,678,664	1,818,672
Borrowings from domestic institutions b)	548,472	465,000
	<u>2,227,136</u>	<u>2,283,672</u>
Accrued interest	5,710	7,621
Deferred recognition of fees	(2,542)	(3,025)
	<u><b>2,230,304</b></u>	<u><b>2,288,268</b></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 for the most part relate to 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**24. Provisions for guarantees, commitments and other liabilities**

	<b>31 December 2025 EUR '000</b>	<b>Group 31 December 2024 EUR '000</b>	<b>31 December 2025 EUR '000</b>	<b>Bank 31 December 2024 EUR '000</b>
Provisions for guarantees and commitments	23,660	12,913	23,660	12,913
Provisions for other liabilities	10,947	10,455	10,945	10,455
	<b>34,607</b>	<b>23,368</b>	<b>34,605</b>	<b>23,368</b>

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

	<b>Jan 1 - Dec 31, 2025 EUR '000</b>	<b>Group Jan 1 - Dec 31, 2024 EUR '000</b>	<b>Jan 1 - Dec 31, 2025 EUR '000</b>	<b>Bank Jan 1 - Dec 31, 2024 EUR '000</b>
Balance as of 1 January	12,913	14,637	12,913	14,637
Net (release) of loss allowances on guarantees	(1,271)	(3,517)	(1,271)	(3,517)
<i>Total recognised through Income Statement (Note 10)</i>	<i>(1,271)</i>	<i>(3,517)</i>	<i>(1,271)</i>	<i>(3,517)</i>
Net increase of loss allowances on commitments	12,004	1,883	12,004	1,883
Total recognised through Income Statement (Note 10)	12,004	1,883	12,004	1,883
Net foreign exchange on loss allowances	14	(90)	14	(90)
<b>Balance at the end of the reporting period - Provisions for guarantees and commitments</b>	<b>23,660</b>	<b>12,913</b>	<b>23,660</b>	<b>12,913</b>
Balance as of 1 January	10,455	9,745	10,455	9,743
Net increase of loss allowances on other liabilities	348	120	347	120
<i>Total recognised through Income Statement (Note 10)</i>	<i>348</i>	<i>120</i>	<i>347</i>	<i>120</i>
Unrealised actuarial gains/(losses)	143	592	143	592
Other adjustments	1	(2)	-	-
<b>Balance at the end of the reporting period - Provisions for other liabilities</b>	<b>10,947</b>	<b>10,455</b>	<b>10,945</b>	<b>10,455</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### **24. Provisions for guarantees, commitments and other liabilities (continued)**

Out of the total provisions for guarantees and commitments, the amount of EUR 94 thousand relates to financial institutions (31 December 2024: EUR 217 thousand), EUR 23,361 thousand relates to domestic companies (31 December 2024: EUR 12,436 thousand), EUR 26 thousand relates to the public sector (31 December 2024: EUR 90 thousand), EUR 0 thousand relates to state-owned companies (31 December 2024: EUR 76 thousand) and EUR 179 thousand relates to other (31 December 2024: EUR 94 thousand).

In 2025, provisions for other liabilities for the Group totalled EUR 10,947 thousand and for the Bank EUR 10,945 thousand (31 December 2024: EUR 10,455 thousand for the Group and for the Bank). The total amount of provisions for other liabilities was comprised of EUR 618 thousand for court proceedings initiated against the Bank for the Group and for the Bank (31 December 2024: EUR 492 thousand), EUR 8,853 thousand for liabilities for the Group and for the Bank based on benefits defined in accordance with IAS 19 Employee Benefits (31 December 2024: EUR 7,978 thousand), and in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets provisions for other liabilities EUR 1,476 thousand for the Group and EUR 1,474 thousand for the Bank for (31 December 2024: EUR 1,985 thousand for the Group and for the Bank).

The latest actuarial assessment of present value of liabilities based on defined benefits as at 31 December 2025 was performed by a certified actuary. The model took into account mortality, fluctuation of employees, growth rate in defined benefits and discount rate, and the calculations for every employee considered age, gender, years of service, expected mortality and discount rate, i.e. the long-run sustainable yield rate on bonds of the Republic of Croatia.

The applied discount rate that represents the yield rate on bonds sustainable in the long run is 2.80%, whereas it stood at 3.00% in the previous year.

Unrealised actuarial gains/(losses) arising from the calculation of provisions are stated within the framework of other comprehensive income so that net assets or liability may reflect the entire value of deficit or surplus planned.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**25. Other liabilities**

	<b>31 December 2025 EUR '000</b>	<b>Group 31 December 2024 EUR '000</b>	<b>31 December 2025 EUR '000</b>	<b>Bank 31 December 2024 EUR '000</b>
Liabilities in respect of subsidized interest (a)	4,236	26,653	4,236	26,653
Deferred recognition of interest income (b)	53,418	46,624	53,418	46,624
Accrued salaries	1,732	1,603	1,683	1,563
Liabilities to suppliers	477	339	455	317
Liabilities for prepaid receivables	994	1,931	994	1,931
Liabilities for remaining coverage	1,186	1,053	-	-
Liabilities for incurred losses	1,617	1,633	-	-
Deferred tax liabilities	-	-	-	-
Corporate income tax-current liability	7	46	-	-
Lease liabilities	1,262	1,375	1,190	1,281
Other liabilities	9,029	6,941	8,956	6,880
Derivative financial liabilities	14	15	14	15
	<b>73,972</b>	<b>88,213</b>	<b>70,946</b>	<b>85,264</b>

(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 1,462 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 993 thousand (31 December 2024: EUR 35 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to mid-cap entities and large business entities in the amount of EUR 1,015 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 370 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 396 thousand (31 December 2024: EUR 3,904 thousand).

(b) Deferred recognition of interest income of EUR 53,418 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.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 26. Founder's capital

Under the HBOR Act, the prescribed founder's capital should amount to EUR 929,060 thousand, paid from the State Budget and from other sources as specified by separate laws.

The schedule of annual amounts of payment and the time schedule of payments out of the State Budget into the capital are not set in advance but are determined by the Croatian Parliament as part of the process of adoption of the State Budget of the Republic of Croatia.

Within its Accounting policies, the Group has set out its objectives of capital management, category of capital managed by the Bank as well as measuring and assessing the policies for capital management. Capital management is described and presented in Note 34.

Founder's capital of the subsidiary Hrvatsko kreditno osiguranje d.d. amounts to EUR 7,632 thousand and is 100% owned by the Bank, and the founder's capital of the company Poslovni info servis d.o.o. amounts to EUR 40 thousand and is 100% owned by Hrvatsko kreditno osiguranje d.d.. The capital of both companies is subscribed and paid in full.

### 27. Guarantee fund

<b>Group and Bank</b>	<b>EUR '000</b>
<b>Balance as of 1 January 2024</b>	<b>1,638</b>
<b>Balance as of 31 December 2024</b>	<b>1,638</b>
<b>Balance as of 31 December 2025</b>	<b>1,638</b>

The Guarantee fund of EUR 1,638 thousand as of 31 December 2025 and 2024 respectively, relates to funds of the guarantee fund from Deutsche Investitions- und Entwicklungsgesellschaft (DEG) in respect of a financial contribution (granted funds) for the account of the German Government, which are used for covering contingent losses on guarantees issued for loans granted under the Programme for financing business start-ups in Croatia. The funds of the Guarantee fund are unconditionally contributed and have no maturity. The funds of the Guarantee fund give the Government of the Federal Republic of Germany neither controlling rights nor a right to a share of the operating results of the Group.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

## 28. 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

	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Issued guarantees	54,165	59,473
Guarantees issued in foreign currency	5,967	4,846
Undrawn loans	684,381	480,198
EIF – subscribed, not called up capital	10,400	10,400
EIF CROGIP Contracted Liability	16,607	24,860
EIF FRC2 Contracted Liability	11	43
Contracted Liability Programme for Investing in Alternative Investment Funds	16,704	-
	<u>788,235</u>	<u>579,820</u>
Provisions for guarantees and commitments	<u>(23,660)</u>	<u>(12,913)</u>
	<b><u>764,575</u></b>	<b><u>566,907</u></b>

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:

	<b>Group and Bank</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>		<b>Without stage</b>	<b>Total</b>
				<b>Stage 2</b>	<b>Stage 3</b>		
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Gross amount	682,295	49,558	7,783	-	4,342	535	<b>744,513</b>
Loss allowances	(4,049)	(17,018)	(996)	-	(1,597)	-	<b>(23,660)</b>
<b>Balance as of 31 December 2025</b>	<b>678,246</b>	<b>32,540</b>	<b>6,787</b>	<b>-</b>	<b>2,745</b>	<b>535</b>	<b>720,853</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**28. 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 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**29. Managed funds for and on behalf of third parties**

The Group manages funds on behalf of and for the account of the Ministry of Finance, the Ministry of the Economy, the Ministry of the Sea, Transport and Infrastructure, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Regional Development and EU Funds, the Ministry of Foreign and European Affairs, the Croatian Agency for SMEs, Innovations and Investments (“HAMAG-BICRO”) and commercial banks, that are mainly used for various reconstruction and development programmes. These assets are separated from the Group’s assets. The income and expense relating to these transactions are charged to the principal, and the Group does not have any other liabilities. The Group charges a fee for part of the services and part of the services are performed free of charge depending on the contract with the customer and taking into account that the stated amounts are insignificant for the Group.

Agency business funds per individual programmes amount to:

**Group and Bank**

<b>Program</b>	<b>31 December 2025 EUR '000</b>	<b>31 December 2024 EUR '000</b>
Development and Reconstruction of Rural Housing	929	982
Employment of Former Soldiers	41,049	40,264
Collection of receivables under HAMAG-BICRO guarantees	5	7
Insurance of export transactions <sup>1</sup>	153,857	130,741
Programme of Preferential Financing through HBOR’s Loan Programmes - Ministry of Finance	14,471	22,569
Renewable Energy Resources Project	218	233
VIK – EKO account A – dedicated water charge	-	113,322
VIK – EKO account B – VAT	-	20,791
Financing the Establishment of Fishing Infrastructure – Ministry of the Sea, Transport and Infrastructure	6,193	6,193
Micro-Loans with EU Support – commercial banks	66	113
ESIF – Growth and Expansion Loans	113,398	112,032
ESIF - Energy Efficiency in Public Sector Buildings	26,262	26,064
ESIF - Loans for Public Lighting	45,682	45,336
ESIF- Urban Development Fund	56,977	56,038
ESIF- Sustainable Development Loans	51,970	51,197
ESIF- Production Modernisation Loans	23,395	23,940
ESIF- Energy Efficiency Loans	82,547	-
3SII Innovation Fund <sup>2</sup>	20,322	-
Investment loans for rural development	1,462	1,463
Working Capital for rural development	22,911	24,964
Investment in the Three Seas Initiative Investment Fund <sup>3</sup>	19,602	17,500
NRRP – Interest Subsidy Fund for SMEs	14,899	19,945
NRRP – Interest Subsidy Fund for MIDCAP and Large entrepreneurs	32,445	15,395
NRRP – Interest Subsidy for Public Sector	10,185	18,473
NRRP – Special SME Segments Loans	67,779	67,317
NRRP – Guarantee Fund	42,463	61,368
NRRP - Equity Investment <sup>4</sup>	9,730	4,004
Loan Programme for Production and Processing in Agriculture	10,563	10,798
Subsidy for Entrepreneurs in Wood Processing and Furniture Production Industry	396	3,904
	<b>869,776</b>	<b>894,953</b>

<sup>1, 2, 3 and 4</sup> The fair value of net assets value of the Insurance of export transactions, the 3SII Innovation Fund the Three Seas Initiative Investment Fund and NRRP - Equity Investment in 2025 is recognised on the basis of the latest available data and does not represent the final fair value, whereas, in 2024, the amount was recognised in accordance with the audited financial statements.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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

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

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

#### a) Related-party transactions

Group	Assets	Liabilities	Assets	Liabilities
	31 December 2025	31 December 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	570,289	270,669	278,299	406,562
Government funds, executive authorities and agencies	439,767	34,694	584,979	33,536
State-owned companies	104,548	725	138,822	934
Key management personnel	143	444	238	393
<b>Total</b>	<b>1,114,747</b>	<b>306,532</b>	<b>1,002,338</b>	<b>441,425</b>

Group	Income	Expense	Income	Expense
	Jan 1 – Dec 31 2025	Jan 1 – Dec 31 2025	Jan 1 – Dec 31 2024	Jan 1 – Dec 31 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	12,436	11,650	9,019	12,778
Government funds, executive authorities and agencies	11,921	263	14,470	639
State-owned companies	17,233	2,722	13,795	18,477
Key management personnel	5	1,537	9	1,443
<b>Total</b>	<b>41,595</b>	<b>16,172</b>	<b>37,293</b>	<b>33,337</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**30. Related-party transactions (continued)**

a) Related-party transactions (continued)

Bank	Assets		Liabilities	
	31 December 2025	31 December 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	570,289	270,669	278,299	406,562
Government funds, executive authorities and agencies	435,351	34,686	579,373	33,530
State-owned companies	104,546	723	138,821	931
Subsidiary companies	7,449	-	7,449	-
Key management personnel	143	422	238	374
<b>Total</b>	<b>1,117,778</b>	<b>306,500</b>	<b>1,004,180</b>	<b>441,397</b>

Bank	Income		Expense	
	Jan 1 – Dec 31 2025	Jan 1 – Dec 31 2025	Jan 1 – Dec 31 2024	Jan 1 – Dec 31 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	12,436	11,650	9,019	12,778
Government funds, executive authorities and agencies	11,799	258	14,313	617
State-owned companies	17,233	2,701	13,795	18,459
Key management personnel	5	1,243	9	1,178
<b>Total</b>	<b>41,473</b>	<b>15,852</b>	<b>37,136</b>	<b>33,032</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**30. Related-party transactions (continued)**

b) Collateral received

	<b>31 December 2025</b>	<b>Group 31 December 2024</b>	<b>31 December 2025</b>	<b>Bank 31 December 2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
The Republic of Croatia	854,689	1,068,419	851,731	1,064,179
State agencies	80,224	88,896	80,224	88,896
<b>Total</b>	<b>934,913</b>	<b>1,157,315</b>	<b>931,955</b>	<b>1,153,075</b>

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. In 2025, salaries for the Group amounted to EUR 1,514 thousand (31 December 2024: EUR 1,428 thousand), and for the Bank EUR 1,243 thousand (31 December 2024: EUR 1,178 thousand).

Remuneration for the work of the members of the Supervisory Board in 2025 amounted to EUR 23 thousand for the Group (31 December 2024: EUR 15 thousand) and for the Bank EUR 0 thousand (31 December 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### **31. 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.

#### **31.1. Overview of the most important risks**

##### **Credit risk**

The Bank controls credit risk, i.e. the risk of a loss due to a default on the debtor's part to fulfil financial obligations to the Bank, through policies and ordinance on managing this risk, which prescribe internal control systems with an 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 and the Assets and Liabilities Management Ordinance.

## **31. Risk management (continued)**

### **31.1. 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 reporting period, one (1) new potential operational risk event was identified that could have potentially had a significant impact on HBOR's exposure to operational risk. It was the risk of water ingress into the premises of HBOR, due to which necessary measures were promptly taken to mitigate the aforementioned risk. By the end of the reporting period, almost the entire amount of the damage incurred was compensated through the collection of indemnity from the insurance company. 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 2025 as works on the renovation of the building began, and the effects of that event have been continuously recorded in the operational risk event database.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### **31. Risk management (continued)**

#### **31.1. 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 reporting period, new internal documents were adopted regulating the outsourcing risk management system, 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.

## 31. Risk management (continued)

### 31.2. 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 four 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, the Ordinance on Managing Interest Rate Risk in the Bank Book, the Assets and Liabilities Management Ordinance, the 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.

## **31. Risk management (continued)**

### **31.2. 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.

#### **31.3. 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 31. Risk management (continued)

#### 31.3. 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**31.3.1. 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.

**31.3.2. 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.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 31. Risk management (continued)

#### 31.3. Credit risk (continued)

##### 31.3.2. 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 off-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.

##### 31.3.2.1. 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**31.3.2. Impairment (continued)**

**31.3.2.1. 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.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 31. Risk management (continued)

#### 31.3. Credit risk (continued)

##### 31.3.2. Impairment (continued)

###### 31.3.2.2. 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.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 31. Risk management (continued)

#### 31.3. Credit risk (continued)

##### 31.3.2. Impairment (continued)

###### 31.3.2.3. 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).

###### 31.3.2.4. 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.

## **31. Risk management (continued)**

### **31.3. Credit risk (continued)**

#### **31.3.2. Impairment assessment (continued)**

##### **31.3.2.5. 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.

##### **31.3.2.6. 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 including POCI assets of clients in default 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.

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**31.3.2. Impairment assessment (continued)**

**31.3.2.6. 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.

**31.3.3. 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.

## **31. Risk management (continued)**

### **31.3. Credit risk (continued)**

#### **31.3.4. 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%.

#### **31.3.5. 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.

## **31. Risk management (continued)**

### **31.3. Credit risk (continued)**

#### **31.3.6. 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 31 December 2025 for the Group amounted to EUR 410,513 thousand (31 December 2024: EUR 374,723 thousand), and for the Bank it amounted to EUR 406,191 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.

#### **31.3.7. 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.

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 31. Risk management (continued)

#### 31.3. Credit risk (continued)

##### 31.3.7. Risk-Sharing Model (continued)

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.

##### 31.3.8. Financing of EU financial instruments

The financing models of financial instruments are implemented in cooperation with the relevant ministries responsible for the implementation of each individual financial instrument. In this model, the Bank is responsible for fulfilling the conditions of the investment strategy that prescribes the financing context, the characteristics of the financial instrument and the capital discount criteria. The business plan, among other things, provides the description of the implementation model, the amounts intended for implementation, and states the target values of successful implementation indicators of each financial instrument. By this method of financing, the effective loan price is reduced, the realisation of capital discount is made possible as well as the exemption from the payment of the application processing fee and the commitment fee. Fees and interest rates customary in the banking operations may only be charged on the part of loan financed by the Bank. When the capital discount criteria have been fulfilled, the client becomes eligible for the write-off of part of the loan principal. For the entire loan duration, the proceeding is as prescribed for direct lending.

##### 31.3.9. 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**31.3.9. 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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**31.3.9. 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. 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:

	<b>Highest exposure 31 December 2025 EUR '000</b>	<b>Group Highest exposure 31 December 2024 EUR '000</b>	<b>Highest exposure 31 December 2025 EUR '000</b>	<b>Bank Highest exposure 31 December 2024 EUR '000</b>
<b>Assets</b>				
Cash on hand and current accounts with banks	67,806	46,061	66,985	45,543
Deposits with other banks	63,002	93,871	59,501	90,410
Loans to financial institutions	1,227,583	1,225,809	1,227,583	1,225,809
Loans to other customers	2,148,705	2,308,436	2,148,705	2,308,436
Financial assets at fair value through profit or loss	30,935	32,476	30,935	32,476
Financial assets at fair value through other comprehensive income	446,928	237,314	441,704	231,149
Other assets	1,891	2,116	529	1,393
<b>Total</b>	<b>3,986,850</b>	<b>3,946,083</b>	<b>3,975,942</b>	<b>3,935,216</b>
<b>Guarantees and commitments</b>				
Issued guarantees	49,044	54,084	49,044	54,084
Issued guarantees in foreign currency	5,516	3,406	5,516	3,406
Undrawn loans	666,293	474,114	666,293	474,114
<b>Total</b>	<b>720,853</b>	<b>531,604</b>	<b>720,853</b>	<b>531,604</b>
<b>Total credit risk exposure</b>	<b>4,707,703</b>	<b>4,477,687</b>	<b>4,696,795</b>	<b>4,466,820</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. 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	Republic of Croatia	EU countries	Other countries	Total
31 December 2025	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
Cash on hand and current accounts with banks	67,606	161	39	67,806
Deposits with other banks	58,783	4,219	-	63,002
Loans to financial institutions	1,227,583	-	-	1,227,583
Loans to other customers	2,117,503	24,214	6,988	2,148,705
Financial assets at fair value through profit or loss	30,935	-	-	30,935
Financial assets at fair value through other comprehensive income	446,791	137	-	446,928
Other assets	1,888	3	-	1,891
<b>Total</b>	<b>3,951,089</b>	<b>28,734</b>	<b>7,027</b>	<b>3,986,850</b>
<b>Guarantees and commitments</b>				
Issued guarantees	49,044	-	-	49,044
Issued guarantees in foreign currency	5,516	-	-	5,516
Undrawn loans	600,355	65,938	-	666,293
<b>Total</b>	<b>654,915</b>	<b>65,938</b>	<b>-</b>	<b>720,853</b>
<b>Total credit risk exposure</b>	<b>4,606,004</b>	<b>94,672</b>	<b>7,027</b>	<b>4,707,703</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. 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):

Group	Republic of Croatia	EU countries	Other countries	Total
31 December 2024	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
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
<b>Total</b>	<b>3,913,445</b>	<b>24,769</b>	<b>7,869</b>	<b>3,946,083</b>
<b>Guarantees and commitments</b>				
Issued guarantees	54,084	-	-	54,084
Issued guarantees in foreign currency	3,406	-	-	3,406
Undrawn loans	474,110	-	4	474,114
<b>Total</b>	<b>531,600</b>	<b>-</b>	<b>4</b>	<b>531,604</b>
<b>Total credit risk exposure</b>	<b>4,445,045</b>	<b>24,769</b>	<b>7,873</b>	<b>4,477,687</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. 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):

<b>Bank</b>	<b>Republic of</b>	<b>EU</b>	<b>Other</b>	<b>Total</b>
<b>31 December 2025</b>	<b>Croatia</b>	<b>countries</b>	<b>countries</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>				
Cash on hand and current accounts with banks	66,785	161	39	66,985
Deposits with other banks	55,282	4,219	-	59,501
Loans to financial institutions	1,227,583	-	-	1,227,583
Loans to other customers	2,117,503	24,214	6,988	2,148,705
Financial assets at fair value through profit or loss	30,935	-	-	30,935
Financial assets at fair value through other comprehensive income	441,567	137	-	441,704
Other assets	526	3	-	529
<b>Total</b>	<b>3,940,181</b>	<b>28,734</b>	<b>7,027</b>	<b>3,975,942</b>
<b>Guarantees and commitments</b>				
Issued guarantees	49,044	-	-	49,044
Issued guarantees in foreign currency	5,516	-	-	5,516
Undrawn loans	600,355	65,938	-	666,293
<b>Total</b>	<b>654,915</b>	<b>65,938</b>	<b>-</b>	<b>720,853</b>
<b>Total credit risk exposure</b>	<b>4,595,096</b>	<b>94,672</b>	<b>7,027</b>	<b>4,696,795</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**Concentration of risk and maximum credit risk exposure (continued)**

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

<b>Bank</b>	<b>Republic of Croatia</b>	<b>EU countries</b>	<b>Other countries</b>	<b>Total</b>
<b>31 December 2024</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>				
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
<b>Total</b>	<b>3,902,578</b>	<b>24,769</b>	<b>7,869</b>	<b>3,935,216</b>
<b>Guarantees and commitments</b>				
Issued guarantees	54,084	-	-	54,084
Issued guarantees in foreign currency	3,406	-	-	3,406
Undrawn loans	474,110	-	4	474,114
<b>Total</b>	<b>531,600</b>	<b>-</b>	<b>4</b>	<b>531,604</b>
<b>Total credit risk exposure</b>	<b>4,434,178</b>	<b>24,769</b>	<b>7,873</b>	<b>4,466,820</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**Concentration of risk and maximum credit risk exposure (continued)**

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

Group	Highest exposure	Highest exposure after the effect of mitigation through collateral received	Highest exposure	Highest exposure after the effect of mitigation through collateral received
	31 December 2025	31 December 2025	31 December 2024	31 December 2024
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,584,258	-	1,572,780	-
Water and electric supply and other infrastructure	620,043	484,066	505,448	380,244
Tourism	397,930	32,264	397,965	15,263
Transport, warehousing and connections	287,111	137,959	318,505	51,632
Shipbuilding	141,225	6,913	175,722	9,381
Agriculture and fishery	69,965	13,233	100,099	30,987
Food industry	103,638	15,112	124,339	16,897
Construction industry	334,544	10,465	348,065	7,882
Other industry	162,732	39,593	164,329	36,999
Public administration	448,078	447,715	244,498	244,099
Education	10,983	10,574	7,518	7,107
Manufacture of basic metals and fabricated metal products, except machinery and equipment	46,116	8,279	52,918	10,006
Manufacture of chemicals and chemical products	7,255	645	11,465	964
Manufacture of other non-metallic mineral products	19,190	1,328	27,337	6,027
Pharmaceutical industry	53,524	344	62,341	2,326
Manufacture of motor vehicles, trailers and semi - trailers	31,741	1,174	11,257	369
Manufacture of electrical equipment	44,292	36,352	39,858	27,780
Manufacture of machinery and equipment	45,832	10,232	37,016	2,816
Other	299,246	112,077	276,227	84,988
<b>Total credit risk exposure</b>	<b>4,707,703</b>	<b>1,368,325</b>	<b>4,477,687</b>	<b>935,767</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. 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	Highest exposure after the effect of mitigation through collateral received	Highest exposure	Highest exposure after the effect of mitigation through collateral received
	31 December 2025 EUR '000	31 December 2025 EUR '000	31 December 2024 EUR '000	31 December 2024 EUR '000
Financial intermediation and insurance	1,579,936	-	1,568,801	-
Water and electric supply and other infrastructure	620,043	484,066	505,448	380,244
Tourism	397,930	32,264	397,965	15,263
Transport, warehousing and connections	287,083	137,932	318,498	51,624
Shipbuilding	141,225	6,913	175,722	9,381
Agriculture and fishery	69,958	13,225	100,096	30,984
Food industry	103,225	14,699	124,317	16,875
Construction industry	334,292	10,214	347,883	7,699
Other industry	162,629	39,490	164,266	36,936
Public administration	442,855	442,491	238,333	237,934
Education	10,983	10,574	7,518	7,107
Manufacture of basic metals and fabricated metal products, except machinery and equipment	46,090	8,253	52,907	9,995
Manufacture of chemicals and chemical products	7,255	645	11,465	964
Manufacture of other non-metallic mineral products	19,190	1,328	27,337	6,027
Pharmaceutical industry	53,355	175	62,241	2,226
Manufacture of motor vehicles, trailers and semi - trailers	31,741	1,174	11,257	369
Manufacture of electrical equipment	44,292	36,352	39,858	27,780
Manufacture of machinery and equipment	45,832	10,232	37,016	2,816
Other	298,881	111,712	275,892	84,654
<b>Total credit risk exposure</b>	<b>4,696,795</b>	<b>1,361,739</b>	<b>4,466,820</b>	<b>928,878</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**Concentration of risk and maximum credit risk exposure (continued)**

The fair value of collateral for the Group in 2025 amounted to EUR 3,339,378 thousand (31 December 2024: EUR 3,541,920 thousand) and for the Bank EUR 3,335,056 thousand (31 December 2024: EUR 3,537,942 thousand).

Net highest exposure as at 31 December 2025 for the Group amounted to EUR 1,368,325 thousand (31 December 2024: EUR 935,767 thousand) and for the Bank EUR 1,361,739 thousand (31 December 2024: EUR 928,878 thousand).

In the total net highest exposure after the effect of mitigation through collateral received in 2025, the credit risk of EUR 943,947 thousand for the Group (31 December 2024: EUR 521,744 thousand) and EUR 939,531 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 128,778 thousand (31 December 2024: EUR 47,172 thousand), from local (regional) authorities of EUR 358,079 thousand (31 December 2024: EUR 223,698 thousand), state-owned companies for whose commitments the Republic of Croatia guarantees jointly and unconditionally of EUR 11,159 thousand (31 December 2024: EUR 14,340 thousand), government funds of EUR 13 thousand (31 December 2024: EUR 4 thousand), government bonds and Treasury bills of the Ministry of Finance of EUR 445,918 thousand for the Group and EUR 441,502 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

**Credit risk quality according to type of financial assets**

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

Group 31 December 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 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 risk Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received 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
<b>Assets</b>														
Cash on hand and current accounts with banks	67,806	-	-	-	-	-	67,806	-	-	-	-	-	-	-
Deposits with other banks	63,002	-	-	-	-	-	63,002	-	-	-	-	-	-	-
Loans to financial institutions	1,210,341	17,084	158	-	-	-	1,227,583	-	-	-	-	-	-	-
Loans to other customers	1,737,872	239,309	135,719	6,145	29,660	-	2,148,705	523,841	54,828	4,373	-	2,850	-	585,892
Financial assets at fair value through profit or loss	-	-	-	-	-	30,935	30,935	-	-	-	-	-	152	152
Financial assets at fair value through other comprehensive income	446,791	-	137	-	-	-	446,928	446,791	-	137	-	-	-	446,928
Other assets	1,633	41	215	-	2	-	1,891	1,444	40	85	-	2	-	1,571
<b>Total</b>	<b>3,527,445</b>	<b>256,434</b>	<b>136,229</b>	<b>6,145</b>	<b>29,662</b>	<b>30,935</b>	<b>3,986,850</b>	<b>972,076</b>	<b>54,868</b>	<b>4,595</b>	<b>-</b>	<b>2,852</b>	<b>152</b>	<b>1,034,543</b>
<b>Guarantees and commitments</b>														
Issued guarantees	41,044	5,900	2,100	-	-	-	49,044	40,960	5,900	2,100	-	-	-	48,960
Issued guarantees in foreign currency	46	783	4,687	-	-	-	5,516	46	783	130	-	-	-	959
Undrawn loans	637,156	25,857	-	-	2,745	535	666,293	276,901	3,931	-	-	2,496	535	283,863
<b>Total</b>	<b>678,246</b>	<b>32,540</b>	<b>6,787</b>	<b>-</b>	<b>2,745</b>	<b>535</b>	<b>720,853</b>	<b>317,907</b>	<b>10,614</b>	<b>2,230</b>	<b>-</b>	<b>2,496</b>	<b>535</b>	<b>333,782</b>
<b>Total credit risk exposure</b>	<b>4,205,691</b>	<b>288,974</b>	<b>143,016</b>	<b>6,145</b>	<b>32,407</b>	<b>31,470</b>	<b>4,707,703</b>	<b>1,289,983</b>	<b>65,482</b>	<b>6,825</b>	<b>-</b>	<b>5,348</b>	<b>687</b>	<b>1,368,325</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. 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:

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 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	EUR '000
<b>Assets</b>															
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	
<b>Total</b>	<b>3,318,976</b>	<b>255,042</b>	<b>157,795</b>	<b>181,794</b>	<b>-</b>	<b>32,476</b>	<b>3,946,083</b>	<b>653,645</b>	<b>40,420</b>	<b>10,442</b>	<b>25</b>	<b>2,634</b>	<b>-</b>	<b>707,166</b>	
<b>Guarantees and commitments</b>															
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	
<b>Total</b>	<b>492,522</b>	<b>20,885</b>	<b>16,900</b>	<b>1,297</b>	<b>-</b>	<b>-</b>	<b>531,604</b>	<b>212,832</b>	<b>13,289</b>	<b>2,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,601</b>	
<b>Total credit risk exposure</b>	<b>3,811,498</b>	<b>275,927</b>	<b>174,695</b>	<b>183,091</b>	<b>-</b>	<b>32,476</b>	<b>4,477,687</b>	<b>866,477</b>	<b>53,709</b>	<b>12,922</b>	<b>25</b>	<b>2,634</b>	<b>-</b>	<b>935,767</b>	

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

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

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

Bank 31 December 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 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
<b>Assets</b>														
Cash on hand and current accounts with banks	66,985	-	-	-	-	-	66,985	-	-	-	-	-	-	-
Deposits with other banks	59,501	-	-	-	-	-	59,501	-	-	-	-	-	-	-
Loans to financial institutions	1,210,341	17,084	158	-	-	-	1,227,583	-	-	-	-	-	-	-
Loans to other customers	1,737,872	239,309	135,719	6,145	29,660	-	2,148,705	523,841	54,828	4,373	-	2,850	-	585,892
Financial assets at fair value through profit or loss	-	-	-	-	-	30,935	30,935	-	-	-	-	-	152	152
Financial assets at fair value through other comprehensive income	441,567	-	137	-	-	-	441,704	441,567	-	137	-	-	-	441,704
Other assets	271	41	215	-	2	-	529	82	40	85	-	2	-	209
<b>Total</b>	<b>3,516,537</b>	<b>256,434</b>	<b>136,229</b>	<b>6,145</b>	<b>29,662</b>	<b>30,935</b>	<b>3,975,942</b>	<b>965,490</b>	<b>54,868</b>	<b>4,595</b>	<b>-</b>	<b>2,852</b>	<b>152</b>	<b>1,027,957</b>
<b>Guarantees and commitments</b>														
Issued guarantees	41,044	5,900	2,100	-	-	-	49,044	40,960	5,900	2,100	-	-	-	48,960
Issued guarantees in foreign currency	46	783	4,687	-	-	-	5,516	46	783	130	-	-	-	959
Undrawn loans	637,156	25,857	-	-	2,745	535	666,293	276,901	3,931	-	-	2,496	535	283,863
<b>Total</b>	<b>678,246</b>	<b>32,540</b>	<b>6,787</b>	<b>-</b>	<b>2,745</b>	<b>535</b>	<b>720,853</b>	<b>317,907</b>	<b>10,614</b>	<b>2,230</b>	<b>-</b>	<b>2,496</b>	<b>535</b>	<b>333,782</b>
<b>Total credit risk exposure</b>	<b>4,194,783</b>	<b>288,974</b>	<b>143,016</b>	<b>6,145</b>	<b>32,407</b>	<b>31,470</b>	<b>4,696,795</b>	<b>1,283,397</b>	<b>65,482</b>	<b>6,825</b>	<b>-</b>	<b>5,348</b>	<b>687</b>	<b>1,361,739</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

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

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

Bank 31 December 2024	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk 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
<b>Assets</b>														
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
<b>Total</b>	<b>3,308,109</b>	<b>255,042</b>	<b>157,795</b>	<b>39,131</b>	<b>142,663</b>	<b>32,476</b>	<b>3,935,216</b>	<b>646,756</b>	<b>40,420</b>	<b>10,442</b>	<b>25</b>	<b>2,634</b>	<b>-</b>	<b>700,277</b>
<b>Guarantees and commitments</b>														
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
<b>Total</b>	<b>492,522</b>	<b>20,885</b>	<b>16,900</b>	<b>-</b>	<b>1,297</b>	<b>-</b>	<b>531,604</b>	<b>212,832</b>	<b>13,289</b>	<b>2,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,601</b>
<b>Total credit risk exposure</b>	<b>3,800,631</b>	<b>275,927</b>	<b>174,695</b>	<b>39,131</b>	<b>143,960</b>	<b>32,476</b>	<b>4,466,820</b>	<b>859,588</b>	<b>53,709</b>	<b>12,922</b>	<b>25</b>	<b>2,634</b>	<b>-</b>	<b>928,878</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.3. Credit risk (continued)**

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

As at 31 December 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 498,002 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 128,764 thousand, local and regional authorities of EUR 358,079 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 11,159 thousand.

As at 31 December 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 445,918 thousand for the Group and EUR 441,502 thousand for the Bank.

As at 31 December 2025 other assets of EUR 27 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances*

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

**Cash on hand and current accounts with banks**

**Group**

**31 December 2025**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2025	144	-	-	-	<b>144</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(124)	-	-	-	<b>(124)</b>
<b>Balance at 31 December 2025</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>

**Group**

**31 December 2024**

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Cash on hand and current accounts with banks (continued)**

**Bank**

**31 December 2025**

	<b>Stage 1</b> <b>EUR '000</b>	<b>Stage 2</b> <b>EUR '000</b>	<b>Stage 3</b> <b>EUR '000</b>	<b>POCI</b> <b>EUR '000</b>	<b>Total</b> <b>EUR '000</b>
Balance at 1 January 2025	143	-	-	-	<b>143</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(124)	-	-	-	<b>(124)</b>
<b>Balance at 31 December 2025</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>

**Bank**

**31 December 2024**

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Deposits with other banks**

**Group**

**31 December 2025**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2025	237	-	-	-	<b>237</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(184)	-	-	-	<b>(184)</b>
<b>Balance at 31 December 2025</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>

**Group**

**31 December 2024**

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*ii. Allowances (continued)*

**Deposits with other banks**

**Bank**

**31 December 2025**

	<b>Stage 1</b> <b>EUR '000</b>	<b>Stage 2</b> <b>EUR '000</b>	<b>Stage 3</b> <b>EUR '000</b>	<b>POCI</b> <b>EUR '000</b>	<b>Total</b> <b>EUR '000</b>
Balance at 1 January 2025	232	-	-	-	<b>232</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(185)	-	-	-	<b>(185)</b>
<b>Balance at 31 December 2025</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>

**Bank**

**31 December 2024**

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Loans to financial institutions**

**Group and Bank  
31 December 2025**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2025	4,523	2,295	820	-	<b>7,638</b>
Transfer to Stage 1	2,136	(2,136)	-	-	-
Transfer to Stage 2	(175)	175	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(5,756)	66	(111)	-	<b>(5,801)</b>
<b>Balance at 31 December 2025</b>	<b>728</b>	<b>400</b>	<b>709</b>	<b>-</b>	<b>1,837</b>

**Group and Bank  
31 December 2024**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2024	4,163	1,707	857	-	<b>6,727</b>
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)	-	<b>911</b>
<b>Balance at 31 December 2024</b>	<b>4,523</b>	<b>2,295</b>	<b>820</b>	<b>-</b>	<b>7,638</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Loans to other customers**

**Group and Bank  
31 December 2025**

	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2025	44,321	102,907	277,261	47,053	<b>471,542</b>
Transfer to Stage 1	28,870	(28,220)	(650)	-	-
Transfer to Stage 2	(5,029)	7,807	(2,778)	-	-
Transfer to Stage 3	(9)	(2,599)	2,481	127	-
Net (release)/increase of loss allowance	(26,590)	37,673	392	(33,711)	<b>(22,236)</b>
Write-offs	-	-	(7,313)	-	<b>(7,313)</b>
Unwinding – changes due to the lapse of time	(32)	(302)	1,147	1,295	<b>2,108</b>
Other	-	-	-	22,548	<b>22,548</b>
Net foreign exchange gain/loss on loss allowances	(9)	-	(1,314)	(1,518)	<b>(2,841)</b>
<b>Balance at 31 December 2025</b>	<b>41,522</b>	<b>117,266</b>	<b>269,226</b>	<b>35,794</b>	<b>463,808</b>

**Group and Bank  
31 December 2024**

	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2024	42,543	128,588	267,359	32,267	<b>470,757</b>
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)	<b>(2,583)</b>
Write-offs	(288)	-	(5,931)	-	<b>(6,219)</b>
Unwinding – changes due to the lapse of time	(17)	(441)	2,434	(1,661)	<b>315</b>
Other	-	-	-	8,735	<b>8,735</b>
Net foreign exchange gain/loss on loss allowances	4	-	693	(160)	<b>537</b>
<b>Balance at 31 December 2024</b>	<b>44,398</b>	<b>102,830</b>	<b>277,261</b>	<b>47,053</b>	<b>471,542</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Financial assets at fair value through other comprehensive income**

<b>Group</b>					
<b>31 December 2025</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2025	230	-	195	-	<b>425</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(69)	-	2	-	<b>(67)</b>
<b>Balance at 31 December 2025</b>	<b>161</b>	<b>-</b>	<b>197</b>	<b>-</b>	<b>358</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

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

<b>Bank</b>					
<b>31 December 2025</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2025	218	-	196	-	<b>414</b>
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(77)	-	2	-	<b>(75)</b>
<b>Balance at 31 December 2025</b>	<b>141</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>339</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Other assets**

<b>Group</b> <b>31 December 2025</b>	<b>Stage 1</b> <b>EUR '000</b>	<b>Stage 2</b> <b>EUR '000</b>	<b>Stage 3</b> <b>EUR '000</b>	<b>POCI</b> <b>EUR '000</b>	<b>Total</b> <b>EUR '000</b>
Balance at 1 January 2025	11	1	4,221	35	<b>4,268</b>
Transfer to Stage 1	2	(2)	-	-	-
Transfer to Stage 2	(14)	14	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	21	(8)	9	(38)	<b>(16)</b>
Write-offs	-	-	(5)	-	<b>(5)</b>
Net foreign exchange gain/loss on loss allowances	-	-	(10)	-	<b>(10)</b>
Other adjustments	(1)	1	-	4	<b>4</b>
<b>Balance at 31 December 2025</b>	<b>19</b>	<b>6</b>	<b>4,215</b>	<b>1</b>	<b>4,241</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Other assets (continued)**

<b>Bank</b>					
<b>31 December 2025</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2025	3	2	4,221	34	<b>4,260</b>
Transfer to Stage 1	2	(2)	-	-	-
Transfer to Stage 2	(14)	14	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	11	(8)	9	(38)	<b>(26)</b>
Write-offs	-	-	(5)	-	<b>(5)</b>
Net foreign exchange gain/loss on loss allowances	-	-	(10)	-	<b>(10)</b>
Other adjustments	-	-	-	5	<b>5</b>
<b>Balance at 31 December 2025</b>	<b>2</b>	<b>6</b>	<b>4,215</b>	<b>1</b>	<b>4,224</b>

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

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.3. Credit risk (continued)**

*i. Allowances (continued)*

**Guarantees and commitments**

**Group and Bank  
31 December 2025**

	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2025	2,603	7,299	1,996	1,015	<b>12,913</b>
Transfer to Stage 1	773	(773)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	673	10,467	(989)	582	<b>10,733</b>
Net foreign exchange gain/loss on loss allowances	-	25	(11)	-	<b>14</b>
<b>Balance at 31 December 2025</b>	<b>4,049</b>	<b>17,018</b>	<b>996</b>	<b>1,597</b>	<b>23,660</b>

**Group and Bank  
31 December 2024**

	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2024	4,243	5,380	4,574	440	<b>14,637</b>
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	<b>(1,634)</b>
Net foreign exchange gain/loss on loss allowances	1	(91)	-	-	<b>(90)</b>
<b>Balance at 31 December 2024</b>	<b>2,604</b>	<b>7,298</b>	<b>1,996</b>	<b>1,015</b>	<b>12,913</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.4. Liquidity risk**

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

Group 31 December 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
<b>Assets</b>						
Cash on hand and current accounts with banks	67,806	-	-	-	-	67,806
Deposits with other banks	58,837	-	3,501	-	664	63,002
Loans to financial institutions*	152,664	49,407	143,381	344,037	538,094	1,227,583
Loans to other customers**	199,098	52,431	262,926	539,702	1,094,548	2,148,705
Financial assets at fair value through profit or loss	9,308	-	2,308	28,627	40,382	80,625
Financial assets at fair value through other comprehensive income	447,347	2,903	-	1,326	3,898	455,474
Property, plant and equipment and intangible assets	-	-	-	-	8,592	8,592
Foreclosed assets	80	24	334	897	1,261	2,596
Other assets	1,957	1,536	1,056	337	599	5,485
<b>Total assets</b>	<b>937,097</b>	<b>106,301</b>	<b>413,506</b>	<b>914,926</b>	<b>1,688,038</b>	<b>4,059,868</b>
<b>Liabilities</b>						
Deposits from customers	107,768	69	30,484	245	13,301	151,867
Borrowings	35,862	56,015***	304,647	633,421	1,200,359	2,230,304
Provisions for guarantees, commitments and other liabilities	8,461	532	2,719	12,026	10,869	34,607
Other liabilities	17,346	1,285	8,405	24,654	22,282	73,972
<b>Total liabilities</b>	<b>169,437</b>	<b>57,901</b>	<b>346,255</b>	<b>670,346</b>	<b>1,246,811</b>	<b>2,490,750</b>
<b>Liquidity gap</b>	<b>767,660</b>	<b>48,400</b>	<b>67,251</b>	<b>244,580</b>	<b>441,227</b>	<b>1,569,118</b>
<b>Guarantees and commitments</b>						
Issued guarantees	54,165	-	-	-	-	54,165
Issued guarantees in foreign currency	5,967	-	-	-	-	5,967
Undrawn loans	684,381	-	-	-	-	684,381
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	91	1,438	6,471	5,864	2,743	16,607
EIF FRC2 Contracted Liability	7	-	2	2	-	11
Contracted Liability Programme for Investing in Alternative Investment Funds	368	206	926	6,550	8,654	16,704
<b>Total guarantees and commitments</b>	<b>755,379</b>	<b>1,644</b>	<b>7,399</b>	<b>12,416</b>	<b>11,397</b>	<b>788,235</b>

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

\*Receivables of EUR 158,388 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 13,040 thousand was placed in the 1 to 3 months maturity category.

\*\* Receivables of EUR 4,950 thousand relate to reverse REPO agreements.

\*\*\*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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.4. Liquidity risk (continued)**

Group 31 December 2024	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
<b>Assets</b>						
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
<b>Total assets</b>	<b>667,020</b>	<b>192,019</b>	<b>420,542</b>	<b>1,000,719</b>	<b>1,719,347</b>	<b>3,999,647</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>134,514</b>	<b>59,269</b>	<b>321,283</b>	<b>721,922</b>	<b>1,258,373</b>	<b>2,495,361</b>
<b>Liquidity gap</b>	<b>532,506</b>	<b>132,750</b>	<b>99,259</b>	<b>278,797</b>	<b>460,974</b>	<b>1,504,286</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>555,067</b>	<b>2,005</b>	<b>6,453</b>	<b>11,740</b>	<b>4,555</b>	<b>579,820</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.4. Liquidity risk (continued)**

The table below provides an analysis of total assets, total liabilities and total guarantees and commitments as of 31 December 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:

<b>Bank 31 December 2025</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>						
Cash on hand and current accounts with banks	66,985	-	-	-	-	66,985
Deposits with other banks	58,837	-	-	-	664	59,501
Loans to financial institutions*	152,664	49,407	143,381	344,037	538,094	1,227,583
Loans to other customers**	199,098	52,431	262,926	539,702	1,094,548	2,148,705
Financial assets at fair value through profit or loss	9,308	-	2,308	28,627	40,382	80,625
Financial assets at fair value through other comprehensive income	447,347	2,903	-	-	-	450,250
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	8,389	8,389
Foreclosed assets	80	24	334	897	1,261	2,596
Other assets	574	1,485	1,056	337	504	3,956
<b>Total assets</b>	<b>934,893</b>	<b>106,250</b>	<b>410,005</b>	<b>913,600</b>	<b>1,691,291</b>	<b>4,056,039</b>
<b>Liabilities</b>						
Deposits from customers	107,768	69	30,484	245	13,301	151,867
Borrowings	35,862	56,015***	304,647	633,421	1,200,359	2,230,304
Provisions for guarantees, commitments and other liabilities	8,461	532	2,717	12,026	10,869	34,605
Other liabilities	17,346	1,093	5,571	24,654	22,282	70,946
<b>Total liabilities</b>	<b>169,437</b>	<b>57,709</b>	<b>343,419</b>	<b>670,346</b>	<b>1,246,811</b>	<b>2,487,722</b>
<b>Liquidity gap</b>	<b>765,456</b>	<b>48,541</b>	<b>66,586</b>	<b>243,254</b>	<b>444,480</b>	<b>1,568,317</b>
<b>Guarantees and commitments</b>						
Issued guarantees	54,165	-	-	-	-	54,165
Issued guarantees in foreign currency	5,967	-	-	-	-	5,967
Undrawn loans	684,381	-	-	-	-	684,381
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	91	1,438	6,471	5,864	2,743	16,607
EIF FRC2 Contracted Liability	7	-	2	2	-	11
Contracted Liability Programme for Investing in Alternative Investment Funds	368	206	926	6,550	8,654	16,704
<b>Total guarantees and commitments</b>	<b>755,379</b>	<b>1,644</b>	<b>7,399</b>	<b>12,416</b>	<b>11,397</b>	<b>788,235</b>

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

\*Receivables of EUR 158,388 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 13,040 thousand was placed in the 1 to 3 months maturity category.

\*\* Receivables of EUR 4,950 thousand relate to reverse REPO agreements

\*\*\* 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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.4. 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
<b>Assets</b>						
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
<b>Total assets</b>	<b>662,299</b>	<b>192,019</b>	<b>419,225</b>	<b>999,639</b>	<b>1,722,723</b>	<b>3,995,905</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>134,514</b>	<b>59,075</b>	<b>318,528</b>	<b>721,922</b>	<b>1,258,373</b>	<b>2,492,412</b>
<b>Liquidity gap</b>	<b>527,785</b>	<b>132,944</b>	<b>100,697</b>	<b>277,717</b>	<b>464,350</b>	<b>1,503,493</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>555,067</b>	<b>2,005</b>	<b>6,453</b>	<b>11,740</b>	<b>4,555</b>	<b>579,820</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.4. 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):

<b>Group</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
<b>31 December 2025</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Financial liabilities</b>						
Deposits from customers	107,768	69	30,484	245	13,301	151,867
Borrowings	39,397	61,663	343,956	728,273	1,379,899	2,553,188
Provisions for guarantees, commitments and other liabilities	8,461	532	2,719	12,026	10,869	34,607
Other liabilities	17,346	1,285	8,405	24,654	22,282	73,972
<b>Total</b>	<b>172,972</b>	<b>63,549</b>	<b>385,564</b>	<b>765,198</b>	<b>1,426,351</b>	<b>2,813,634</b>
<b>Guarantees and commitments</b>						
Issued guarantees	54,165	-	-	-	-	54,165
Issued guarantees in foreign currency	5,967	-	-	-	-	5,967
Undrawn loans	684,381	-	-	-	-	684,381
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	91	1,438	6,471	5,864	2,743	16,607
EIF FRC2 Contracted Liability	7	-	2	2	-	11
Contracted Liability Programme for Investing in Alternative Investment Funds	368	206	926	6,550	8,654	16,704
<b>Total guarantees and commitments</b>	<b>755,379</b>	<b>1,644</b>	<b>7,399</b>	<b>12,416</b>	<b>11,397</b>	<b>788,235</b>
<b>Group</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
<b>31 December 2024</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Financial liabilities</b>						
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
<b>Total</b>	<b>140,092</b>	<b>57,246</b>	<b>362,616</b>	<b>820,018</b>	<b>1,423,305</b>	<b>2,803,277</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>555,067</b>	<b>2,005</b>	<b>6,453</b>	<b>11,740</b>	<b>4,555</b>	<b>579,820</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.4. 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):

<b>Bank</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
<b>31 December 2025</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Financial liabilities</b>						
Deposits from customers	107,768	69	30,484	245	13,301	151,867
Borrowings	39,397	61,663	343,956	728,273	1,379,899	2,553,188
Provisions for guarantees, commitments and other liabilities	8,461	532	2,717	12,026	10,869	34,605
Other liabilities	17,345	1,093	5,571	24,654	22,282	70,945
<b>Total</b>	<b>172,971</b>	<b>63,357</b>	<b>382,728</b>	<b>765,198</b>	<b>1,426,351</b>	<b>2,810,605</b>
<b>Guarantees and commitments</b>						
Issued guarantees	54,165	-	-	-	-	54,165
Issued guarantees in foreign currency	5,967	-	-	-	-	5,967
Undrawn loans	684,381	-	-	-	-	684,381
EIF – subscribed, not called up	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	91	1,438	6,471	5,864	2,743	16,607
EIF FRC2 Contracted Liability	7	-	2	2	-	11
Contracted Liability Programme for Investing in Alternative Investment Funds	368	206	926	6,550	8,654	16,704
<b>Total guarantees and commitments</b>	<b>755,379</b>	<b>1,644</b>	<b>7,399</b>	<b>12,416</b>	<b>11,397</b>	<b>788,235</b>
<b>Bank</b>						
<b>31 December 2024</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Financial liabilities</b>						
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
<b>Total</b>	<b>140,092</b>	<b>57,052</b>	<b>359,861</b>	<b>820,018</b>	<b>1,423,305</b>	<b>2,800,328</b>
<b>Guarantees and commitments</b>						
Issued guarantees	59,473	-	-	-	-	59,473
Issued guarantees in foreign currency	4,846	-	-	-	-	4,846
Undrawn loans	480,198	-	-	-	-	480,198
EIF – subscribed, not called up	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	145	2,005	6,450	11,724	4,536	24,860
EIF FRC2 Contracted Liability	5	-	3	16	19	43
<b>Total guarantees and commitments</b>	<b>555,067</b>	<b>2,005</b>	<b>6,453</b>	<b>11,740</b>	<b>4,555</b>	<b>579,820</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk**

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

**31.5.1. Interest rate risk**

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

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

Group	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>31 December 2025</b>								
<b>Assets</b>								
Cash on hand and current accounts with banks	67,806	-	-	-	-	-	67,806	67,806
Deposits with other banks	58,836	-	3,501	-	-	665	63,002	62,337
Loans to financial institutions	151,714	68,653	140,651	338,424	527,225	916	1,227,583	1,206,319
Loans to other customers	182,849	74,107	317,590	524,703	1,039,020	10,436	2,148,705	2,052,933
Financial assets at fair value through profit or loss	-	-	2,307	28,628	-	49,690	80,625	30,935
Financial assets at fair value through other comprehensive income	2	99,553	163,485	85,470	95,495	11,469	455,474	444,005
Other assets	-	-	-	-	-	5,485	5,485	-
<b>Total assets</b>	<b>461,207</b>	<b>242,313</b>	<b>627,534</b>	<b>977,225</b>	<b>1,661,740</b>	<b>78,661</b>	<b>4,048,680</b>	<b>3,864,335</b>
<b>Liabilities</b>								
Deposits from customers	89,400	-	-	-	-	62,467	151,867	89,400
Borrowings	35,862	50,471	375,343	618,482	1,144,436	5,710	2,230,304	2,145,033
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	34,607	34,607	-
Other liabilities	-	-	-	-	-	73,972	73,972	-
<b>Total liabilities</b>	<b>125,262</b>	<b>50,471</b>	<b>375,343</b>	<b>618,482</b>	<b>1,144,436</b>	<b>176,756</b>	<b>2,490,750</b>	<b>2,234,433</b>
<b>Interest rate gap</b>	<b>335,945</b>	<b>191,842</b>	<b>252,191</b>	<b>358,743</b>	<b>517,304</b>	<b>(98,095)</b>	<b>1,557,930</b>	<b>1,629,902</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.1. Interest rate risk (continued)**

Group	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
31 December 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>								
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	-
<b>Total assets</b>	<b>398,552</b>	<b>332,969</b>	<b>457,848</b>	<b>1,001,446</b>	<b>1,721,185</b>	<b>80,412</b>	<b>3,992,412</b>	<b>3,809,138</b>
<b>Liabilities</b>								
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	-
<b>Total liabilities</b>	<b>75,907</b>	<b>48,309</b>	<b>336,241</b>	<b>684,238</b>	<b>1,180,400</b>	<b>170,266</b>	<b>2,495,361</b>	<b>2,264,892</b>
<b>Interest rate gap</b>	<b>322,645</b>	<b>284,660</b>	<b>121,607</b>	<b>317,208</b>	<b>540,785</b>	<b>(89,854)</b>	<b>1,497,051</b>	<b>1,544,246</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.1. Interest rate risk (continued)**

The following tables demonstrate the sensitivity of HBOR to the interest rate risk as of 31 December 2025 and 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 31 December 2025 and 2024 which may not be indicative for the positions in other periods.

Bank	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
31 December 2025	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>								
Cash on hand and current								
accounts with banks	66,985	-	-	-	-	-	66,985	66,985
Deposits with other banks	58,836	-	-	-	-	665	59,501	58,836
Loans to financial institutions	151,714	68,653	140,651	338,424	527,225	916	1,227,583	1,206,319
Loans to other customers	182,849	74,107	317,590	524,703	1,039,020	10,436	2,148,705	2,052,933
Financial assets at fair value								
through profit or loss	-	-	2,307	28,628	-	49,690	80,625	30,935
Financial assets at fair value								
through other comprehensive								
income	2	99,553	163,485	84,144	91,617	11,449	450,250	438,801
Other assets	-	-	-	-	-	3,956	3,956	-
<b>Total assets</b>	<b>460,386</b>	<b>242,313</b>	<b>624,033</b>	<b>975,899</b>	<b>1,657,862</b>	<b>77,112</b>	<b>4,037,605</b>	<b>3,854,809</b>
<b>Liabilities</b>								
Deposits from customers	89,400	-	-	-	-	62,467	151,867	89,400
Borrowings	35,862	50,471	375,343	618,482	1,144,436	5,710	2,230,304	2,145,033
Provisions for guarantees, commitments and other								
liabilities	-	-	-	-	-	34,605	34,605	-
Other liabilities	-	-	-	-	-	70,946	70,946	-
<b>Total liabilities</b>	<b>125,262</b>	<b>50,471</b>	<b>375,343</b>	<b>618,482</b>	<b>1,144,436</b>	<b>173,728</b>	<b>2,487,722</b>	<b>2,234,433</b>
<b>Interest rate gap</b>	<b>335,124</b>	<b>191,842</b>	<b>248,690</b>	<b>357,417</b>	<b>513,426</b>	<b>(96,616)</b>	<b>1,549,883</b>	<b>1,620,376</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.1. Interest rate risk (continued)**

Bank	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
31 December 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>								
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	-
<b>Total assets</b>	<b>394,590</b>	<b>332,969</b>	<b>456,532</b>	<b>1,000,365</b>	<b>1,717,458</b>	<b>79,520</b>	<b>3,981,434</b>	<b>3,799,052</b>
<b>Liabilities</b>								
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	-
<b>Total liabilities</b>	<b>75,907</b>	<b>48,309</b>	<b>336,241</b>	<b>684,238</b>	<b>1,180,400</b>	<b>167,317</b>	<b>2,492,412</b>	<b>2,264,892</b>
<b>Interest rate gap</b>	<b>318,683</b>	<b>284,660</b>	<b>120,291</b>	<b>316,127</b>	<b>537,058</b>	<b>(87,797)</b>	<b>1,489,022</b>	<b>1,534,160</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.1. Interest rate risk (continued)**

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

	<b>31 December</b>	<b>Group</b>	<b>31 December</b>	<b>Bank</b>
	<b>2025</b>	<b>31 December</b>	<b>2025</b>	<b>31 December</b>
	<b>EUR '000</b>	<b>2024</b>	<b>EUR '000</b>	<b>2024</b>
		<b>EUR '000</b>		<b>EUR '000</b>
<b>Assets</b>				
Fixed interest rate assets	3,864,335	3,809,138	3,854,809	3,799,052
Variable interest rate assets	105,684	102,862	105,684	102,862
Non-interest bearing	78,661	80,412	77,112	79,520
<b>Total</b>	<b>4,048,680</b>	<b>3,992,412</b>	<b>4,037,605</b>	<b>3,981,434</b>
<b>Liabilities</b>				
Fixed interest rate liabilities	2,234,433	2,264,892	2,234,433	2,264,892
Variable interest rate liabilities	79,561	60,203	79,561	60,203
Non-interest bearing	176,756	170,266	173,728	167,317
<b>Total liabilities</b>	<b>2,490,750</b>	<b>2,495,361</b>	<b>2,487,722</b>	<b>2,492,412</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.1. 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 for 2025 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. in 2025	Effect on profit in 2025	Increase in b.p. in 2024	Effect on profit in 2024
		EUR '000		EUR '000
EUR	+0.3	0.7	+0.2	1
USD	+0.1	-	+0.1	-
Currency	Decrease in b.p. in 2025	Effect on profit in 2025	Decrease in b.p. in 2024	Effect on profit in 2024
		EUR '000		EUR '000
EUR	-0.3	(0.7)	-0.2	(1)
USD	-0.1	-	-0.1	-

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.2. Currency risk**

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

Group	EUR EUR '000	USD EUR '000	Other foreign currencies EUR '000	Total EUR '000
<b>31 December 2025</b>				
<b>Assets</b>				
Cash on hand and current accounts with banks	67,737	53	16	67,806
Deposits with other banks	57,220	5,782	-	63,002
Loans to financial institutions	1,227,583	-	-	1,227,583
Loans to other customers	2,141,086	7,619	-	2,148,705
Financial assets at fair value through profit or loss	78,318	2,307	-	80,625
Financial assets at fair value through other comprehensive income	455,474	-	-	455,474
Property, plant and equipment and intangible assets	8,592	-	-	8,592
Foreclosed assets	2,596	-	-	2,596
Other assets	5,485	-	-	5,485
<b>Total assets</b>	<b>4,044,091</b>	<b>15,761</b>	<b>16</b>	<b>4,059,868</b>
<b>Liabilities</b>				
Deposits from customers	149,471	2,396	-	151,867
Borrowings	2,216,536	13,768	-	2,230,304
Provisions for guarantees, commitments and other liabilities	34,155	96	356	34,607
Other liabilities	73,972	-	-	73,972
<b>Total liabilities</b>	<b>2,474,134</b>	<b>16,260</b>	<b>356</b>	<b>2,490,750</b>
<b>Currency gap</b>	<b>1,569,957</b>	<b>(499)</b>	<b>(340)</b>	<b>1,569,118</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.2. Currency risk (continued)**

Group			Other foreign currencies	Total
31 December 2024	EUR EUR '000	USD EUR '000	EUR '000	EUR '000
<b>Assets</b>				
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
<b>Total assets</b>	<b>3,958,956</b>	<b>18,096</b>	<b>22,595</b>	<b>3,999,647</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>2,459,886</b>	<b>34,035</b>	<b>1,440</b>	<b>2,495,361</b>
<b>Currency gap</b>	<b>1,499,070</b>	<b>(15,939)</b>	<b>21,155</b>	<b>1,504,286</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.2. Currency risk (continued)**

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

<b>Bank</b>			<b>Other foreign cur- rencies</b>	
<b>31 December 2025</b>	<b>EUR EUR '000</b>	<b>USD EUR '000</b>	<b>EUR '000</b>	<b>Total EUR '000</b>
<b>Assets</b>				
Cash on hand and current accounts with banks	66,916	53	16	66,985
Deposits with other banks	53,719	5,782	-	59,501
Loans to financial institutions	1,227,583	-	-	1,227,583
Loans to other customers	2,141,086	7,619	-	2,148,705
Financial assets at fair value through profit or loss	78,318	2,307	-	80,625
Financial assets at fair value through other comprehensive income	450,250	-	-	450,250
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	8,389	-	-	8,389
Foreclosed assets	2,596	-	-	2,596
Other assets	3,956	-	-	3,956
<b>Total assets</b>	<b>4,040,262</b>	<b>15,761</b>	<b>16</b>	<b>4,056,039</b>
<b>Liabilities</b>				
Deposits from customers	149,471	2,396	-	151,867
Borrowings	2,216,536	13,768	-	2,230,304
Provisions for guarantees, commitments and other liabilities	34,153	96	356	34,605
Other liabilities	70,946	-	-	70,946
<b>Total liabilities</b>	<b>2,471,106</b>	<b>16,260</b>	<b>356</b>	<b>2,487,722</b>
<b>Currency gap</b>	<b>1,569,156</b>	<b>(499)</b>	<b>(340)</b>	<b>1,568,317</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.2. Currency risk (continued)**

<b>Bank</b>			<b>Other foreign cur- rencies</b>	
<b>31 December 2024</b>	<b>EUR EUR '000</b>	<b>USD EUR '000</b>	<b>EUR '000</b>	<b>Total EUR '000</b>
<b>Assets</b>				
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
<b>Total assets</b>	<b>3,955,214</b>	<b>18,096</b>	<b>22,595</b>	<b>3,995,905</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>2,456,937</b>	<b>34,035</b>	<b>1,440</b>	<b>2,492,412</b>
<b>Currency gap</b>	<b>1,498,277</b>	<b>(15,939)</b>	<b>21,155</b>	<b>1,503,493</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**31. Risk management (continued)**

**31.5. Market risk (continued)**

**31.5.2. Currency risk (continued)**

**Sensitivity analysis**

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

An assumption of reasonably possible fluctuations in USD exchange rates against EUR was used in the foreign currency risk sensitivity analysis, with the other variables remaining stable, in order to assess the hypothetical effect on HBOR's profit as of 31 December 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 7.80% in the last 12 months.

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

	<b>Change in currency rate in 2025 %</b>	<b>Effect on profit in 2025 EUR '000</b>	<b>Change in currency rate in 2024 %</b>	<b>Effect on profit in 2024 EUR '000</b>
USD	+7.80	25	+5.85	877
USD	-7.80	(30)	-5.85	(986)

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

## 32. Fair value of financial assets and financial liabilities

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

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

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

Group	31 December 2025		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
<b>Financial assets at fair value through profit or loss:</b>			
<b>Loans at FVPL:</b>			
Mezzanine loans	-	-	30,935
<b>Investments in investment funds:</b>			
Investments in investment funds at fair value through profit or loss	49,648	-	-
<b>Equity instruments:</b>			
<b>Unlisted equity instruments:</b>			
Investments in corporate shares	-	-	-
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	-	-
<b>Total financial assets at fair value through profit or loss</b>	<b>49,648</b>	<b>-</b>	<b>30,977</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<b>Listed debt instruments:</b>			
Bonds of the Republic of Croatia	215,377	-	-
Corporate bonds	805	-	-
Treasury bills of the Ministry of Finance	227,623	-	-
Accrued interest	2,921	-	-
<b>Unlisted debt instruments:</b>			
Corporate bonds	-	-	63
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
<b>Total debt instruments</b>	<b>446,726</b>	<b>-</b>	<b>202</b>
<b>Unlisted equity instruments:</b>			
Investment in shares of foreign legal entities - SWIFT	-	9	-
Shares of foreign financial institutions – EIF	-	8,537	-
<b>Total equity instruments</b>	<b>-</b>	<b>8,546</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>446,726</b>	<b>8,546</b>	<b>202</b>
<b>Derivative financial liabilities</b>			
FX swap	-	14	-
<b>Total liabilities</b>	<b>-</b>	<b>14</b>	<b>-</b>

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.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**32. Fair value of financial assets and financial liabilities (continued)**

**32.1. 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
<b>Financial assets at fair value through profit or loss:</b>			
<b>Loans at FVPL:</b>			
Mezzanine loans	-	-	32,233
<b>Investments in investment funds:</b>			
Investments in investment funds at fair value through profit or loss	34,529	-	-
<b>Equity instruments:</b>			
<b>Unlisted equity instruments:</b>			
Investments in corporate shares	-	-	-
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	243	-
<b>Total financial assets at fair value through profit or loss</b>	<b>34,529</b>	<b>243</b>	<b>32,275</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<b>Listed debt instruments:</b>			
Bonds of the Republic of Croatia	221,308	-	-
Corporate bonds	571	-	-
Treasury bills of the Ministry of Finance	11,919	-	-
Accrued interest	3,304	-	-
<b>Unlisted debt instruments:</b>			
Corporate bonds	-	-	73
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
<b>Total debt instruments</b>	<b>237,102</b>	<b>-</b>	<b>212</b>
<b>Unlisted equity instruments:</b>			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
<b>Total equity instruments</b>	<b>-</b>	<b>8,073</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>237,102</b>	<b>8,073</b>	<b>212</b>
<b>Derivative financial liabilities</b>			
FX swap	-	15	-
<b>Total liabilities</b>	<b>-</b>	<b>15</b>	<b>-</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**32. Fair value of financial assets and financial liabilities (continued)**

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

Bank	31 December 2025		
	Level 1	Level 2	Level 3
	EUR '000	EUR '000	EUR '000
<b>Financial assets at fair value through profit or loss:</b>			
<b>Loans at FVPL:</b>			
Mezzanine loans	-	-	30,935
<b>Investments in investment funds:</b>			
Investments in investment funds at fair value through profit or loss	49,648	-	-
<b>Equity instruments:</b>			
<b>Unlisted equity instruments:</b>			
Investments in companies' shares	-	-	-
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	-	-
<b>Total financial assets at fair value through profit or loss</b>	<b>49,648</b>	<b>-</b>	<b>30,977</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<b>Listed debt instruments:</b>			
Bonds of the Republic of Croatia	210,978	-	-
Treasury bills of the Ministry of Finance	227,623	-	-
Accrued interest	2,901	-	-
<b>Unlisted debt instruments:</b>			
Corporate bonds	-	-	63
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
<b>Total debt instruments</b>	<b>441,502</b>	<b>-</b>	<b>202</b>
<b>Unlisted equity instruments:</b>			
Investment in shares of foreign legal entities – SWIFT	-	9	-
Shares of foreign financial institutions – EIF	-	8,537	-
<b>Total equity instruments</b>	<b>-</b>	<b>8,546</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>441,502</b>	<b>8,546</b>	<b>202</b>
<b>Derivative financial liabilities</b>			
FX swap	-	14	-
<b>Total liabilities</b>	<b>-</b>	<b>14</b>	<b>-</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**32. Fair value of financial assets and financial liabilities (continued)**

**32.1. 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
<b>Financial assets at fair value through profit or loss:</b>			
<b>Loans at FVPL:</b>			
Mezzanine loans	-	-	32,233
<b>Investments in investment funds:</b>			
Investments in investment funds at fair value through profit or loss	34,529	-	-
<b>Equity instruments:</b>			
<b>Unlisted equity instruments:</b>			
Investments in companies' shares	-	-	-
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	243	-
<b>Total financial assets at fair value through profit or loss</b>	<b>34,529</b>	<b>243</b>	<b>32,275</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<b>Listed debt instruments:</b>			
Bonds of the Republic of Croatia	215,756	-	-
Treasury bills of the Ministry of Finance	11,919	-	-
Accrued interest	3,262	-	-
<b>Unlisted debt instruments:</b>			
Corporate bonds	-	-	73
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
<b>Total debt instruments</b>	<b>230,937</b>	<b>-</b>	<b>212</b>
<b>Unlisted equity instruments:</b>			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
<b>Total equity instruments</b>	<b>-</b>	<b>8,073</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>230,937</b>	<b>8,073</b>	<b>212</b>
<b>Derivative financial liabilities</b>			
FX swap	-	15	-
<b>Total liabilities</b>	<b>-</b>	<b>15</b>	<b>-</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**32. Fair value of financial assets and financial liabilities (continued)**

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

**32.1.1. 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 31 December 2025, the market price of ordinary shares of the debtor that the Bank could subscribe amounted to EUR 2,308 thousand, assuming that the market price of the shares included all market expectations related to future operations of the issuer. Given that the calculation was made on the assumption that the debtor's mezzanine debt had been converted into the debtor's equity on 31 December 2025, there is no need to discount the market value of the debtor's ordinary shares that the Bank could subscribe and in this way of settlement, the estimated fair value of the mezzanine loan on 31 December 2025, amounted to EUR 2,308 thousand, i.e. USD 2,713 thousand at the exchange rate on 31 December 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 2,308 thousand.

The Bank has placed a mezzanine loan in the amount of EUR 30,000 thousand. As at 31 December 2025, the fair value of this mezzanine debt stood at EUR 28,476 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 158 thousand. The fair value of this debt on 31 December 2025 amounted to EUR 151 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 31 December 2025, the total fair value of the mezzanine debt stood at EUR 30,935 thousand (31 December 2024: EUR 32,233 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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**32. Fair value of financial assets and financial liabilities (continued)**

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

**32.1.1. Level 3 - fair value (continued)**

***b) Corporate bonds that are allocated to Level 3***

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

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

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

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

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

Under the assumption that the market interest rates change by 2% compared with those in effect as at 31 December 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 15.44%, the bond price would be 44.07%, which would result in an increase in HBOR's generated profits of EUR 0.74 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 19.44%, the bond price would be 43.07%, which would result in a decrease in HBOR's generated profits of EUR 0.72 thousand.

The change in interest rates defined in the "Decision on the Management of Interest Rate Risk in the Bank Book", which is applied when calculating standard interest rate shock, is used as the basis for the change in the market interest rate of 2% compared with the market terms and conditions in effect as at 31 December 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 6.3 thousand.

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**32. Fair value of financial assets and financial liabilities (continued)**

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

**32.1.1. 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:

<b>Group and Bank</b>	<b>2025 EUR '000</b>	<b>2024 EUR '000</b>
<b>Balance as of 1 January</b>	<b>32,233</b>	<b>33,698</b>
New loans	30,157	-
Loan repayment	(30,000)	-
(Decrease) in fair value through profit or loss	(1,090)	(1,707)
Net foreign exchange	(365)	242
<b>Balance as of 31 December</b>	<b>30,935</b>	<b>32,233</b>

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

<b>Group and Bank</b>	<b>2025 EUR '000</b>	<b>2024 EUR '000</b>
<b>Balance as of 1 January</b>	<b>212</b>	<b>278</b>
Increase in fair value through other comprehensive income	11	106
Redemption of bonds	-	(154)
Principal due date	(21)	(20)
Accrued interest	-	2
<b>Balance as of 31 December</b>	<b>202</b>	<b>212</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**32. Fair value of financial assets and financial liabilities (continued)**

**32.2. Financial instruments not measured at fair value**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by level in the fair value hierarchy into which each fair value measurement is categorized.

<b>Group 31 December 2025</b>	<b>Level 1 EUR '000</b>	<b>Level 2 EUR '000</b>	<b>Level 3 EUR '000</b>	<b>Total fair values EUR '000</b>	<b>Total carrying amount EUR '000</b>
<b>Assets</b>					
Cash on hand and current accounts with banks	67,806	-	-	67,806	67,806
Deposits with other banks	-	63,002	-	63,002	63,002
Loans to financial institutions	-	-	1,234,721	1,234,721	1,227,583
Loans to other customers	-	-	2,280,814	2,280,814	2,148,705
	<b>67,806</b>	<b>63,002</b>	<b>3,515,535</b>	<b>3,646,343</b>	<b>3,507,096</b>
<b>Liabilities</b>					
Deposits from customers	-	151,867	-	151,867	151,867
Borrowings	-	-	1,997,731	1,997,731	2,230,304
	<b>-</b>	<b>151,867</b>	<b>1,997,731</b>	<b>2,149,598</b>	<b>2,382,171</b>

<b>Group 31 December 2024</b>	<b>Level 1 EUR '000</b>	<b>Level 2 EUR '000</b>	<b>Level 3 EUR '000</b>	<b>Total fair values EUR '000</b>	<b>Total carrying amount EUR '000</b>
<b>Assets</b>					
Cash on hand and current accounts with banks	46,061	-	-	46,061	46,061
Deposits with other banks	-	93,871	-	93,871	93,871
Loans to financial institutions	-	-	1,245,143	1,245,143	1,225,809
Loans to other customers	-	-	2,463,163	2,463,163	2,308,436
	<b>46,061</b>	<b>93,871</b>	<b>3,708,306</b>	<b>3,848,238</b>	<b>3,674,177</b>
<b>Liabilities</b>					
Deposits from customers	-	95,512	-	95,512	95,512
Borrowings	-	-	2,187,516	2,187,516	2,288,268
	<b>-</b>	<b>95,512</b>	<b>2,187,516</b>	<b>2,283,028</b>	<b>2,383,780</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**32. Fair value of financial assets and financial liabilities (continued)**

**32.2. Financial instruments not measured at fair value (continued)**

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total carrying amount</b>
<b>31 December 2025</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>					
Cash on hand and current accounts with banks	66,985	-	-	66,985	66,985
Deposits with other banks	-	59,501	-	59,501	59,501
Loans to financial institutions	-	-	1,234,721	1,234,721	1,227,583
Loans to other customers	-	-	2,280,814	2,280,814	2,148,705
	<b>66,985</b>	<b>59,501</b>	<b>3,515,535</b>	<b>3,642,021</b>	<b>3,502,774</b>
<b>Liabilities</b>					
Deposits from customers	-	151,867	-	151,867	151,867
Borrowings	-	-	1,997,731	1,997,731	2,230,304
	<b>-</b>	<b>151,867</b>	<b>1,997,731</b>	<b>2,149,598</b>	<b>2,382,171</b>

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total carrying amount</b>
<b>31 December 2024</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>					
Cash on hand and current accounts with banks	45,543	-	-	45,543	45,543
Deposits with other banks	-	90,410	-	90,410	90,410
Loans to financial institutions	-	-	1,245,143	1,245,143	1,225,809
Loans to other customers	-	-	2,463,163	2,463,163	2,308,436
	<b>45,543</b>	<b>90,410</b>	<b>3,708,306</b>	<b>3,844,259</b>	<b>3,670,198</b>
<b>Liabilities</b>					
Deposits from customers	-	95,512	-	95,512	95,512
Borrowings	-	-	2,187,516	2,187,516	2,288,268
	<b>-</b>	<b>95,512</b>	<b>2,187,516</b>	<b>2,283,028</b>	<b>2,383,780</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 33. 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:

<b>Segment:</b>	<b>Business activities of the segment include:</b>
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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**33. Reporting by segments (continued)**

Jan 1 – Dec 31, 2025	<b>Banking activities EUR '000</b>	<b>Insurance activities EUR '000</b>	<b>Other activities EUR '000</b>	<b>Unallocated EUR '000</b>	<b>Total EUR '000</b>
Net interest income	68,698	212	-		68,910
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	2,120	-	-	-	2,120
Net fee income	3,112	-	329	-	3,441
Net income/(expenses) from financial operations	6,517	-	1	-	6,518
Impairment gain	20,664	-	-	-	20,664
Net premiums earned	-	2,449	-	-	2,449
Other income	3,468	338	46	(45)	3,807
<b>Income from operating activities</b>	<b>104,579</b>	<b>2,999</b>	<b>376</b>	<b>(45)</b>	<b>107,909</b>
Operating costs	(33,884)	(491)	(310)	45	(34,640)
Impairment loss and provisions	-	(9)	(11)	-	(20)
Subsidy costs at the expense of HBOR's operations	(7,665)	-	-	-	(7,665)
Expenses for insured cases					
Net change in provisions	-	(329)	-	-	(329)
Net income/(expenses) from financial operations	-	(1)	-	-	(1)
Other expenses	-	(2,195)	-	-	(2,195)
<b>Operating expenses</b>	<b>(41,549)</b>	<b>(3,025)</b>	<b>(321)</b>	<b>45</b>	<b>(44,850)</b>
<b>Profit before income tax</b>	<b>63,030</b>	<b>(26)</b>	<b>55</b>	<b>-</b>	<b>63,059</b>
Income tax	-	-	(6)	-	(6)
<b>Profit for the year</b>	<b>63,030</b>	<b>(26)</b>	<b>49</b>	<b>-</b>	<b>63,053</b>
<b>31 December 2025</b>					
Assets of segment	4,056,039	11,227	185	(7,583)	4,059,868
<b>Total assets</b>	<b>4,056,039</b>	<b>11,227</b>	<b>185</b>	<b>(7,583)</b>	<b>4,059,868</b>
Liabilities of segment	2,487,722	3,006	90	(68)	2,490,750
Total equity	1,568,317	8,160	53	(7,412)	1,569,118
<b>Total liabilities and total equity</b>	<b>4,056,039</b>	<b>11,166</b>	<b>143</b>	<b>(7,480)</b>	<b>4,059,868</b>

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 year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

**33. Reporting by segments (continued)**

<b>Jan 1 – Dec 31, 2024</b>	<b>Banking activities EUR '000</b>	<b>Insurance activities EUR '000</b>	<b>Other activities EUR '000</b>	<b>Unallocated EUR '000</b>	<b>Total EUR '000</b>
Net interest income	74,399	252	-	-	74,651
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	598	-	-	-	598
Net fee income	1,589	-	314	-	1,903
Net income/(expenses) from financial operations	768	-	3	-	771
Impairment gain	-	-	-	-	-
Net premiums earned	-	2,388	-	-	2,388
Other income	3,122	323	43	(41)	3,447
<b>Income from operating activities</b>	<b>80,476</b>	<b>2,963</b>	<b>360</b>	<b>(41)</b>	<b>83,758</b>
Operating costs	(28,335)	(1,053)	(326)	41	(29,673)
Impairment loss and provisions	(8,543)	-	-	-	(8,543)
Subsidy costs at the expense of HBOR's operations	(3,701)	-	-	-	(3,701)
Expenses for insured cases	-	-	-	-	-
Net change in provisions	-	(314)	-	-	(314)
Net income/(expenses) from financial operations	-	(4)	-	-	(4)
Other expenses	-	(1,277)	-	-	(1,277)
<b>Operating expenses</b>	<b>(40,579)</b>	<b>(2,648)</b>	<b>(326)</b>	<b>41</b>	<b>(43,512)</b>
<b>Profit before income tax</b>	<b>39,897</b>	<b>315</b>	<b>34</b>	<b>-</b>	<b>40,246</b>
Income tax	-	(61)	(3)	-	(64)
<b>Profit for the year</b>	<b>39,897</b>	<b>254</b>	<b>31</b>	<b>-</b>	<b>40,182</b>
<b>31 December 2024</b>					
Assets of segment	3,995,905	11,124	193	(7,575)	3,999,647
<b>Total assets</b>	<b>3,995,905</b>	<b>11,124</b>	<b>193</b>	<b>(7,575)</b>	<b>3,999,647</b>
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
<b>Total liabilities and total equity</b>	<b>3,995,905</b>	<b>11,068</b>	<b>153</b>	<b>(7,479)</b>	<b>3,999,647</b>

Intra-group transactions are presented under "Unallocated".

Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

### 34. Capital management

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

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

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

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

HBOR ensures that it has at all times an amount of capital adequate to the types, scope and complexity of operations it performs and the risks it is or could be exposed to in its operations.

HBOR's total capital ratio is calculated as the ratio between the regulatory capital and the total:

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

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

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

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

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

	31 December 2025 EUR '000	Group 31 December 2024 EUR '000	31 December 2025 EUR '000	Bank 31 December 2024 EUR '000
<b>Total regulatory capital</b>	<b>1,563,763</b>	<b>1,498,852</b>	<b>1,563,788</b>	<b>1,498,634</b>
Credit risk weighted exposure amount	2,377,392	2,398,598	2,374,008	2,396,236
Capital requirements for operating risk	154,200	144,263	148,543	139,138
Capital requirements for currency risk	-	-	-	-
<b>Total capital requirements</b>	<b>2,531,592</b>	<b>2,542,861</b>	<b>2,522,551</b>	<b>2,535,374</b>
<b>Capital adequacy ratio</b>	<b>61.77</b>	<b>58.94</b>	<b>61.99</b>	<b>59.11</b>
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Own funds needed for ensuring capital adequacy according to regulatory requirements</b>	<b>303,791</b>	<b>305,143</b>	<b>302,706</b>	<b>304,245</b>

## Notes to the Financial Statements which include significant accounting policies and other explanations for the year ended 31 December 2025 (continued)

(All amounts are expressed in thousands of Euros)

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### 35. Earnings per share

Pursuant to the HBOR Act, the equity capital of the Bank consists of one share in the company that may not be divided, transferred, or pledged and is owned solely by the Republic of Croatia.

For the purpose of calculation of earnings per share, earning is presented as net profit after taxation.

### 36. Events after the reporting period date

#### 36.1. Supervisory Board of HBOR

After the reporting period, the Government of the Republic of Croatia, at its meeting held on 5 February 2026, made a Decision on the appointment of Tomislav Ćorić, PhD, Deputy Prime Minister of the Republic of Croatia and Minister of Finance, as President of the Supervisory Board of the Croatian Bank for Reconstruction and Development. Prior to that, the Government of the Republic of Croatia, at the same meeting, made a Decision on the dismissal of Marko Primorac, PhD, as president of the Supervisory Board of the Croatian Bank for Reconstruction and Development.

Pursuant to the aforementioned, HBOR's Supervisory Board has consisted of the following members as of 5 February 2026:

- Tomislav Ćorić, PhD, Deputy Prime Minister of the Republic of Croatia and 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 Vlačić, 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.

#### 36.2. Fundraising

After the reporting period, on 15 January 2026, HBOR signed a EUR 100 million Finance Contract with the European Investment Bank (EIB) for the financing of SMEs, Mid-Caps, public sector entities and large private companies. Special emphasis of this loan will be put on promoting green investments, and it is the third tranche of a EUR 500 million financing accord between the two institutions, which will further expand access to finance for Croatian companies.

Appendix - financial performance of the HKO Group  
Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
<b>Income from insurance contracts</b>	<b>2,778</b>	<b>2,702</b>
Net investment income	212	251
Other operating income	10	11
<b>Net income</b>	<b>3,000</b>	<b>2,964</b>
<b>Expenses from insurance contracts</b>	<b>(2,703)</b>	<b>(2,086)</b>
<b>Net result of (passive) reinsurance contract</b>	<b>(243)</b>	<b>(525)</b>
Other operating expenses	(25)	(4)
<b>Profit before income tax</b>	<b>29</b>	<b>349</b>
Income tax	(6)	(64)
<b>Profit for the year</b>	<b>23</b>	<b>285</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Gains on revaluation of financial assets available for sale	104	242
Decrease in the fair value of financial assets available for sale	(131)	(76)
Decrease of financial assets at fair value through other comprehensive income	8	(1)
Deferred tax	5	(30)
<b>Total items that may be reclassified subsequently to profit or loss:</b>	<b>(14)</b>	<b>135</b>
<b>Other comprehensive income after income tax</b>	<b>(14)</b>	<b>135</b>
<b>Total comprehensive income after income tax</b>	<b>9</b>	<b>420</b>
<b>Attributable to:</b>		
Equity holder of the parent	9	420

Appendix - financial performance of the HKO Group  
Statement of Financial Position  
as of 31 December

(All amounts are expressed in thousands of Euros)

	<b>2025</b>	<b>2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	156	146
Intangible assets	48	67
Deferred tax assets	146	91
<b>Total non-current assets</b>	<b>350</b>	<b>304</b>
<b>Current assets</b>		
Investments available for sale	5,223	6,165
Deposits with banks	3,501	3,461
Assets related to insurance contracts	1,329	683
Other receivables	53	59
Cash and cash equivalents	822	518
<b>Total current assets</b>	<b>10,928</b>	<b>10,886</b>
<b>Total assets</b>	<b>11,278</b>	<b>11,190</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	7,648	7,648
Retained earnings and reserves	1,091	806
Other reserves	(512)	(498)
Profit for the year	23	285
<b>Total equity</b>	<b>8,250</b>	<b>8,241</b>
<b>Technical provisions</b>		
Liabilities for remaining coverage	1,186	1,053
Liabilities for incurred claims	1,617	1,633
	<b>2,803</b>	<b>2,686</b>
<b>Current liabilities</b>		
Deferred and current tax liability	7	46
Other liabilities	218	217
<b>Total liabilities</b>	<b>225</b>	<b>263</b>
<b>Total equity and liabilities</b>	<b>11,278</b>	<b>11,190</b>

Appendix - financial performance of the HKO Group  
Statement of Cash Flows  
for the year ended 31 December

(All amounts are expressed in thousands of Euros)

	2025 EUR '000	2024 EUR '000
<b>Operating activities</b>		
Profit before income tax	29	349
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation	81	82
Impairment loss and provisions	18	-
Income tax	(10)	(2)
Accrued interest	33	7
Premium/discount from FVOC	2	9
<i>Operating profit before working capital changes</i>	<i>153</i>	<i>445</i>
<b>Changes in operating assets and liabilities:</b>		
Net realized (gain) on assets available for sale	(50)	(1,150)
Premium receivables	(647)	50
Net (increase) in other assets	(3)	(12)
Net increase in technical provisions	116	346
Net increase in other liabilities	8	136
<b>Net cash (used in) operating activities</b>	<b>(423)</b>	<b>(185)</b>
<b>Investment activities</b>		
Net purchase of assets available for sale	801	-
Net sale of assets available for sale	-	264
Net purchase of property, plant and equipment and intangible assets	(74)	(152)
<b>Net cash provided from investment activities</b>	<b>727</b>	<b>112</b>
<b>Financing activities</b>		
Net increase in founder's capital	-	-
<b>Net cash provided from financing activities</b>	<b>-</b>	<b>-</b>
<b>Effect of foreign currency to cash and cash equivalents</b>		
Net foreign exchange	-	1
<b>Net effect</b>	<b>-</b>	<b>1</b>
Net increase/(decrease) in cash and cash equivalents	304	(72)
Balance as of 1 January	518	590
Net increase/(decrease) in cash	304	(72)
<b>Balance as of 31 December</b>	<b>822</b>	<b>518</b>

Appendix - financial performance of the HKO Group  
Statement of Changes in Equity  
for the year ended 31 December

(All amounts are expressed in thousands of Euros)

	Share capital EUR '000	Retained earnings and reserves EUR '000	Other reserves EUR '000	Profit for the year EUR '000	Total equity attributable to the equity holders of the Company EUR '000	Total equity EUR '000
<b>Balance as of 1 January 2024</b>	<b>7,648</b>	<b>663</b>	<b>(611)</b>	<b>105</b>	<b>7,805</b>	<b>7,805</b>
Profit for the year	-	-	-	285	285	<b>285</b>
Other comprehensive income	-	-	135	-	135	<b>135</b>
Total comprehensive income	-	-	135	285	<b>420</b>	<b>420</b>
Transfer of profit 2023 to retained earnings	-	105	-	(105)	-	-
Capital paid in	-	-	-	-	-	-
Other adjustments	-	38	(22)	-	<b>16</b>	<b>16</b>
<b>Balance as of 31 December 2024</b>	<b>7,648</b>	<b>806</b>	<b>(498)</b>	<b>285</b>	<b>8,241</b>	<b>8,241</b>
Profit for the year	-	-	-	23	23	<b>23</b>
Other comprehensive income	-	-	(14)	-	(14)	<b>(14)</b>
Total comprehensive income	-	-	(14)	23	<b>9</b>	<b>9</b>
Transfer of profit from 2024 to retained earnings	-	285	-	(285)	-	-
Capital paid-in	-	-	-	-	-	-
<b>Balance as of 31 December 2025</b>	<b>7,648</b>	<b>1,091</b>	<b>(512)</b>	<b>23</b>	<b>8,250</b>	<b>8,250</b>