CROATIA BANKA

ANNUAL REPORT

FOR 2024

Contents

The Annual Report includes the Management Report on the Bank's position, financial overview and overview of operations, audited financial statements with the Independent Auditor's Report and other legal and regulatory reports for the Croatian National Bank. Unless otherwise stated, all amounts in the Annual Report are presented in thousands of euro (EUR).

Legal form

The Annual Report has been prepared in line with the Accounting Act and the Companies Act which require reporting to the shareholders by the Management at the General Assembly. Pursuant to the Accounting Act, the annual financial statements include the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the financial statements; and the Article 250a of the Companies Act stipulates an obligation to submit an annual report on the Bank's position.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Abbreviations

In this Annual Report, Croatia banka d.d. is referred to as "the Bank", the Croatian National Bank as "the CNB", the Croatian Bank for Reconstruction and Development as "the CBRD", the Croatian Deposit Insurance Agency as "the CDIA", the Financial Agency as "FINA", the European Union as "the EU", International Financial Reporting Standards as "IFRS", Other comprehensive income as "OCI", Statement of profit or loss as "P&L", entity identification number as "PIN", Republic of Croatia as „RH", gross domestic product as the "GDP" and European Central Bank as "the ECB".

Exchange rates

For the purpose of translating the amounts in foreign currencies into EUR amounts, the following mid exchange rates of the ECB were used:

31 December 2024 1 EUR = 1.0444 USD

31 December 2023 1 EUR = 1.1050 USD

Summary of operations and financial indicators

In mil EUR

Indicator/Year	2024	2023	2022	2021	2020
Key indicators					
Net profit/(loss)	2.8	2.5	2.1	1.2	0.7
Operating profit	4.9	3.9	2.3	2.6	1.8
Total assets	290.0	237.4	242.7	247.0	255.0
Loans and advances to clients	155.0	144.7	133.6	142.9	147.9
Total deposits received	243.4	194.8	201.8	202.4	208.6
Capital and reserves	23.2	20.4	16.6	15.7	14.7
Other indicators					
Ratio of operating expenses in operating income	63.3%	67.1%	76.3%	71.5%	81.4%
Return on equity	12.8%	13.4%	12.8%	8.1%	4.4%
Return on assets	1.3%	1.1%	0.9%	0.4%	0.3%
Regulatory capital	22.7	20.0	16.7	15.2	14.5
Total capital rate	21.42%	20.65%	19.36%	15.90%	15.01%

Historical development of the Bank

Croatia banka d.d., Zagreb was founded on 22 December 1989, under the name Banka male privrede, d.d., Zagreb. On that day, 50 shareholders paid in socially owned capital contributions to form the initial (share) capital of 22,340,435,000 former Yugoslav dinars, equivalent to DEM 319,149 (which was then the condition for establishing a bank), which was subsequently divided into 4,565 founders' shares. On 25 January 1990 the Bank received from the Yugoslav National Bank the Decision granting full banking licence and had it registered at the court on 18 July 1990. On 4 May 1990, the Bank changed its name from Banka male privrede d.d. Zagreb into Croatia banka male privrede d.d. Zagreb, (abbreviated: “Croatia banka d.d. Zagreb”), and on 21 June 1995 it changed its name into Croatia banka d.d. Zagreb

As a result of difficulties faced by the Bank, a procedure to rehabilitate the Bank was initiated in 1999 and, pursuant to Article 15(1), Article 16(1) and Article 17(1) of the Bank Rehabilitation and Restructuring Act (Croatian Official Gazette no 44/94) and Section VII of the Decision of the Government of the Republic of Croatia on the rehabilitation and restructuring of Croatia banka d.d. Zagreb of 27 September 1999 and the Decision of the Government of the Republic of Croatia on amendments to the Decision on rehabilitation and restructuring of Croatia banka d.d. Zagreb of 24 May 2000, the General Assembly of Croatia banka d.d. adopted a Decision on issuing new replacement shares in the amount of HRK 204.6 million (EUR 27.16 million) and a Decision on amendments to the Statute of Croatia banka d.d. on 13 September 2000, which formally ended the process of the Bank’s rehabilitation. The CDIA contributed capital to the Bank in the amount of the replacement shares, and the Bank continued to operate as a state-owned joint stock company (Croatian: 'dioničko društvo') wholly owned by the State.

Letter from the Management Board

Katarina Stanić
President of the Management Board

Danijel Luković
Member of the Management Board

Dear shareholders, clients and partners, dear colleagues,

We are pleased to present you the financial results of the Bank's operations.

The Bank continued its positive business trends in the last few years and again ended 2024 with a record net profit of **EUR 2.8 million**, with a return on equity of **12.8%.**

Total net operating income amounted to **EUR 13.1 million**, an increase of **11.3%** compared to the previous year.

This was mainly contributed by the increase in interest income by **23.4%** as a result of the increase in net loans by 7.1%, but also by maintaining the reference Euribor interest rate at a high level.

The Bank's total assets increased by EUR 52.6 million or 22% in 2024. Regarding liabilities, total deposits increased by EUR 48.6 million or 25%, while regarding assets, receivables from the Croatian National Bank increased the most by EUR 41.0 million and net loans and receivables increased by 7.1%..

Income from fees and commissions increased by **18.6%** as a result of the expansion of the range of products and services.

Operating expenses increased by **5.1%,** with the highest increase in property and personal insurance costs as a result of the increase in the number of service packages related to citizens' current accounts.

Observing social issues and needs in the environment, as a result of inflationary trends as well as the industry itself, the Bank also allocated **11.6%** more funds to employee costs, which allowed us to monitor the benefits to employees in accordance with the Bank's capabilities. In addition, the Bank's variable remuneration system was activated in terms of financial income, with which we also demonstrated social sensitivity and recognition of the engagement of the institution's best employees.

The Bank is in the final phase of harmonization with the DORA Regulation on digital operational resilience for the financial sector and has successfully established the SEPA instant payment system on the receiving side of national and cross-border payments as of 6 January 2025.

In 2024, the Virovitica branch was renovated, and the Rijeka branch began operating at the beginning of 2025.

Activities related to credit risk management continue to be focused on managing the regular collection process, effecting collateral instruments, as well as appropriate settlements with clients from such a relationship domain, and consequently on further reducing the share of non-performing exposures.

The Bank is continuously improving its risk management system and has established a framework for identifying, managing and monitoring environmental and climate risks in accordance with regulatory expectations.

As of 31 December 2024, the Bank meets all regulatory requirements.

The record net profit achieved additionally influenced the increase in the total capital ratio, which as of 31 December 2024 amounted to **21.42%,** and the maintenance of the indicator of investment restrictions in tangible assets in relation to regulatory capital at a level **below 29%.**

As its primary goal, the Bank has continuously maintained a high level of liquidity throughout 2024. In the coming period, we will continue to strengthen business activities in dealing with small and medium-sized entrepreneurs and citizens, and with a sectoral orientation towards agriculture, while supporting all other forms of crafts and professional occupations of micro and small/medium-sized entrepreneurs, continuing to expand the existing range of products and services in order to retain existing and attract new clients, especially in younger age groups, with appropriate possible upgrades to the automation and computerization of processes, products and services, with the aim of continuing a greater increase in non-interest income from the market as well as increasing their share in total income.

The Bank will continue to adapt its organizational structure in order to develop digital banking, automate processes and make its services more accessible to clients.

We thank all our clients and business partners for their trust and hope that we will continue to cooperate successfully.

With faith in the continued implementation of the planned goals in 2025 and in future years, with an even more affirmative institutional culture for all of us, we thank all the Bank's employees for their dedication in achieving business results in 2024.

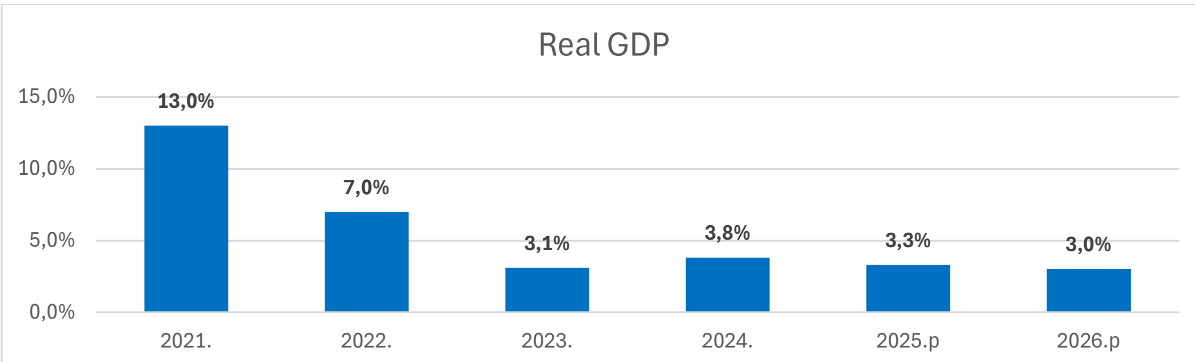
Information on economic trends[1]

Gross domestic product

In the fourth quarter of 2024, the economic growth rate could slow to 0.6% on a quarterly basis (from 0.8% in the third quarter). The main drivers of growth were increased consumption, boosted by tourism during the summer. The continued expansion is influenced by the growth of domestic demand, especially due to favourable developments in trade and construction. Real retail turnover at the end of last year was 2.1% higher than in the previous quarter, continuing its growth since the beginning of 2023. Real GDP for the 2024 increased by 3.8%.

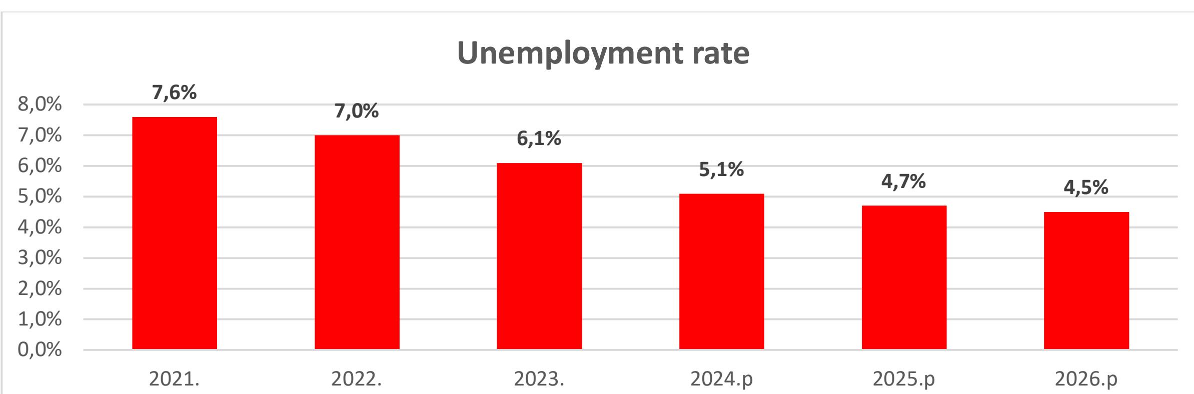
Most survey indicators of consumer and business optimism in Croatia weakened at the beginning of 2025, but they are still at relatively high levels. The decline was most pronounced in trade and services, but all indicators continue to move noticeably above their long-term average.

A slight slowdown in economic activity growth is expected in 2025 (3.3%) and in 2026 (3.9%).



Labour market

In the last quarter of 2024, employment growth continued at a slower pace, with a further decline in the unemployment rate, while nominal wage growth accelerated. At the end of 2024, slightly more than 1.7 million people were employed, which is 3.6% more than in December 2023. The administrative unemployment rate in December 2024 was below 5% of the labour force, which is 1.3 percentage points less than at the end of 2023. In the fourth quarter of 2024, the growth of the average nominal gross wage accelerated to 2.4%, while the annual growth of the average nominal gross wage in the fourth quarter was 13.8%.
It is estimated that the unemployment rate (ILO) will continue to decrease in 2025 and 2026, but the growth of nominal gross wages will also slow down as the inflation rate decreases.

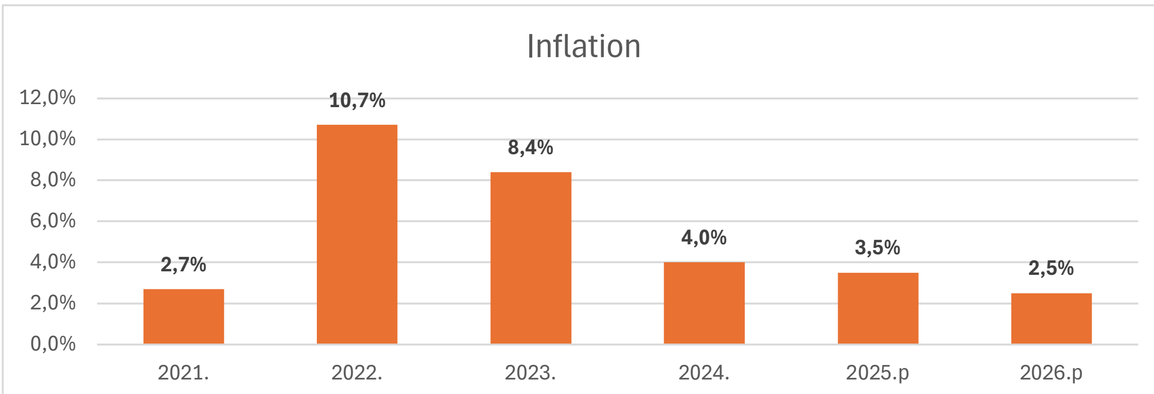


[1] Sources: Bulletin 296, CNB, February 2025
Macroeconomic Development and Outlook, CNB, December 2024

Inflation

Inflation in Croatia accelerated to 5.0% in January 2025 from 4.5% in December 2024, mainly due to higher energy prices. At its meeting on 30 January, the ECB Governing Council continued to gradually ease the degree of monetary policy tightening. The interest rate on cash deposits held by credit institutions with the central bank has been 2.75% since 5 February, representing a decrease of 25 basis points. The Governing Council noted that disinflation is progressing well, although domestic inflation remains elevated as wages and prices in certain sectors adjust to past inflation increases with a significant lag. The reduction in key interest rates is gradually being passed on to financing conditions, gradually reducing borrowing costs for businesses and households.

In 2024, the inflation rate in Croatia was 4.0%, while it should slow down in 2025 (to 3.5%) and in 2026 (to 2.5%).



Placements and interest rates

The reduction in the key ECB interest rates in January 2025 was quickly reflected in money market interest rates. The €STR interest rate fell to 2.7%, while in the Croatian money market the overnight interest rate on deposit money trading fell to 2.5%.

In December 2024, corporate financing costs with credit institutions fell to their lowest level in the last two years, while average interest rates on newly contracted housing and cash non-purpose loans to households remained close to the levels of the previous month. The average interest rate on newly contracted corporate loans in December was 4.14%, which is 27 basis points lower than in the previous month. The borrowing cost for households in December 2024 remained almost unchanged compared to the previous month, at 5.95% for cash non-purpose loans and 3.81% for housing loans. Growth in both corporate and household loans continued in December.

Interest rates on corporate and household deposits were at lower levels compared to the previous month. Domestic deposits continued to grow in December.

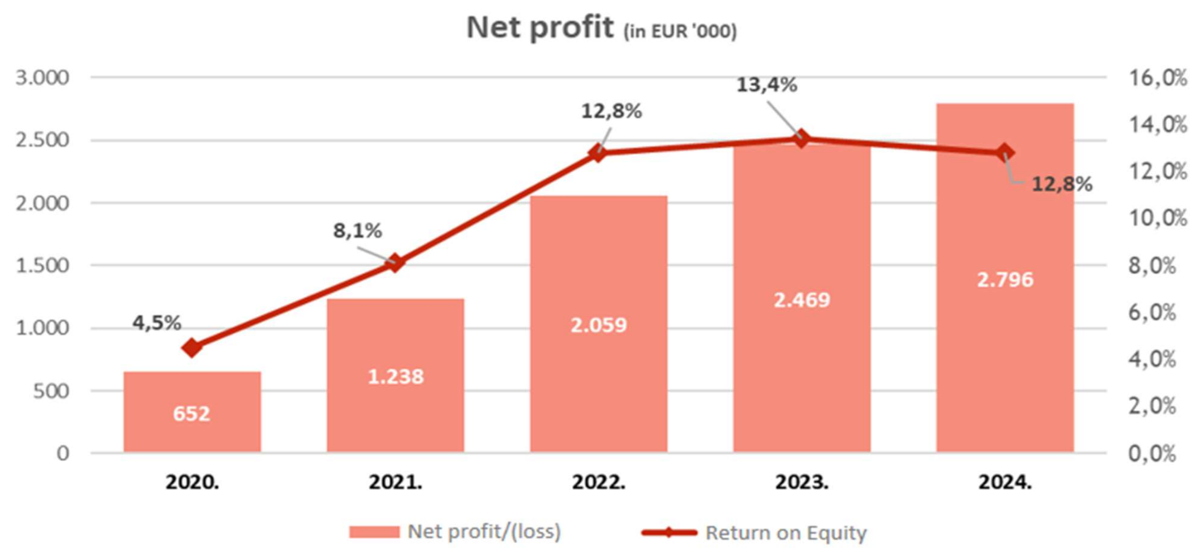
Description of operations

The Bank's activities include all types of deposit and loan operations for legal entities and natural persons, domestic and foreign payments, issuing guarantees, avals and other forms of guarantees, purchase and sale of securities and other banking activities.

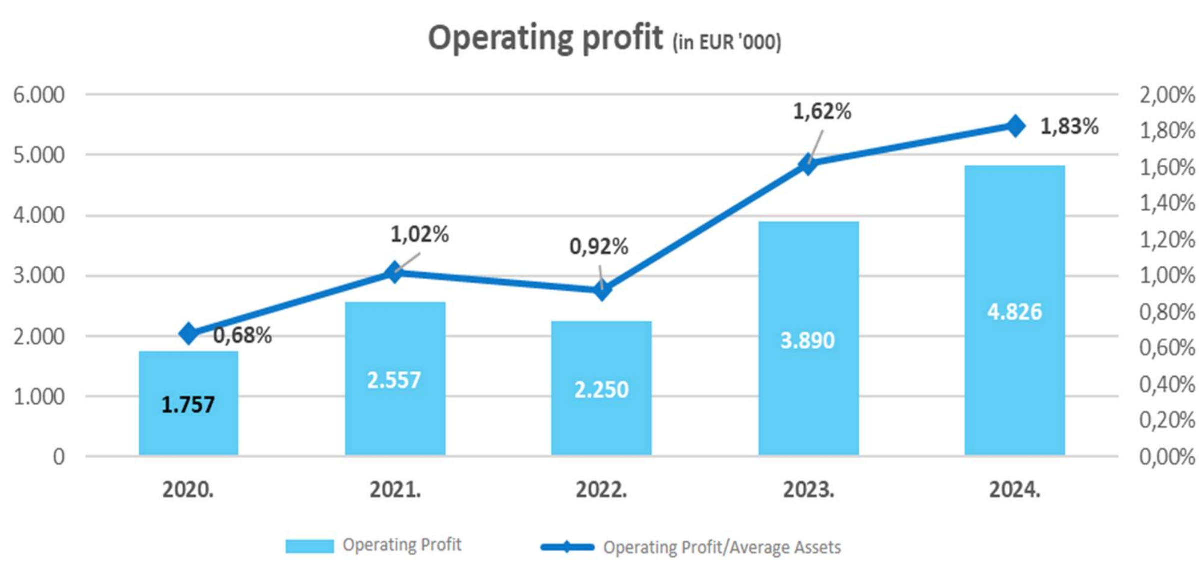
The Bank is owned (100%) by the State and in terms of assets (EUR 290.0 million) it ranks 16th among a total of 20 credit institutions. As of 31 December 2023, the Bank operates through 9 commercial centres and 3 branches.

As of 31 December 2024, the regulatory capital amounted to EUR 22,665 thousand, and the total regulatory capital adequacy ratio is 21.42%.

In 2024, the Bank realised profit after tax in the amount of EUR 2,796 thousand.

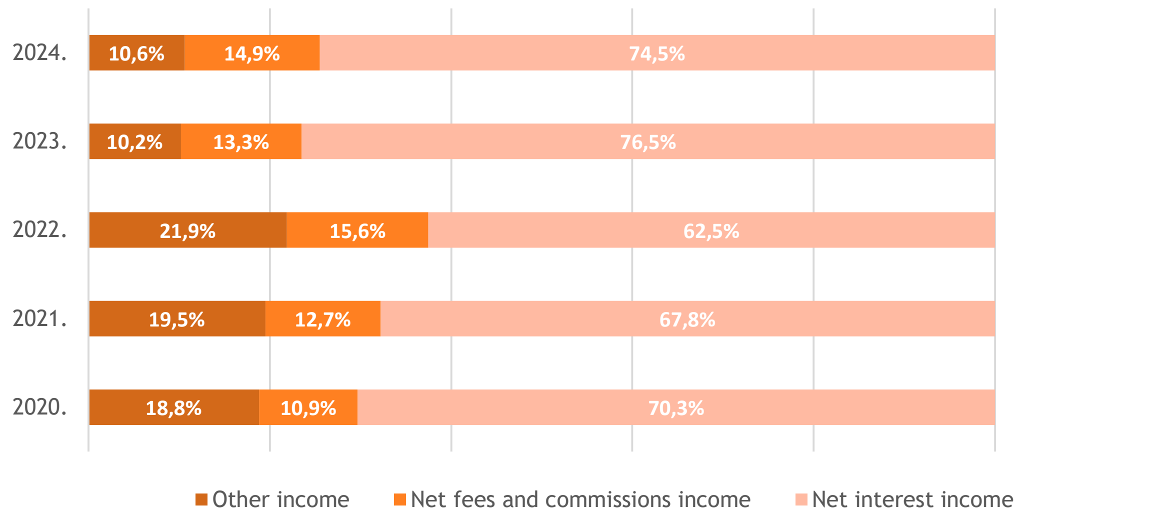


The operating profit amounts to EUR 4,826 thousand, and the costs of provisions and impairments amount to EUR 1,447 thousand.



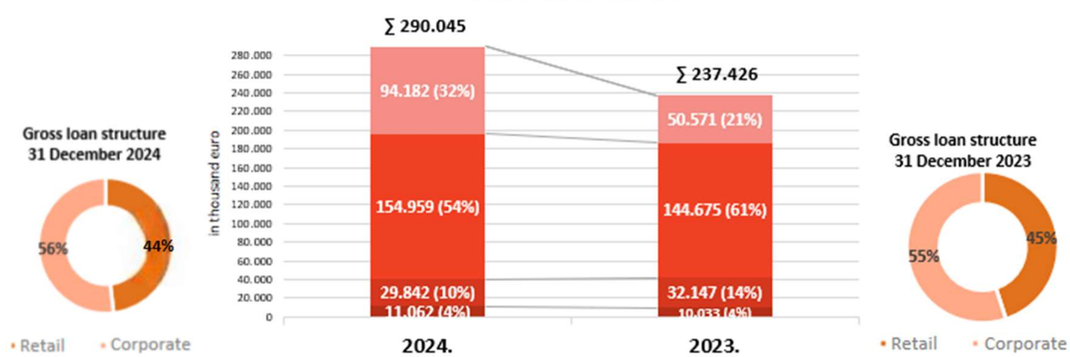
Total net operating income is 11.3% higher, while total operating expenses are 5.1% higher compared to 2023. The most significant part of operating income is net interest income, which accounts for 74.5% (EUR 9,790 thousand) of total income.

Structure of net operating income

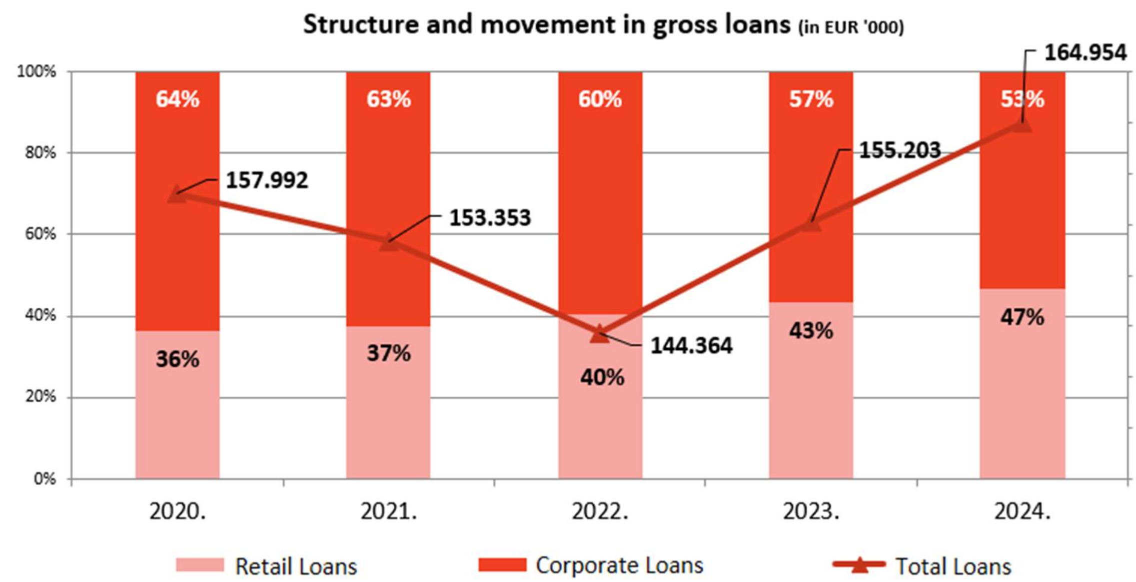


The Bank's assets at the end of 2024 amounted to EUR 290,045 thousand and were EUR 51,619 thousand higher than in 2023. In the structure of assets, the most significant share comprises loans and receivables from clients (54%), followed by cash and receivables from the Croatian National Bank and other banks (32%), and securities and other instruments (14%).

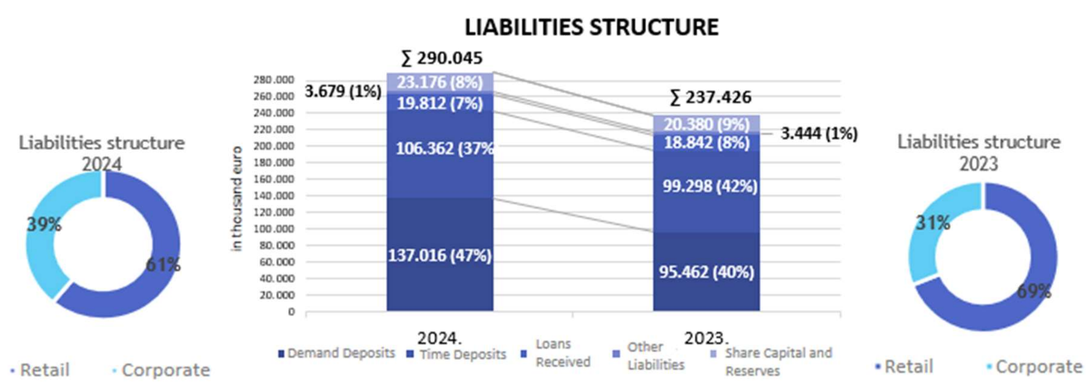
ASSET STRUCTURE



As of 31 December 2024, total gross loans to clients amounted to EUR 164,954 thousand and were 14.5% higher than in 2023, mainly due to a higher increase in retail loans. In the structure of loans to clients, 53% are loans to legal entities, and 47% are loans to retail customers (including loans to craftsmen).

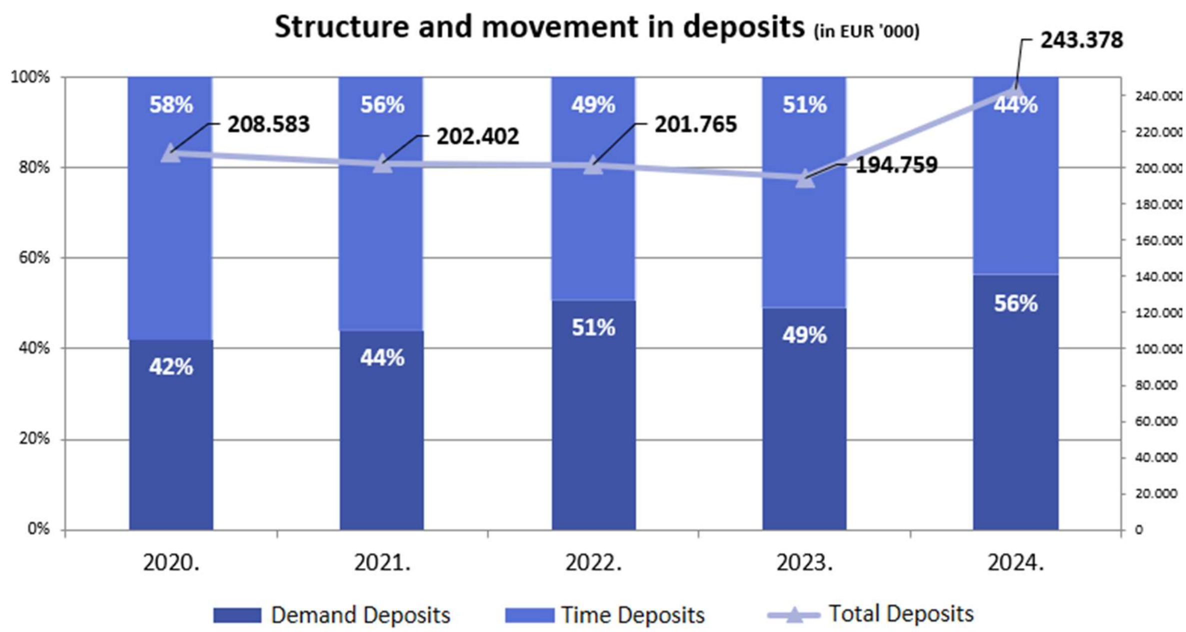


Demand deposits account for the most significant share of 47% in the structure of liabilities. Term deposits follow with 37%.



At the end of 2024 total deposits amounted to EUR 243,378 thousand, a decrease of 25 % or EUR 48,619 thousand compared to the end of 2023, with retail deposits increasing by 10.1% and corporate deposits increasing by 58.3%.

In the structure of total deposits, demand deposits (56%) predominate over time deposits (44%). Total time deposits increased by 7.1% compared to the end of 2023, while their share in the structure of total deposits decreased by 7 percentage points due to a larger increase in demand deposits in 2024 (43.5%).



Retail banking operations

In 2024, Croatia Banka had an increase in lending activity and a positive upward trend with EUR **20.5** million in new loans and EUR **10.9** million in collections. The balance of net retail loans in 2024 grew to EUR 74.6 million or **14.5%** compared to the balance at the end of 2023. Income from commissions and fees was **40%** higher compared to 2023.

Structurally, the greatest impact of these developments is in the part of non-purpose retail loans with a growth of **24%** compared to the previous year.

The initial strategy based on moderate growth in maintained its direction in 2024.

In order to manage the Bank's capital as efficiently as possible with minimal risks to the capital ratio, the Bank directed its resources from a risk weight of 75% to a weight of 35%, while meeting certain criteria (retirees, permanent employees, the longest original loan maturity of up to 10 years, an insurance policy covering the risks of death, disability, unemployment or reduction of income, and payments that may not exceed 20% of salary or pension). The strategy was the same as in previous years. In 2024, the Bank worked intensively in the following areas:

- Development of a new fee calculation methodology
- Redesign and refresh of existing non-purpose loans accompanied by new interest rates
- Preparation and development of a new future revolving credit card
- Weekly activities to monitor daily collection of overdue receivables

In parallel with the credit activity in 2024, the Bank intensified the activities of selling products of third parties and achieved significant non-interest income in:

- Insurance policies (risk, CPI, property insurance),
- Shares in voluntary pension funds.

The sale of third-party products yielded excellent results, exceeding the planned ones, and indicated the direction in which the Bank should move in the future.

As a result of the above activities, we achieved a **40%** increase in net non-interest income compared to the previous year.

Due to macroeconomic developments in financial markets, the trend of increasing interest rates in order to curb strong inflationary pressures, government interventions with new issues of bonds and treasury bills at high yield prices, and all in order to preserve the deposit base and prevent a greater outflow of deposits, the Bank intervened throughout 2024, as in the previous year, by increasing the interest rates on deposits with a maturity of 3 months, 6 months and 12 months.

The result of intensive marketing activities (campaigns and advertising) in combination with the Bank's offer at given times during the year maintained the Bank's stable position on the deposit market in the Republic of Croatia.

In 2024, there was a further growth in sales of current account packages, a continuation of the Bank's strategy to gradually replace the entire base of basic current accounts with current account packages. The emphasis continues to be on the introduction of new products, as mentioned above in the form of Visa credit cards, and the expansion of the offer of third-party services, which will, among other things, be an integral part of the package of current accounts, stimulating the growth of the Bank's non-interest income.

In the card business, the takeover of the Bank's ATM network by FINA was coordinated, as the entire project was exclusively managed by FINA with the participation of 16 banks that expressed interest in joining the network. This project is in the development phase and further guidelines and instructions are awaited.

In 2024, the card business team was reorganized with the purpose of improving the management of income from card business, POS devices, Internet and mobile banking, and the development of other digital products. In 2025, the new team will operate under the name Digital Channels and Card Business Sales Service, which indicates a clear direction in which the Bank will move in the coming period and where it will invest significant funds in order to respond to the increasingly challenging digital financial market.

Corporate banking operations

The main objective of the corporate operations in 2024 was to ensure satisfactory profitability without a significant increase in assets while rearranging the corporate loan portfolio to increase the share of loans to small and medium-sized entrepreneurs, which was achieved.

At the end of 2024, the total net loan portfolio of corporate clients amounted to EUR **88.1** million, which is the same as at the end of 2023, but with an increase in loans to micro, small and medium-sized enterprises (**12% or EUR 3.8 million**) and a decrease in net loans to the public sector and large companies.

During the past year, **260** new giro accounts of corporate clients were opened, and a new acquisition campaign was launched at the end of the year with the aim of further increasing the number of clients.

Corporate deposits account for 39% of the Bank's total deposits. In the structure of corporate deposits, demand deposits amount to EUR **80.6** million, and term deposits amount to EUR **13.7** million.

Interest income generated in the corporate segment accounts for **63%** of the Bank's total interest income, while interest expenses account for only **10%**. This is the result of systematic monitoring of deposit maturity with an individual approach to interest rate correction when renewing individual deposits.

Fee income increased slightly by around **5%** compared to the previous year, primarily due to higher income from payment transactions, a higher volume of Internet banking and systematic control of contractual obligations for payment transactions by clients.

In the corporate segment, the collection of due receivables, i.e. the share of non-performing placements in the total portfolio, is systematically monitored. It can be concluded that collection is regular and within the contracted deadlines and that there are no new non-performing placements.

During 2024, activities related to updating internal documents and business processes were continuously undertaken. Projects were launched to introduce business packages for legal entities, a project to introduce credit cards for individuals and legal entities, and to improve the functionality of mobile banking. It is also important to highlight the opening of a new separate unit, the Rijeka-Kukuljanovo Branch, which will make the Bank more accessible to existing clients in that area, and there is also great potential for new acquisition activities.

Treasury operations

Entry into the eurozone and regulatory changes that coincided with a change in the trend of interest rates continued to significantly affect the Treasury's deposit operations in 2024.

During 2024, the Treasury placed an average of EUR **50.3** million per day in foreign currency deposits with domestic and foreign banks and EUR deposits with the CNB, which represents an increase of **35.6%** of the amount of EUR 37.1 million that it placed on average per day in 2023. In 2024, the Bank generated interest income of EUR 1.8 million from these operations, it while in 2023 it amounted to EUR 1.2 million (**an increase of 48.4%**).
The interest rates at which the Treasury fixed foreign currency deposited in 2024 ranged from 0.2% to 5.15%, and funds on overnight deposits with the CNB were fixed at interest rates of 3% to 4%.

The securities portfolio in 2024 was nominally reduced by EUR **2.27** million (7.15%), and in value by EUR **2.28** million (7.17%).
During 2024, 8.0 million treasury bills from the Bank's portfolio matured, and only EUR 3.3 million (nominally) was re-subscribed. This resulted in a nominal reduction of the treasury bill portfolio by EUR 4.7 million (59.2%), and in value by EUR 4.7 million (59.2%). The reasons for the reduction in the treasury bill portfolio

were both on the Bank's side (assessment of the greater profitability of replacing investments in treasury bills with investments in overnight deposits with the CNB and the sufficiency of the reduced portfolio to maintain the Group liabilities with the CNB) and on the MoF side (non-acceptance of offers from Croatia Bank or the banking sector as a whole).

At the same time, the bond portfolio increased nominally by EUR **2.5** million (10.4%), and in value by EUR **2.**4 million (10.2%). During 2024, a total of EUR 6.2 million of bonds matured, and EUR 8.7 million was purchased (nominally). By increasing the bond portfolio, the Bank ensured a sufficient level of collateral for holding the Group with the CNB, and since the Bank holds securities in the portfolio until maturity, the increase in the portfolio has no impact on the risk of price changes in the P&L.
The securities portfolio during was reduced by EUR 2.3 million, which were placed by the Treasury in overnight deposits with the CNB interest rates of 3% to 4%.

In 2024, the Bank continued to use existing structural loans at an average interest rate of 0.25%. These are two loans that were originally approved in the amount of HRK 140 million and converted into euros as 2 x EUR 9,290,596.59, due in 2025. These loans are extremely favourable for the Bank, not only because of the low interest, but also because of the impact on extending the maturity of the liabilities. After Croatia's entry into the eurozone, the CNB no longer places structural loans, but the loans it placed before 31 December 2022 remain in force according to the originally agreed conditions until their maturity.

In order to obtain additional liquidity, after Croatia's entry into the eurozone, the Bank can use standard instruments of the European Central Bank (main refinancing auctions for a period of 7 days and longer-term refinancing operations for a period of approximately 3 months) or repo loans from banks with which it has signed framework repo agreements. During 2024, the Bank had sufficient liquidity levels and did not use these instruments.

To manage currency openness and achieve the Bank's strategy of maintaining it within +/- 2% of regulatory capital, the Treasury had sufficient foreign exchange purchase and sale instruments and did not use FX swaps in 2024.

Internal controls and internal audit

The internal control system is an integral part of the Bank's management and is implemented through the activities of three independent control functions: the risk monitoring function, the compliance monitoring function and the internal audit function.

The internal control system includes a set of measures, rules and procedures that the Bank has established to ensure the efficient and ethical management of its operations. The aim of the system is to manage risks, protect assets, ensure the accuracy and reliability of financial statements and comply with relevant laws and regulations.

Internal audit

The internal audit function is organized as a separate organizational unit, functionally and organizationally independent of the activities it audits and of other organizational units of the Bank.

Internal audit is an independent and objective provision of assurance and consulting services, designed to contribute to the creation of added value and improve the Bank's operations. It assists the Bank in meeting its objectives by introducing a systematic, disciplined approach to assessing and improving the effectiveness of risk management, control and corporate governance.

The internal audit function, within its areas of responsibility, verifies whether the policies, processes and procedures established by the Bank are being properly implemented in order to establish and implement an effective system of internal controls.

The scope of work of the internal audit function includes all systems, functions, business processes, programs, projects and activities at all levels of management responsibility.

Corporate Governance Statement

Pursuant to the provisions of Article 272p of the Companies Act and Article 22 of the Accounting Act, the Management Board of Croatia banka d.d. Zagreb hereby declares that the Bank implements all regulatory requirements of corporate governance, its own Code of Business Conduct and Ethics, recommendations and guidelines of the EBA and the Croatian National Bank, and good corporate governance practices.

Through the Code of Business Conduct and Ethics, the Bank sets high professional and ethical business standards, by establishing basic principles and rules of good and acceptable behaviour that promote awareness of the importance of the professional performance of obligations and behaviour that promotes and reflects clients' trust in the Bank and establishes a business culture, i.e. manner of behaviour and interaction with clients, business partners and other stakeholders.

Implementing the established good practices, the Code of Business Conduct and Ethics was published on the Bank's website, which, in addition to the Bank's employees, allows all stakeholders, i.e. clients, business partners, supervisors and the entire interested public, to familiarize themselves with the basic ethical principles and values of the Bank.

Through the application of the Code, the Bank has set high ethical and professional standards and continuously promotes monitors and ensures their implementation. Application of the principle of equal opportunities and equal treatment of men and women in matters of employment and work, as well as the absence of discrimination against workers, are particularly considered to be highly ethical and professional standards, which the Bank considers extremely important.

The fundamental principles of business conduct are based on the following ethical values: legality of work and business, prohibition of discrimination and privilege, professionalism, expertise, honesty, conscientiousness and responsibility, mutual respect, trust, cooperation, decency and patience.

The Bank has developed internal procedures for reporting violations of the Code and, in accordance with them, a procedure for reviewing complaints and imposing sanctions in the event of a violation of the Code.

The Bank's governance structure

In accordance with the Companies Act, the Credit Institutions Act and the Bank’s Statute, the Bank’s governance structure comprises the Supervisory Board and the Management Board, whose duties and responsibilities are also regulated by the above regulations.

Other information

The Bank did not carry out any research and development activities during 2024.
The Bank did not purchase any treasury shares during 2024.

By the decision of the General Assembly dated 29 March 2023, the share capital was harmonized with the Law on the introduction of the euro as the official currency in the Republic of Croatia, so that the share capital amounts to EUR 62,990,244.87.

The Bank does not own other legal entities.

The purchase and sale of financial instruments constitute an integral part of the Bank’s operations and are described in detail in these financial statements.

Details about the Bank’s financial risk management goals and policies, its exposure to price risk, credit risk, liquidity risk and other risks are provided in the accompanying financial statements.

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the European Union, in order to give a true and fair view of the financial position and operating results of Croatia banka d.d. ("the Bank") for that period.

The Management Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the responsibilities of the Management Board include ensuring that

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the annual financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue its operations.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Croatian Accounting Act (Official Gazette 85/24 and 145/24). The Management Board is also responsible for safeguarding the Bank's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for the preparation and the content of the Annual Report in accordance with Article 18 and 21 of the Accounting Act (Official Gazette 85/24 and 145/24), and also for the supplementary regulatory reports.

Signed on behalf of the Management Board:

24 March 2025

Katarina Stanić	Danijel Luković
President of the Management Board	Member of the Management Board

Independent Auditor's Report to the shareholders of Croatia bank d.d., Zagreb

Report on the audit of the annual financial statements

OPINION

We have audited the annual financial statements for the year ended 31 December 2024 of Croatia banka d.d. Zagreb, Ulica Roberta Frangeša – Mihanovića 9 (hereinafter „the Bank"), which include the Statement of Financial Position (Balance Sheet) as of 31 December 2024, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, as well as the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present, in all significant respects, a true and fair view of the Bank's financial position as of 31 December 2024, its financial performance and the cash flows for the year then ended, in accordance with International Financial Reporting Standards (hereinafter "IFRS") established by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the Auditor's responsibilities for auditing annual financial statements.

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") including international standards issued by the Committee on International Ethics Standards for Accountants (IESBA), as well as in accordance with ethical requirements relevant to our audit of annual financial statements In Croatia. 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.

Report on the audit of the annual financial statements (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that were, in our professional judgment, of greatest importance to our audit of the current period's annual financial statements. We dealt with these matters during our audit of the annual financial statements as a whole and when forming our opinion thereon, and we do not give a separate opinion on these matters. We have determined that the following are key audit matters that should be disclosed in our Independent Auditor's Report

Key audit matter	How we addressed the key audit matter
Impairment of loans and advances to clients Note 17 to the Bank's annual financial statements - Loans and advances to clients presents a gross value of EUR 166,115 thousand, credit losses on loans in the amount of EUR 11,156 thousand, and, in Note 9, provisions for credit losses recognized in profit or loss in the amount of EUR 1,166 thousand (as of 31 December 2023, gross value of EUR 156,360 thousand, credit losses on loans in the amount of EUR 11,685 thousand, and provisions for credit losses recognized in profit or loss in the amount of EUR 799 thousand). This was identified as a key audit matter because credit risk is the most important financial risk the Bank is exposed to and directly affects the preservation of capital and requires significant judgment by the Bank's Management Board when determining the amount of the impairment. Determining the appropriate impairment uses subjective assumptions and judgments in estimating the amount of provisions for impairment of receivables by the Bank's Management Board, which relates to determining the timing of recognition of the impairment and the amount of that impairment. The Management Board performed an assessment of the entire portfolio by estimating the expected credit loss (hereinafter referred to as "ECL") for individual loans in accordance with the requirements of International Financial Reporting Standard 9 - Financial Instruments (hereinafter referred to as "IFRS 9"). When determining the timing and amount of the necessary impairment for loans and advances to clients, the Management Board used subjective judgments in the following significant areas of assessment:	*Audit procedures* Audit procedures designed to respond to the key audit matter included: • Review of the business model of credit management, review of placement groups, methods of loan management and their valuation; • Verification of the classification of loans into performing loans, loans with a significant increase in credit risk and loans requiring impairment, in accordance with IFRS 9 and in accordance with the Decision on the Classification of Placements and Off-Balance Sheet Liabilities of Credit Institutions; • Gaining an understanding of the functioning of the internal control system related to the procedure for assessing the necessary impairment of loans and advances to clients, established by the Management Board, and verification of their effectiveness; • Review of the credit management business model, review of placement groups, credit management methods and their valuation; • Review and assessment of the methodology for recognizing provisions for ECL, including estimates of probability of default (PD), loss given default (LGD) and exposure at default (EAD); • Review of the quality and accuracy of historical financial information used, assessment of the appropriateness of the associated collateral valuations, the appropriateness of the assumptions used, review of circumstances and events related to the financial assets, and the macroeconomic prospective information used that cause the need for impairment due to ECL;

Report on the audit of the annual financial statements (continued)

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td>

The level of reliance on historical data in the process of determining risk parameters,
Allocating credit risk to an appropriate level for individual and overall exposures,
Assessing changes that indicate significant deterioration that require a change in the stage of credit risk and the associated ECL over the life of the instrument,
Assessing expected future cash flows from operations,
Assessing the value of collateral and the duration of its realization.

The Bank continuously adjusts the model parameters, which also requires our increased attention during the audit.
Due to the financial significance of impairment provisions, their impact on the financial statements, the intensity of the use of subjective assumptions and judgments in estimating the amount of necessary impairment provisions, and the complexity of the valuation models used, we concluded that the value adjustment as a result of the impairment provisions made and the related loans and advances to clients was our key audit matter during the audit of the Bank's annual financial statements for the year ended 31 December 2024.
Related disclosures in the accompanying annual financial statements
See the following Notes to the annual financial statements: 2.2. Financial assets and liabilities, 9. Provisions for credit losses, 17. Loans and advances to clients and 33.1. Credit risk, 33.6. Loans and receivables due and undue.
</td><td>
For impairments determined on an individual basis:

We selected a sample of loans, namely those with the largest amount and the highest risk by individual characteristic groups of placements;
We checked the appropriateness of the criteria used to determine significant deterioration in credit risk, the accuracy of financial information to identify loans that require impairment, recalculation or critical review of the assessment of financial position and business performance, expected future cash flows, time required for collection, the appropriateness of collateral valuation and assessment of the financial impact of collateral liquidation

For impairment determined on a collective basis:

We reviewed the appropriateness of the assumptions used to calculate the probability of default over the life of the instrument (PD) and the loss given default (LGD);
We reviewed the appropriateness of the measurement of the required impairment for ECL by critically reviewing the client's financial position and business performance, estimating expected future cash flows, the time required to collect the exposure, the appropriateness of the valuation of collateral and assessing the financial impact of using collateral to collect outstanding exposures;
We assessed the appropriateness of the exposure classification and the calculation of ECL of individual exposures at the Balance Sheet date, as well as their compliance with the requirements of the CNB;
We performed substantive testing of a selected sample of loans and related receivables to assess the correctness of the loan classification and valuation.

</td></tr>
</table>

Report on the audit of the annual financial statements (continued)

OTHER INFORMATION

The Management Board is responsible for other information. Other information contain Management Report included in the Annual Report, but do not include the annual financial statements and our Independent Auditor's Report thereon. Our opinion on the annual financial statements does not include other information.

In connection with our audit of the annual financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual financial statements, or our knowledge gained during the audit or otherwise appears to be materially misstated.

Regarding the Management Report, we also carried out the procedures defined by the Accounting Act. These procedures include the verification of whether the Management Report is composed in accordance with Article 24 of the Accounting Act. Based on the performed procedures, to the extent that we are able to assess this, we report that:

- the information in the attached Management report is harmonised, in all significant aspects, with the attached annual financial statements;

- The enclosed Management Report for 2024 is prepared in accordance with Article 24 of the Accounting Act.

Based on the knowledge and understanding of the Bank’s operations and its environment acquired during the audit of the annual financial statements, we are obliged to report if we have discovered any materially significant misstatements in the attached Management Report. In that sense, we have nothing to report.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE ANNUAL FINANCIAL STATEMENTS

Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management determines are necessary to enable the preparation of annual financial statements that are free from material misstatement due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for evaluation of the Bank's ability to continue operations assuming going concern principle; disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Bank or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Bank.

Report on the audit of the annual financial statements (continued)

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement due to fraud or error and to issue an Independent Auditor's Report that includes our opinion. Reasonable assurance is a higher level of assurance but is not a guarantee that an audit performed in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they can reasonably be expected to affect, individually or in aggregate, the economic decisions of users made on the basis of those annual financial statements.

As an integral part of auditing in accordance with ISAs, we make professional judgments and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements due to fraud or error; design and perform audit procedures in response 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 due to fraud is greater than the risk arising from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or circumvention of internal controls.
- Gain an understanding of internal controls 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 internal controls.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the accounting basis of going concern used by the Management Board and, based on the audit evidence obtained, we conclude whether there is significant uncertainty about events or circumstances that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that there is significant uncertainty, we are required to draw attention to it in our Independent Auditor's Report to the related disclosures in the annual financial statements or, if such disclosures are not appropriate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Bank to discontinue its operations.
- Evaluate the overall presentation, structure and content of the annual financial statements, including disclosures, and whether the annual financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.

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

We also give a statement to those charged with governance that we have acted in accordance with relevant ethical requirements regarding independence and that we will communicate with them on all relationships and other issues that can reasonably be considered to affect our independence as well as, where applicable, about related safeguards.

Report on the audit of the annual financial statements (continued)

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Among the matters we are communicating with those charged with governance, we determine those matters that are of utmost importance in revising the current financial statements for the current period and are therefore key audit matters. We describe these matters in our independent auditor's report unless the law or regulations prevents public disclosure or when, in exceptionally rare circumstances, we decide that the matter should not be reported in our independent auditor's report as it can reasonably be expected that the negative effects of the announcement will surpass the welfare of public interest in such disclosure.

Report on other legal and regulatory requirements

REPORT BASED ON REGULATION (EU) 537/2014

- The General Assembly of the Bank appointed us on the proposal of the Audit Committee on 25 June 2024, to audit the annual financial statements for 2024.
- As of the date of this report, we have been continuously engaged in performing legal audits of the Bank since the audit of the annual financial statements for the year 2022, which amounts to a total of three years.
- Our audit opinion on the annual financial statements is consistent with the additional report for the Bank's Audit Committee that we issued on 24 March 2025, in accordance with Art. 11. of Regulation (EU) No. 537/2014 of the European Parliament and the Council.
- During the period between the initial date of the Bank's audited annual financial statements for the year 2024 and the date of this report, we did not provide the Bank with non-audit services that are prohibited by Art. 5(1) of Regulation (EU) No. 537/2014 and in the business year prior to the aforementioned period, we did not provide services for the design and implementation of internal control procedures or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing the audit, we preserved our independence in relation to the Bank.
- In addition to the statutory audit, we provided the Bank with the service of expressing a limited opinion on the determination of profit for the period from 1 January to 31 December 2024 and issued a report on this on 3 February 2025.

REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT

- Pursuant to the Decision on the structure and content of the annual financial statements of credit institutions (Official Gazette 42/18, 122/20, 119/21 and 108/22; hereinafter referred to as "the Decision"), the Management created the forms that are presented on pages 98 to 112. under the headings Statement of Financial Position (Balance Sheet) as of 31 December 2024, Profit and Loss Account, Cash Flow Statement and Statement of Changes in the Bank's Equity for the year then ended, together with information on reconciliation with the Bank's financial statements

Report on other legal and regulatory requirements (continued)

REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT (CONTINUED)

- The Management Board is responsible for the preparation of these forms and information on reconciliations with the Bank's annual financial statements, and they do not constitute an integral part of these annual financial statements, but contain the information prescribed by the Decision. The financial information in the forms is based on the audited annual financial statements of the Bank, which were prepared in accordance with the legal requirements for bank accounting in the Republic of Croatia, are presented on pages 98 to 112 and are adapted to the requirements of the Decision.

  The partner engaged in the audit of the Bank's annual financial statements for the year ended 31 December 2024 resulting in this Independent Auditor's Report is Jeni Krstičević, certified auditor

In Zagreb, on 24 March 2025

PKF FACT revizija d.o.o.

Zadarska 80

10000 Zagreb

Jeni Krstičević,	Jeni Krstičević,
President of the Management Board	Certified Auditor

in EUR '000

	Note	2024	2023
Interest income calculated using the effective interest rate method	3	11,812	9,569
Interest expenses	4	(2,022)	(538)
Net margin from interest and similar income		**9,790**	**9,031**
Losses from impairment for credit losses	9	(1,177)	(738)
Net margin from interest and similar income after provisions for loan losses		**8,613**	**8,293**
Income from fees and commissions	5	2,433	2,051
Expenses from fees and commissions	6	(475)	(476)
Provisioning and impairment charges	10	(270)	(555)
Gains less losses from trading in foreign currencies		153	196
Gains less losses from modifications of financial assets measured at amortized cost that are not caused by derecognition		-	2
Gains less losses from exchange differences		-	(16)
Income from rentals	7.1	595	588
Other operating income	7.2	643	614
Employee expenses	8	(4,482)	(4,017)
Depreciation	8	(379)	(357)
Other operating expenses	8	(3,452)	(3,726)
Profit before tax		**3,379**	**2,597**
Profit tax	11	(583)	(128)
Profit for the year after tax		**2,796**	**2,469**
Other comprehensive income			
Items that can be transferred to profit and loss		**-**	**1,653**
Gains less losses during the year based on the reclassification of financial assets at fair value through other comprehensive income		-	1,653
Gains less losses from the sale of financial assets at fair value through other comprehensive income transferred to profit or loss on realization		-	-
Items that will not be transferred to the profit and loss		**-**	**(303)**
Profit tax recognized directly in other comprehensive income	11	-	(303)
TOTAL COMPREHENSIVE INCOME		**2,796**	**3,819**

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

in EUR '000

	Note	2024	2023
ASSETS			
Cash	12	6,389	4,371
Receivables from the Croatian National Bank	13	81,152	40,109
Placements with banks	14	6,641	6,091
Financial assets measured at fair value through OCI	15	26	26
Financial assets at amortized cost	16	29,816	32,121
Loans and advances to clients	17	154,959	144,675
Investment property	18	4,957	4,758
Property and equipment	19	820	893
Intangible assets	19	1,224	920
Assets foreclosed	20	1,180	713
Deferred tax assets	11	82	77
Other assets	21	2,799	2,672
Total assets		**290,045**	**237,426**
EQUITY AND LIABILITIES			
Liabilities to banks	22	384	436
Demand deposits	23	136,632	95,026
Term deposits	24	106,362	99,298
Liabilities under loans received	25	19,812	18,842
Lease liabilities	26	185	321
Other liabilities	26	2,335	1,938
Provisions	27	1,159	1,185
Total liabilities		**266,869**	**217,046**
CAPITAL AND RESERVES			
Share capital	28	62,990	62,990
Loss carried forward		(39,814)	(42,610)
Total capital and reserves		**23,176**	**20,380**
Total equity and liabilities		**290,045**	**237,426**

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

in EUR '000

	Share capital	Loss carried forward	Profit for the year	Reserves	Total
Balance as of 1 January 2023	**62,990**	**(45,079)**	**-**	**(1,350)**	**16,561**
Profit for the year	-		2,469	-	2,469
Profit carried forward	-	2,469	-2,469	-	-
Other comprehensive income					
Profits less losses during the year from financial assets measured at fair value through other comprehensive income	-	-	-	1,653	1,653
Profit tax recognized directly in other comprehensive income	-	-	-	(303)	(303)
Total comprehensive income for 2023	**-**	**-**	**-**	**1,350**	**1,350**
Balance as of 31 December 2023	**62,990**	**(42,610)**	**-**	**-**	**20,380**
Balance as of 1 January 2024	**62,990**	**(42,610)**	**-**	**-**	**20,380**
Profit for the year	-	-	2,796	-	2,796
Profit carried forward	-	2,796	(2,796)	-	-
Other comprehensive income	-			-	**-**
Total comprehensive income for 2024	**-**	**-**	**-**	**-**	**-**
Balance as of 31 December 2024	**62,990**	**(39,814)**	**-**	**-**	**23,176**

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

in EUR '000

	Note	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**3,379**	**2,597**
Adjustment to net cash provided from operating activities			
Depreciation and amortization	8	379	357
Foreign exchange gains		(47)	(196)
Net credit losses	9	1,177	738
Provisions and impairment charges	10	(270)	(555)
Interest income	3	(11,812)	(9,569)
Interest expense	4	2,022	538
Other non-cash items		(762)	32,342
Operating cash flows before changes in working capital:			
Decrease in loans and receivables		(10,284)	(11,086)
Decrease in receivables from the CNB and placements with banks		(41,043)	(38,299)
Decrease in other assets		(517)	(448)
(Decrease) in other short-term liabilities		196	187
Increase/(decrease) in liabilities to banks		(52)	(30)
(Decrease) in deposits		48,670	(6,974)
Changes in working capital			
Interest income		10,696	406
Interest expenses		(145)	(84)
Profit tax paid		(588)	-
Net cash flow from operating activities		**999**	**(30,076)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of foreclosed assets		94	182
Purchase of property, plant and equipment		645	720
Net cash flow from investing activities		**739**	**902**
CASH FLOW FROM FINANCING ACTIVITIES			
Expenditure for payment of received loans	25	970	3
Lease payments	25	(138)	(166)
Net cash flow from financing activities		**832**	**(163)**
Cash and cash equivalents at the beginning of the year	**31**	**10,462**	**39,732**
Net change in cash and cash equivalents		**2,570**	**(29,337)**
Impact of change in expected credit losses on cash and cash equivalents		**(2)**	**67**
Cash and cash equivalents at the end of the year	**31**	**13,030**	**10,462**

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

1. GENERAL INFORMATION

Legal framework and activities

Croatia banka d.d. Zagreb ("the Bank") was registered in the court register as a joint stock company in 1989 under registration number 080007370. The Bank's registered office is at Roberta Frangeša Mihanovića 9, Zagreb, Croatia.

Croatia banka d.d. is owned (100%) by the State Agency for Deposit Insurance and Bank Rehabilitation (DAB) which is owned by the Republic of Croatia.

The Bank's activities include all types of deposit and loan operations for legal entities and natural persons, domestic and foreign payments, issuing guarantees, avals and other forms of guarantees, purchase and sale of securities and other banking activities.

The Bank has 9 Commercial centres - Commercial centre Čakovec, Commercial centre Osijek, Commercial centre Pula, Commercial centre Slavonski Brod, Commercial centre Split, Commercial centre Vinkovci, Commercial centre Virovitica, Commercial centre Vukovar, Commercial centre Županja, Commercial centre Zagreb and 4 outlets: Outlet Županja, Outlet Šubićeva Zagreb, Outlet Sky Office Zagreb and Outlet Rijeka (opened at the beginning of 2025).

Governing bodies

Supervisory Board

The Supervisory Board operates in accordance with the Companies Act, the Credit Institutions Act and the Bank's Statute, whereby its main responsibility is the supervision of the Bank's operations and the appointment and dismissal of the president and members of the Management Board. In addition, the Supervisory Board approves the Management Board's business policies, financial plans, strategies and policies of risk taking and management, strategies and procedures for assessing the adequacy of internal capital, acts that establish and ensure adequate functioning of the internal control system, plans of control function operations, salary and other benefits policy, organisational structure of the Bank, and it also decides on other issues as determined by law or the Bank's internal acts.

Members of the Supervisory Board are elected i.e. appointed for a period of four years.

During 2024, the members of the Supervisory Board were:
From 1 January to 14 April 2024:
Branka Grabovac, President
Zdenka Pogarčić, Deputy President
Maruška Vizek, Member
Igor Borošak, Member
Alen Stojanović, Member

From 15 April to 26 August 2024:
Alen Stojanović, President
Branka Grabovac, Deputy President
Maruška Vizek, Member
Zdenka Pogarčić, Member
Igor Borošak, Member

From 27 August to 7 October 2024:
Alen Stojanović, President
Branka Grabovac, Deputy President
Igor Borošak, Member

From 8 October to 31 December 2024:
Alen Stojanović, President
Branka Grabovac, Deputy President
Igor Borošak, Member
Zdenka Pogarčić, Member
Danijela Miloš Sprčić, Member

During 2023, the members of the Supervisory Board were:

From 1 January to 25 July 2023:
Maruška Vizek, President
Branka Grabovac, Deputy President
Zdenka Pogarčić, Member
Ana Michieli Pavuna, Member
Igor Borošak, Member

From 26 July to 26 October 2023:
Branka Grabovac, President
Zdenka Pogarčić, Deputy President
Maruška Vizek, Member
Ana Michieli Pavuna, Member
Igor Borošak, Member

From 27 October to 31 December 2023:
Branka Grabovac, President
Zdenka Pogarčić, Deputy President
Maruška Vizek, member
Igor Borošak, member
Alen Stojanović, member.

Management Board

Competences, duties and responsibilities of the Bank's Management Board in conducting business and representing the Bank are determined by the Companies Act, the Credit Institutions Act, the Statute and the Rules of the Bank's Management Board operations.

The Management Board manages its business and manages its assets, and it has the responsibility and power to take any action and make any decision necessary for the successful management of the Bank. In managing business operations, the Management Board in particular is responsible for ensuring that the Bank operates in accordance with the rules on risk management in accordance with the Credit Institutions Act and other legislation and internally set regulations and laws; approving and regularly reviewing risk management strategies and policies, including managing risks that arise from the macroeconomic environment in which the Bank operates, and the state of the business cycle of the Bank; ensuring systematic monitoring, assessment and the strategy for maintaining or reaching the adequate amount of capital in relation to risks to which the Bank is exposed in its operations; ensuring functioning of the internal controls system for all areas of the Bank's operations; ensuring unobstructed internal audit; ensuring that the Bank keeps business and other records and business documentation, prepares accounting documents, realistically estimates assets and liabilities, prepares financial and other reports in accordance with accounting regulations and standards and the Credit Institutions Act and other regulations adopted on the basis of law; ensuring that the Bank reports and informs the Croatian National Bank in line with the Credit Institutions Act and other regulations adopted on the basis of law; and ensuring the implementation of measures ordered by the Croatian National Bank.

The Management Board consists of at least two to maximum three members, one of which is appointed as the President of the Management Board. The President and a member of the Management Board represent the Bank solely and independently.

The Bank's Management Board is appointed by the Supervisory Board for a period of not more than four years, with the option of reappointment.

The members of the Management Board during 2024 were:

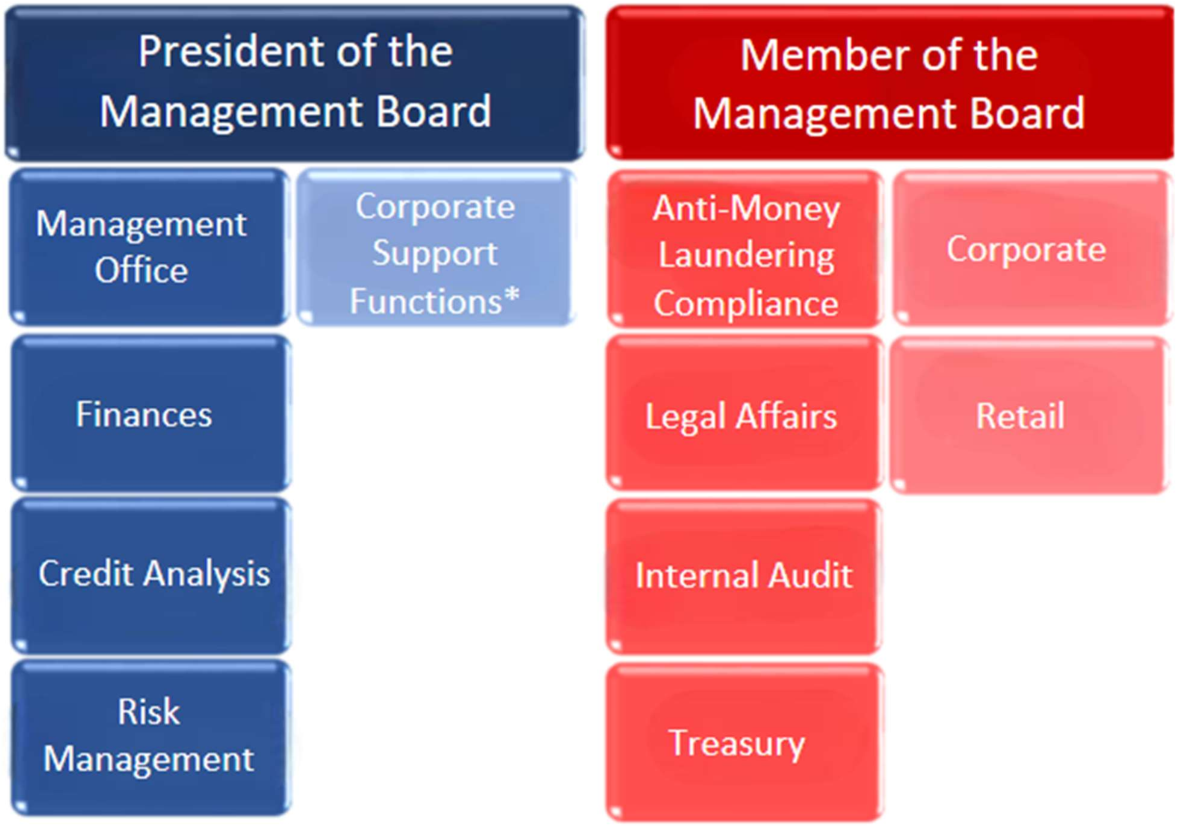
From 15 April 2024 to 31 December 2024:
Katarina Stanić – President of the Management Board
Danijel Luković – Member of the Management Board

From 1 January 2024 to 14 April 2024:

Danijel Luković – President of the Management Board
Katarina Stanić – Member of the Management Board

The members of the Management Board during 2023 were:
Danijel Luković – President of the Management Board
Katarina Stanić – Member of the Management Board

Organisational structure



*payment transactions, IT, loan administration, general affairs

Capital management

In the previous period, the Bank's owner increased its share capital on several occasions. The most recent increase was made in October 2012 in the amount of HRK 200 million (EUR 26.5 million), by converting bonds into equity bonds, representing in aggregate a hybrid instrument, i.e. supplementary capital in the amount of HRK 70 million (EUR 9.3 million) and contributing HRK 130 million (EUR 17.3 million) in cash. Similar to the previous year, in 2023 the Bank's lending activities continued to be focused on extending loans to the government and state-owned companies guaranteed by the Republic of Croatia that, under the applicable regulations, are not subject to capital requirements and still bring a satisfactory level of interest income.

As of 31 December 2024, the Bank's regulatory capital amounted to EUR 22,665 thousand and the total capital ratio was 21.42%.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted in the European Union. The significant accounting policies applied in the preparation of these financial statements are presented below. These policies have been applied consistently to all periods presented, unless otherwise stated, and are explained in Note 2 to the annual financial statements.

Basis of measurement

The annual financial statements have been prepared on the fair value basis for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities, and non-financial assets and liabilities, are recognised at amortised or historical cost.

Functional and presentation currency

The annual financial statements have been prepared in euros, which represents the primary currency of the economic environment in which the Bank operates ("functional currency") and are rounded to the nearest thousand. The reference exchange rate of the ECB was:

31 December 2024	1 EUR = 1.0444 USD
31 December 2023	1 EUR = 1.0985 USD

Other

The Bank had no significant impairments in the value of foreclosed tangible assets in 2024. The Bank continued with the ongoing process of selling foreclosed tangible assets and sold 7 additional properties in 2024.

2. SIGNIFICANT ACCOUNTING POLICIES

New and amended International Financial Reporting Standards

Standards and interpretations in effect in the current period

The following amended standards are effective from 1 January 2024, were adopted in the EU, but did not have a significant impact on the Bank:

- Amendments to IFRS 16 Leases: Lease Liabilities in Sale and Leaseback Transactions (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023).

Several new standards and interpretations have been published that are not yet in force and that the Bank has not previously adopted.

- Amendments to IAS 21 Lack of Exchangeability (issued on 15 August 2023).
- Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments

  IFRS 18 – Presentation and Disclosure in Financial Statements
  IFRS 19 – Subsidiaries without Public Accountability: Disclosures

The significant accounting policies listed below have been applied consistently for all periods included in these statements, unless otherwise stated.

Where the accounting policies coincide with the accounting principles of the International Financial Reporting Standards (hereinafter: "IFRS" or "Standards"), certain Standards may be referred to in the description of the Bank's accounting policies. Unless otherwise stated, these are the Standards that were in force on 31 December 2024.

2.1. Cash and cash equivalents

Cash and cash equivalents include cash and funds on current accounts with the Croatian National Bank with an original maturity of up to 90 days and with other banks, less provisions for impairment on a collective basis and uncollectible amounts, and instruments in the collection process.

2.2. Financial assets and liabilities

Measurement techniques

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, net of prepayments, increased or decreased by the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the amount of maturity and, in the case of financial assets, less the amount of the provision.

An effective interest rate is the rate used to discount the expected future proceeds or payments over the expected life of a financial asset or financial liability of the gross carrying amount of financial assets or the amount of the financial liability. The calculation does not consider the expected credit loss and includes transaction costs, premiums or discounts, fees and other payments and proceeds that are considered an integral part of the effective interest rate. An audit of expected future cash flows is carried out using the original effective interest rate.

Interest income and expense

Interest income is accounted for using the effective interest rate method applied to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired financial assets. For such assets, a credit-adjusted effective interest rate is used,
- Financial assets that are not purchased or originated credit-impaired financial assets but that subsequently became credit-impaired financial assets. For such assets, the effective interest rate is applied to the amortised cost of such assets in subsequent reporting periods.

The Bank calculates interest income on a net basis for financial assets allocated to Level 3 credit risk.

Initial recognition and measurement

The Bank recognises a financial asset or liability in the statement of financial position only if it becomes a party to the contractual provisions of the instrument.

The Bank initially recognises financial assets or financial liabilities at their fair value, which, in the case of financial assets or financial liabilities not designated at fair value through profit or loss, increases or decreases by transaction costs that may be directly attributed to the acquisition or issue of a financial asset or financial liability.

FINANCIAL ASSETS

The Bank classifies financial assets into three basic categories:

- assets subsequently measured at amortised cost,
- assets subsequently measured at fair value through other comprehensive income, and
- assets subsequently measured at fair value through profit or loss.

Financial assets measured at amortised cost are assets whose purpose is to collect cash flows that are solely payments of principal and interest. The carrying amount is adjusted for expected credit losses. Interest income is accounted for by applying the effective interest rate.

Financial assets measured at fair value through other comprehensive income are assets whose purpose is to collect contractual cash flows and to sell financial assets where cash flows of an asset are solely the principal and interest payments. Changes in the carrying amounts are recognised in other comprehensive income, except for gains or losses on impairment, interest income and exchange rate differences that are recognised in the statement of profit or loss. Upon derecognition of these financial assets the accumulated gains and losses previously recognised in other comprehensive income are reclassified to profit and loss, with the exception of equity instruments.

Financial assets measured at fair value through profit or loss are assets that are not measured at amortised cost or at fair value through other comprehensive income.

Business model

The Bank decides on a business model at a level that reflects the method of joint management of financial asset groups (portfolios) to achieve a specific business objective. In assessing the business model for managing financial assets the Bank relies on judgments based on the following information:

- Whether the strategic focus of management is to achieve interest income, in particular maintaining the interest rate profile, adjusting the maturity of financial assets to the maturity of the liabilities that are the source of the asset or the realisation of cash flows by selling assets,
- How to determine and report on portfolio performance,
- Risks affecting the business model's performance and how these risks are managed,
- How the managers are rewarded,
- Frequency, volume and time of sales in previous periods.

With the hold-to-collect business model for the purpose of collecting contracted cash flows or collecting cash flows and selling, the Bank estimates whether the cash flows of a financial instrument represent solely payments of principal and interest (SPPI test).

Impairment

The Bank recognises impairment allowances for the expected credit losses for the financial assets measured at amortised cost or measured at fair value through other comprehensive income and for the exposures arising from contingencies. At the reporting date, the Bank reviews whether there has been a change in the credit risk of the financial instrument after initial recognition and recognises the impairment gains or losses in profit and loss in the amount of expected losses or gains.

The measurement of expected credit losses reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money and
- reasonable and supportable information on the reporting date that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Loan modifications

The Bank sometimes modifies the contracted cash flows of customer loans. When this happens, the Bank reviews whether the new conditions differ significantly from the terms of the contract initially agreed upon. The Bank then considers different circumstances:

- If a debtor has financial difficulties, does the modification only reduce the contracted cash flows to the amounts that the debtor expects to be able to pay,
- Has a new significant term been contracted affecting the repayment of the loan, which has a significant impact on the risk profile of the loan,
- A more significant extension of the loan repayment period when the borrower has no financial difficulties,
- Significant changes in the interest rate,
- Changes in the original loan currency,
- Adding collaterals, other security instruments or credit enhancement instruments that have a significant impact on credit risk.

If the terms of the loan have changed considerably, the Bank derecognises the original loan and recognises a new loan at fair value and calculates the new effective interest rate on the loan. The date of the new contract is considered to be the date of initial recognition for the purposes of the calculation of the impairment, including any need for a significant increase in credit risk. Any difference in the carrying amount of the loan will be recognised in the statement of profit or loss as a gain or loss on derecognition.

Derecognition other than on modification

Financial assets or a portion thereof, are derecognised when the Bank loses the rights to the cash flows from a financial asset or when it transfers the financial asset in a transaction by which substantially all the risks and rewards of ownership have been transferred to another entity.

The Bank enters into transactions where it retains contractual rights to cash flows from assets but assumes a contractual obligation to pay those cash flows and transfers all of the significant risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Bank:

- has no obligation to make payments unless it collects equivalent amounts from the assets,
- is prohibited from selling or pledging the assets, and
- has an obligation to remit any cash it collects from the assets without material delay.

FINANCIAL LIABILITIES

Classification and subsequent measurement

The Bank classifies the financial liabilities and subsequently measures them at amortised cost, except for

- Financial liabilities (including derivatives) designated at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach.
- Financial guarantee contracts.

Derecognition of financial liabilities

The Bank derecognises financial liabilities only when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The difference between the carrying amount of a financial liability (or a portion of a financial liability) that has been met or transferred to another party and the consideration paid, including any non-cash transferred assets or liabilities assumed, is recognised in the statement of profit or loss.

Contingent liabilities and commitments

Financial guarantees are contracts that require the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. In the ordinary course of business, the Bank enters into arrangements by which it assumes contingent liabilities maintained on off-balance-sheet accounts and that primarily include guarantees, letters of credit and undrawn loan commitments and limits on lines of credit. Such financial commitments are recognised in the Bank's statement of financial position if and when they become payable.

Financial guarantees are initially recognised at fair value based on the amount of the consideration received that is amortised on a straight-line basis over the term of the guarantee. At the end of each reporting period, financial guarantees are measured at the higher of: a) the amount of credit loss determined based on the expected loss model and b) the remaining unamortised balance of the amount initially recognised.

2.3. Investment property

Investment property is property held by the Bank either to earn rentals or for capital appreciation purposes. Investment property is initially recognised at cost and subsequently measured at fair value. The Bank annually conducts fair value measurement on an income basis, which is performed by an independent appraiser. The purchase cost is the amount of money or cash equivalents paid, or the fair value of other consideration paid for the purpose of acquiring such property. Transaction costs are included in the initial measurement.

2.4. Property and equipment

Items of property and equipment are recognised at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to allocate the cost of assets to their residual values over their estimated useful lives. Land and assets under construction are not depreciated.

Assets' residual values, depreciation method and estimated useful life are reviewed at each reporting date and adjusted if appropriate. The carrying value of an asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its recoverable amount. Profits and losses on disposals are determined by comparing the amount collected and the carrying amount and are included in the statement of profit and loss.

Tangible assets are depreciated on a straight-line basis over their estimated useful lives as follows:

	2024	2023
Buildings	20 – 40 years	20 – 40 years
Computers	4 – 6 years	4 – 6 years
Furniture and equipment	4 – 10 years	4 – 10 years
Motor vehicles	4 years	4 years
Other tangible assets not mentioned	4 – 20 years	4 – 20 years

2.5. Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairment. Expenditure on development activities is recognised as an intangible asset if it satisfies all the requirements in accordance with IAS 38 "Intangible Assets". Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

	2024	2023
Intangible assets - software	5 – 10 years	5 – 10 years
Intangible assets (other)	4 – 10 years	4 – 6 years

2.6. Foreclosed assets

For assets acquired in lieu of uncollected receivables the Bank assesses the marketability and only marketable assets, the value of which can be measured reliably, are recognised. Such assets are stated at the lower of the cost of related outstanding receivables and the current fair value of that asset. The Bank's intention is to sell such assets as soon as possible (such assets are not depreciated). After initial recognition, foreclosed assets are subsequently measured at the lower of cost and fair value less costs to sell.

2.7. Assets held for sale

Tangible assets foreclosed in exchange for uncollected receivables are stated in the statement of financial position within assets held for sale if the following conditions are met:

- there is a sales plan, and activities are carried out to find a buyer,
- the assets are ready for sale in the present state,
- sales are highly probable,
- assets offered for sale at a reasonable price, or when the price of an asset is acceptable in relation to its market value, and it is unlikely that there will be significant deviations from the sale or resignation plan,
- sales should be completed within one year from the date of classification, unless the delay is caused by events or circumstances beyond the control of the Bank and there is sufficient evidence that it will remain in compliance with the asset sales plan.

In cases where due to the aggravating circumstances of sales caused by events or circumstances beyond the control of the Bank and there is sufficient evidence that the Bank has remained consistent with its sales plan, tangible assets foreclosed in exchange for uncollected receivables will continue to be recognised, measured and disclosed as an asset held for sale.

This asset category is initially recognised at lower of carrying value or fair value, net of estimated expected selling costs.

After initial recognition, these assets are subsequently measured at the lower of the net carrying amount and fair value less costs to sell.

If the above conditions are not met, the Bank's tangible assets foreclosed in exchange for uncollected receivables are initially recognised as foreclosed assets in accordance with International Accounting Standard 2 Inventories.

2.8. Impairment of non-financial assets

Assets measured at cost are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment and intangible assets are reviewed for impairment in the circumstances that indicate that the carrying amount of an asset may not be recoverable.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss for items of property, plant and equipment and intangible assets carried at acquisition cost.

2.9. Income and expenses from fees and commissions

Fee and commission income comprises mainly fees received from clients for loans, guarantees, letters of credit and other services provided by the Bank. Fees are recognised as income upon the maturity date of services.
Fee and commission expense consists of fees paid to licensed banks for payments services performed in the foreign exchange, as well as for the Financial Agency services (FINA) for domestic payments.

2.10. Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and if it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

The Management Board determines the adequacy of the provisions based upon reviews of individual items, current economic conditions, the risk characteristics of the various categories of transactions, as well as other relevant factors.

When an outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed. Provisions are released only for those costs in respect of which provisions are recognised at inception. The present value is calculated by applying the effective interest rate exposure on an individual basis.

2.11. Employee benefits

The Bank makes payments to the mandatory pension funds on behalf of its employees as required by law. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Bank recognises a provision for bonuses where there is a constructive obligation resulting from a contract or past practice. Furthermore, the Bank recognises accrued benefits on the basis of annual vacation days outstanding at the date of the financial statements.

In calculating provisions for termination benefits and jubilee rewards, expected future cash flows arising from the liabilities are discounted, using discount rates (six-month Euribor) that, in the opinion of the Management Board, best reflect the time value of money.

2.12. Foreign currencies

Transactions in foreign currencies are translated into EUR using the middle exchange rate of the ECB on the day of the transaction. Monetary assets and liabilities denominated in foreign currency on the date of the financial statements are translated at the exchange rate determined on the date of the financial statements. Exchange rate differences arising from translation are recognized in the statement of profit and loss. Non-monetary assets and liabilities denominated in foreign currency that are carried at fair value are translated into EUR at the exchange rate on the day their fair value is determined. Non-monetary assets and items measured at historical cost in foreign currency are translated at the exchange rate on the day of the transaction and are not translated again on the date of the statement of financial position.

Changes in the fair value of monetary items denominated in foreign currency classified as available for sale are analysed between exchange rate differences arising from changes in the amortized cost of the security and other changes in the net carrying value of the security. Exchange differences are recognized in the statement of profit or loss as part of exchange gains or losses from the revaluation of monetary assets and liabilities.

2.13. Profit tax

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

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities, based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax benefit. At each financial reporting date, the Bank reassesses unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets.

2.14. Leases

At the inception of the contract, the Bank assesses whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Bank as lessor

The accounting treatment of leases in which the Bank is the lessor distinguishes between operating and finance leases. Leases in which the Bank does not transfer a significant portion of the risks and rewards of ownership are classified as operating leases. Lease income is recognised on a straight-line basis over the lease term and included in the statement of profit or loss. The same principle applies to direct costs.

Bank as lessee

Lease liabilities

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable payments based on an index and
- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Extension and termination options are included in a number of office space and equipment leases of the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the Bank's incremental borrowing rate is used, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- uses an approach that applies a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments presented as short-term leases of equipment, and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets

The Bank leases business premises and cars. Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.
Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made before the commencement date less any lease incentives received,
- any initial direct costs, and
- any costs to be incurred to restore the underlying asset to the original condition required by the terms and conditions of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are depreciated on a straight-line basis over their estimated useful lives.

2.15. Loan liabilities

Borrowings are recognised initially at fair value, net of associated costs. Subsequent measurement is carried at amortised cost and the difference between proceeds net of transaction costs, and the amount payable at maturity is recognised in the statement of profit or loss during the term of the borrowing as interest expense.

2.16. Activities for and on behalf of third persons

The Bank manages funds for and on behalf of corporate customers. These amounts do not represent the Bank's assets and are excluded from the statement of financial position. For the services provided the Bank charges a fee which is recognised in profit or loss. Based on these charges, in 2024 the Bank generated revenue in the amount of EUR 2 thousand.

2.17. Accounting estimates and judgements in applying accounting policies

In preparing the financial statements, the Management Board is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date, as well as amounts of income and expense for the period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and information available at the date of the preparation of the financial statements, the result of which form the basis for making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they are incurred if affecting only that period or the period in which they are incurred and future periods if they impact current and future periods. An estimate of impairment losses of a portfolio exposed to credit risk and an estimate of fair value of collateral in the form of real estate as an integral part of the estimate, represent the most significant source of estimation uncertainty. This and other key sources of estimation uncertainty (provisions for legal disputes), that carry considerable risk of possible significant adjustments of assets' and liabilities' carrying value in the next business year, are described below.

2.18. Credit losses on loans and advances

The Bank monitors the creditworthiness of its clients on an ongoing basis. The need to recognise credit losses on on-balance sheet and off-balance sheet credit risk exposures is assessed on a quarterly basis. Credit losses are generally charged to the carrying amount of loans and receivables issued to retail and corporate customers and as provisions/credit losses for liabilities and charges arising from off-balance sheet risk exposures to clients, which mostly take on the form of approved, but not utilised loans, guarantees and letters of credit. In addition to individually identified impairment losses, the Bank also monitors and recognises credit losses on an ongoing basis. Credit losses on exposures to clients, together with the gross value of loans and advances for which credit losses have been recognised on an individual basis, are summarised below:

in EUR '000

	31 December 2024	31 December 2023
Credit losses on loans and advances to clients	9,140	9,912
Credit losses for off-balance sheet credit exposure	2	6
Total credit losses	9,142	9,918
Gross value of exposures for which credit losses are calculated on an individual basis	13,947	15,631

In assessing credit losses of portfolios that are assessed on a portfolio basis, the Bank seeks to collect sufficient reliable information used in the models and key model assumptions that form the basis for recognising credit losses on a portfolio basis. For more details please refer to Note 33.1. Credit risk.

2.19. Legal disputes

The Bank carries out an individual assessment of all legal disputes. As stated in Note 27, the Bank made a provision of EUR 504 thousand for principal and interest on liabilities for legal disputes (2023: EUR 604 thousand). The stated amounts represent the Bank's best estimate of losses due to legal disputes.

3. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST RATE METHOD

3.1. *Interest income calculated using the effective interest method by source*

in EUR '000

	2024	2023
Retail	4,449	3,819
Corporate	4,608	4,027
Government units	896	485
Banks and other financial institutions	1,850	1,228
Other organisations	9	10
Total	**11,812**	**9,569**

Interest income includes income from placements in default status in the amount of EUR 529 thousand (2023: EUR 244 thousand), of which EUR 419 thousand (2023: EUR 152 thousand) relates to corporate, and the remaining EUR 110 thousand (2023: EUR 92 thousand) relates to retail operations..

3.2. *Interest income calculated using the effective interest method by portfolio*

in EUR '000

	2024	2023
Financial assets at amortised cost	11,812	9,569
Total	**11,812**	**9,569**

4. INTEREST EXPENSES

4.1 *Interest expenses by source*

in EUR '000

	2024	2023
Retail	(1,626)	(318)
Non-residents	(114)	(56)
Croatian National Bank	(47)	(47)
Corporate	(184)	(100)
Banks and other financial institutions	(34)	(5)
Government units	(2)	(1)
Leases	(10)	(9)
Other organisations	(5)	(2)
Total	**(2,022)**	**(538)**

4.2. *Interest expenses by portfolio*

in EUR '000

	2024	2023
Financial liabilities measured at amortised cost	(2,022)	(538)
Total	**(2,022)**	**(538)**

5. INCOME FROM FEES AND COMMISSIONS

5.1. Income from fees and commissions by source

in EUR '000

	2024	2023
Corporate	1,019	927
Retail	883	715
Financial institutions	333	228
Non-residents	125	118
Non-profit institutions	47	43
Government units	26	20
Total	**2,433**	**2,051**

5.2. Income from fees and commissions by type

in EUR '000

	2024	2023
Payment transaction fees	678	624
Fees from guarantees and letters of credit	309	314
Account maintenance fees	333	279
Online banking fees	317	288
Income from fees - sales of third-party products	227	137
Card transaction fees	192	139
Brokerage and custodial fees	17	18
Product packages	127	76
Other commissions	233	176
Total	**2,433**	**2,051**

6. FEE AND COMMISSION EXPENSES

6.1. Fee and commission expenses by source

in EUR '000

	2024	2023
Domestic clients	(278)	(264)
Service fees and commissions to FINA	(165)	(184)
Foreign banks	(26)	(21)
Republic of Croatia	(6)	(7)
Total	**(475)**	**(476)**

6.2. Fee and commission expenses by type

in EUR '000

	2024	2023
Credit card commission	(202)	(193)
FINA's non-cash and cash payment services (clients)	(165)	(184)
Financial institutions service costs	(90)	(81)
Other commissions	(18)	(18)
Total	**(475)**	**(476)**

7. OTHER INCOME

7.1. Rental income

in EUR '000

	2024	2023
Rental income	595	588

In 2024, the Bank generated rental income from investment properties in the amount of EUR 595 thousand (2023: EUR 558 thousand).

7.2. Other operating income

in EUR '000

	2024	2023
Gain on sale of property, plant and equipment and foreclosed assets	188	383
Gain on fair value adjustment of investment property	199	5
Other income	256	226
Total	**643**	**614**

8. OTHER OPERATING EXPENSES

in EUR '000

	2024	2023
Net salaries	(2,428)	(2,205)
Contributions, taxes and surtaxes	(848)	(782)
Pension contributions	(671)	(622)
Other employee expenses	(506)	(399)
Unused vacation days (Note 27)	(29)	(9)
Total employee benefits	**(4,482)**	**(4,017)**
Depreciation and amortisation (Note 19)	**(379)**	**(357)**
Material and services	(2,604)	(2,426)
Deposits insurance premium expense	-	(115)
Rental expenses	(325)	(304)
Legal and administrative fees	(31)	(279)
Marketing	(148)	(100)
Losses of fixed tangible assets	(94)	(182)
Other	(250)	(320)
Total other operating expenses	**(3,452)**	**(3,726)**
Total	**(8,313)**	**(8,100)**

As of 31 December 2024, the Bank had 165 employees (2023: 167 employees).

Employee expenses include EUR 671 thousand (2023: EUR 622 thousand) of contributions with the prescribed amount for pension insurance paid into mandatory pension funds. Contributions are calculated as a percentage of employees' gross salaries.

In 2024, consulting services amounted to EUR 204 thousand (2023: EUR 142 thousand), and relate to the audit of annual reports, audit of information systems, audit of semi-annual reports and other intellectual services.

Due to the increase in deposits in the banking system in 2024, there was no obligation to pay a premium for insurance of savings deposits.

9. CREDIT LOSS ALLOWANCES

in EUR '000

	2024	2023
Credit losses on interest receivables (Note 17.2)	(25)	(8)
Credit losses on securities	3	21
Credit losses on other assets	11	(33)
Credit losses on loans and advances to clients (Note 17.2)	(1,166)	(799)
Credit losses on deposits with banks	-	81
Total	**(1,177)**	**(738)**

10. COSTO F PROVISIONS AND IMPAIRMENT

in EUR '000

	2024	2023
Impairment of foreclosed assets (Note 20)	(7)	(8)
Impairment of other tangible assets (Note 20)	(11)	-
Income from collection of loans written off in previous years	48	94
Provisions for contingencies (Note 27)	10	372
Provision for legal disputes against the Bank (Note 27)	(264)	(1,011)
Other provisions (Note 26)	(46)	(2)
Total	**(270)**	**(555)**

11. PROFIT TAX

in EUR '000

	2024	2023
Current profit tax	(588)	-
Deferred profit tax	5	(128)
Total profit tax	**(583)**	**(128)**

in EUR '000

	2024	2023
Profit before tax	**3,379**	**2,597**
Profit tax (18%)	608	467
Effect of items increasing tax base	102	87
Effect of items decreasing tax base	(58)	(373)
Utilisation of tax losses carried forward for which no deferred tax assets were recognised	(69)	(309)
Profit tax	**(583)**	**(128)**
Effective profit tax rate	**-17.25%**	**4.93%**

Movements in tax losses carried forward

in EUR '000

	2024	2023
Tax losses carried forward from the previous period	**(357)**	**(2,745)**
Tax loss for the period	-	-
Utilisation of tax losses	357	1,010
Expiry of tax losses available for carry forward	-	1,378
Tax loss available to carry forward in future periods	**-**	**(357)**
Deferred tax assets at 18% (2023: 18%)	-	(64)
Recognised deferred tax assets	-	-
Unrecognised deferred tax assets	-	(64)

Movements in deferred tax assets

in EUR '000

	Deferred fee income included in effective interest rate on given loans	Unrealised fair value of financial assets through OCI	Depreciation exceeding allowable tax rates	Tax loss	Total
As of 1 January 2023	**80**	**303**	**6**	**119**	**508**
Recognised in profit or loss	(3)	-	(6)	(119)	(128)
Recognised in other comprehensive income	-	(303)	-	-	(303)
As of 31 December 2023	**77**	**-**	**-**	**-**	**77**
Recognised in profit or loss	5	-			5
Recognised in other comprehensive income	**82**	**-**	**-**	**-**	**82**

12. CASH

in EUR '000

	2024	2023
Giro account	1,802	961
Cash on hand		
- EUR	3,607	2,457
- foreign currency	189	335
Cash in foreign currency accounts with domestic banks	793	620
Expected credit losses	(2)	(2)
Total	**6,389**	**4,371**

13. RECEIVABLES FROM THE CROATIAN NATIONAL BANK

in EUR '000

	2024	2023
Other deposits with the CNB		
EUR	81,152	40,109
Total	**81,152**	**40,109**

The CNB requires banks to calculate reserve requirements, which are allocated in the form of deposits with the CNB and maintained through the balances of other liquid receivables.

The reserve requirement rate as of 31 December 2024 was 1% (2023: 1%) of euro and foreign currency deposits, loans taken and debt securities issued.

As of 31 December 2023, the regulatory obligation to allocate reserve requirements was abolished and the entire reserve requirement obligation is maintained through daily balances in accounts with the Croatian National Bank.

14. PLACEMENTS WITH BANKS

in EUR '000

	2024	2023
Deposits with foreign banks	6,378	5,874
Deposits with domestic banks	263	217
Total	**6,641**	**6,091**

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in EUR '000

	2024	2023
Shares	26	26
Calculated interest	26	26
Total	**26**	**26**

The following table shows changes in financial assets at fair value through other comprehensive income during the year:

in EUR '000

	Treasury bills	Bonds	Shares	Calculated interest	Total
Balance as of 1 January 2024	**-**	**-**	**26**	**-**	**26**
Balance as of 31 December 2024	**-**	**-**	**26**	**-**	**26**

in EUR '000

	Treasury bills	Bonds	Shares	Calculated interest	Total
Balance as of 1 January 2023	**47,848**	**9,532**	**26**	**24**	**57,430**
Other (write-offs, exchange differences)	(47,848)	(9,532)	-	(24)	(57,404)
Balance as of 31 December 2024	**-**	**-**	**26**	**-**	**26**

As of 31 December 2024, the Bank pledged treasury bills and bonds with a total value of EUR 19,972 thousand (2023: EUR 19,648 thousand of treasury bills and government bonds) based on EUR 18,581 thousand of structural loans received with financial collateral from the Croatian National Bank (2023: EUR 18,581 thousand of structural loans received from the Croatian National Bank).

There were no securities received as collateral as of 31 December 2024, since there were no placements in repo loans (there was also no collateral in 2023).

Financial instruments carried at fair value are categorized into three levels of the IFRS fair value hierarchy, as follows:

- Level 1 – instruments that are valued using quoted prices in active markets. These instruments include liquid debt securities traded on active exchanges and shares in investment funds.
- Level 2 - instruments that are valued using valuation techniques that use available market data. These are instruments whose fair value is determined at the amount of similar instruments that are traded in active markets or where all the inputs used for the valuation techniques are available in the market. These instruments include less liquid debt securities valued using a model using level 1 inputs.
- Level 3 - instruments valued using valuation techniques that use market data that are not available in the market. These are instruments for which fair value cannot be determined directly by reference to available market information and for which slightly different valuation techniques are used to

calculate the value. These instruments include non-liquid debt securities and non-liquid equity securities.

The following note presents net financial assets categorised into the fair value hierarchies indicated:

in EUR '000

	31 December 2024				31 December 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Shares	-		26	26	-		26	26
Total	**-**	**-**	**26**	**26**	**-**	**-**	**26**	**26**

16. FINANCIAL ASSETS AT AMORTIZED COST

in EUR '000

	2024	2023
Treasury bills of the Republic of Croatia	3,247	7,947
Foreign government bonds	7,656	7,715
Republic of Croatia bonds	18,563	16,074
Foreign corporate bonds	33	31
Promissory notes	-	59
Expected credit losses	(6)	(1)
Accrued interest	323	296
Total	**29,816**	**32,121**

The following table shows changes in financial assets at amortized cost during the year:

in EUR '000

	Treasury bills	Bonds	Shares	Calculated interest	Total
Balance as of 1 January 2024	**7.947**	**23.820**	**58**	**296**	**32.121**
Purchase	3.154	8.719	-	-	11.873
Sale/maturity	(8.000)	(6.195)	(58)	-	(14.253)
Other (exchange rate differences, reclassification)	146	(98)	-	27	75
Balance as of 31 December 2024	**3.247**	**26.246**	**-**	**323**	**29.816**

The following note shows net financial assets categorized into the fair value hierarchies listed:

in EUR '000

	31 December 2024				31 December 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Eurobonds	26,569	-	-	26,569	24,116	-	-	24,116
Treasury bills	-	3,247	-	3,247	-	7,947	-	7,947
Bills of exchange	-	-	-	-	-	58	-	58
Total	**26,569**	**3,247**	**-**	**29,816**	**24,116**	**8,005**	**-**	**32,121**

17. LOANS AND ADVANCES TO CLIENTS

17.1. Analysis by client type

Analysis by type of client (with accrued interest and impairment for interest):

in EUR '000

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail								
Cash loans	42,739	1,298	1,626	36,903	32,333	3,460	1,110	36,903
Housing loans	8,099	223	42	8,364	7,377	273	40	7,690
Loans for agriculture	7,606	162	156	7,924	7,961	314	230	8,505
Other loans	6,642	212	204	7,058	5,188	780	37	6,005
Overdrafts on transaction accounts	3,656	39	169	3,864	2,801	551	148	3,500
Mortgage loans	2,953	0	25	2,978	2,579	158	22	2,759
Loans for tourism	402	17	118	537	546	156	-	702
Lombard loans	443	13	0	456	689	18	-	707
Margin loans	0	0	0	0	314	-	-	314
Total loans - retail	**72,540**	**1,964**	**2,340**	**76,844**	**59,788**	**5,710**	**1,587**	**67,085**
Expected credit losses (principal)	*(1,304)*	*(59)*	*(1,276)*	(2,639)	*(1,050)*	*(168)*	*(830)*	(2,048)
Expected credit losses (interest)	*(6)*	-	*(24)*	(30)	-	-	*(9)*	(9)
Total expected credit losses	*(1,310)*	*(59)*	*(1,300)*	*(2,669)*	*(1,050)*	*(168)*	*(839)*	*(2,057)*
Accrued interest	399	17	36	452	322	39	17	378
Total loans - retail, net	**71,629**	**1,922**	**1,076**	**74,627**	**59,060**	**5,581**	**765**	**65,406**
Corporate								
Syndicated loan	40,737	0	0	40,737	41,341	-	-	41,341
Investment loans	8,312	227	6,358	14,897	6,075	1,387	6,153	13,615
Loans for working capital	14,347	479	3,377	18,203	15,465	1,087	2,986	19,538
Lombard loans	6,091	-	-	6,091	33	6,094	-	6,127
Other loans	2,149	285	960	3,394	(338)	37	4,167	3,866
Overdrafts on transaction accounts	3,575	34	390	3,999	2,256	167	273	2,696
Loans for agriculture	584	6	98	688	727	-	107	834
Loans for payments made based on guarantees	-	-	101	101	-	-	101	101
Total loans - corporate	**75,795**	**1,031**	**11,284**	**88,110**	**65,559**	**8,772**	**13,787**	**88,118**
Expected credit losses (principal)	*(545)*	*(27)*	*(7,864)*	*(8,436)*	*(339)*	*(179)*	*(9,082)*	*(9,600)*
Expected credit losses (interest)	*(2)*	-	*(49)*	*(51)*	-	-	*(28)*	*(28)*
Total expected credit losses	*(547)*	*(27)*	*(7,913)*	*(8,487)*	*(339)*	*(179)*	*(9,110)*	*(9,628)*
Accrued interest	618	12	79	709	692	40	47	779
Total loans - corporate, net	**75,866**	**1,016**	**3,450**	**80,332**	**65,912**	**8,633**	**4,724**	**79,269**
Total loans (gross)	***149,352***	***3,024***	***13,739***	***166,115***	***126,361***	***14,561***	***15,438***	***156,360***
Total credit losses by loans	*(1,857)*	*(86)*	*(9,213)*	*(11,156)*	*(1,389)*	*(347)*	*(9,949)*	*(11,685)*
Total loans and advances to clients, net	**147,495**	**2,938**	**4,526**	**154,959**	**124,972**	**14,214**	**5,489**	**144,675**

As of 31 December 2024, the gross exposure per customer in default status amounted to EUR 13,739 thousand (2023: EUR 15,438 thousand), and the related credit loss amounted to EUR 9,213 thousand (2023: EUR 9,949 thousand).

17.2. Changes in credit losses

Changes in credit losses are shown as follows:

in EUR '000

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	**1,389**	**338**	**9,958**	**11,685**	**1,193**	**673**	**9,717**	**11,583**
Impact on P&L								
Net credit losses on loans and advances to clients (Note 9)	134	(6)	1,063	1,191	(97)	(240)	1,144	807
Foreign exchange differences	-	19	-	19	-	(8)	-	(8)
No impact on P&L								
Write-off	334	(246)	(1,827)	(1,739)	293	(87)	(903)	(697)
Balance as of 31 December	**1,857**	**105**	**9,194**	**11,156**	**1,389**	**338**	**9,958**	**11,685**

Regarding changes in credit losses, below is the breakdown for different types of loans within the categories Retail and Corporate:

in EUR '000

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	**1,389**	**347**	**9,949**	**11,685**	**1,192**	**657**	**9,734**	**11,583**
Retail								
Balance as of 1 January	**1,050**	**168**	**839**	**2,057**	**764**	**511**	**810**	**2,085**
Overdrafts on transaction accounts	31	(13)	9	27	35	15	12	62
Mortgage loans	6	(8)	1	(1)	15	(14)	-	1
Housing loans	12	-	(8)	4	33	(78)	(3)	(48)
Cash loans	184	(73)	427	538	240	(268)	87	59
Agricultural loans	(6)	(3)	20	11	(21)	(3)	(10)	(34)
Margin loans	(1)	-	-	(1)	-	(1)	-	(1)
Lombard loans	-	-	-	-	(8)	-	-	(8)
Tourism loans	(2)	(3)	2	(3)	3	(3)	(25)	(25)
Other loans	36	(9)	10	37	(11)	9	(32)	(34)
Balance as of 31 December	**1,310**	**59**	**1,300**	**2,669**	**1,050**	**168**	**839**	**2,057**
Corporate								
Balance as of 1 January	**339**	**179**	**9,110**	**9,628**	**428**	**146**	**8,924**	**9,498**
Overdrafts on transaction accounts	38	(7)	73	104	33	4	9	46
Loans for payments made on the basis of guarantees	-	-	23	23	-	-	-	-
Syndicated loan	(6)	-	-	(6)	(37)	-	-	(37)
Loans for working capital	63	(9)	784	838	(59)	7	54	2
Investment loans	61	(23)	212	250	(11)	20	137	146
Agriculture loans	(3)	-	-	(3)	(7)	-	-	(7)
Lombard loans	55	(122)	-	(67)	(3)	-	-	(3)
Loans for tourism	-	-	-	-	-	-	-	-
Other loans	-	9	(2,289)	(2,280)	(5)	2	(14)	(17)
Balance as of 31 December	**547**	**27**	**7,913**	**8,487**	**339**	**179**	**9,110**	**9,628**
Balance as of 31 December	**1,857**	**86**	**9,213**	**11,156**	**1,389**	**347**	**9,949**	**11,685**

17.3. Changes in gross loans and credit losses by credit risk stages

17.3.1. Changes in gross loans by credit risk changes

in EUR '000

	Stage 1	Stage 2	Stage 3	Total
On 1 January 2023	**107,187**	**20,777**	**17,209**	**145,173**
From Stage 1 to Stage 2	(2,670)	2,670	-	-
From Stage 1 to Stage 3	(1,131)	-	1,131	-
From Stage 2 to Stage 1	7,704	(7,704)	-	-
From Stage 2 to Stage 3	-	(580)	580	-
From Stage 3 to Stage 2	-	1,117	(1,117)	-
Newly approved loans	84,892	-	-	84,892
Derecognition of assets	(69,621)	(1,719)	(2,365)	(73,705)
On 31 December 2023	***126,361***	***14,561***	***15,438***	***156,360***
On 1 January 2024	***126,361***	***14,561***	***15,438***	***156,360***
From Stage 1 to Stage 2	(1,525)	1,525	-	-
From Stage 1 to Stage 3	(853)	-	853	-
From Stage 2 to Stage 1	10,258	(10,258)	-	-
From Stage 2 to Stage 3	-	(977)	977	-
From Stage 3 to Stage 2	-	299	(299)	-
Newly approved loans	45,255	-	-	45,255
Derecognition of assets	(30,144)	(2,126)	(3,230)	(35,500)
On 31 December 2024	***149,352***	***3,024***	***13,739***	***166,115***

Note: The above amounts do not include interest receivable.

17.3.2. Changes in credit losses by credit risk stages

in EUR '000

	31 December 2024				**31 December 2023**			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail								
From Stage 1 to Stage 2	-	12	-	12	-	2	-	2
From Stage 1 to Stage 3	-	-	207	207	-	-	110	110
From Stage 2 to Stage 1	(73)	-	-	(73)	(251)	-	-	(251)
From Stage 2 to Stage 3	-	-	135	135	-	-	178	178
From Stage 3 to Stage 2	-	(120)	-	(120)	(22)	(39)	-	(61)
Newly approved loans	485	-	-	485	422	-	-	422
Derecognition and changes in provisions	188	125	(517)	)204)	(648)	90	365	(193)
Corporate								
From Stage 1 to Stage 2	-	(4)	-	(4)	-	(22)	-	(22)
From Stage 1 to Stage 3	-	-	68	68	-	-	54	54
From Stage 2 to Stage 1	(90)	-	-	(90)	(3)	-	-	(3)
From Stage 2 to Stage 3	-	-	149	149	-	-	14	14
From Stage 3 to Stage 2	-	-	-	-	-	(195)	-	(195)
Newly approved loans	(182)	-	-	(182)	720	-	-	720
Derecognition and changes in provisions	(195)	(18)	1,021	808	(315)	(75)	420	30
Foreign exchange differences	-	-	19	19	-	-	(9)	(9)
Total (impact on P&L)	**133**	**(5)**	**1,082**	**1,210**	**(97)**	**(239)**	**1,132**	**796**

During 2024, the Bank did not sell loans in default status granted to legal entities and individuals (2023: gross amount of loans sold amounted to EUR 516 thousand).

18. INVESTMENT PROPERTY

in EUR '000

	2024	2023
Investment property	4,957	4,758
Total	**4,957**	**4,758**

The contract with the lessee was concluded for an indefinite period and due to the very good business relationship over many years and the attractiveness of the location itself, the Bank does not expect it to be terminated in the next 5 years. In accordance with the current contract, the Bank is not obliged to invest in the premises and there were no costs on this basis. In 2024, the Bank increased the value of the aforementioned property in accordance with the new assessment of its market value. The property is encumbered by a legal dispute that prevents free disposal of the property in terms of sale.

Presentation of changes in fair value:

in EUR '000

Balance on 1 January 2024	**4,758**
Change in fair value	199
Balance on 31 December 2024	**4,957**

Overview of the sensitivity of real estate price changes by 1%:

in EUR '000

	31.12.2024		31.12.2023	
	Decrease	Increase	Decrease	Increase
Investment property	(50)	50	(48)	48

18.1. Fair value hierarchy

in EUR '000

	Level 1	Level 2	Level 3	Total
1 January 2024				
Investment property	-	-	4,957	4,957
Total	-	-	4,957	4,957

in EUR '000

	Level 1	Level 2	Level 3	Total
1 January 2023				
Investment property	-	-	4.758	4.758
Total	-	-	4.758	4.758

Shown in Level 3 due to the use of the valuation and judgment of an independent appraiser, whose valuation is based on the income method.

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

in EUR '000

	Land and buildings	Furniture and vehicles	Equipment and other tangible assets	Tangible assets under construction	Right-of-use assets	Total tangible assets	Software	Other	Total intangible assets	Total
Purchase value										
Balance as of 1 January 2023	**1,674**	**442**	**1,912**	**2**	**858**	**4,888**	**3,713**	**343**	**4,056**	**8,944**
New acquisitions	-	8	99	6	206	319	269	132	401	720
Transfer from account during the year	-	-	-	-	(22)	(22)	32	(32)	-	(22)
Disposals and sales	(235)	(57)	(333)	-	-	(625)	(221)	(52)	(273)	(898)
Balance as of 31 December 2023	**1,439**	**393**	**1,678**	**8**	**1,042**	**4,560**	**3,793**	**391**	**4,184**	**8,744**
Balance as of 1 January 2024	**1,439**	**393**	**1,678**	**8**	**1,042**	**4,560**	**3,793**	**391**	**4,184**	**8,744**
New acquisitions		12	154	1	3	170	376	99	475	645
Transfer from account during the year	-	-	-	(6)	-	(6)	-	(12)	(12)	(18)
Disposals and sales	-	(16)	(922)	-	-	(938)	(93)	(8)	(101)	(1,039)
Balance as of 31 December 2024	**1,439**	**389**	**910**	**3**	**1,045**	**3,786**	**4,076**	**470**	**4,546**	**8,332**
Value adjustment										
Balance as of 1 January 2023	**1,281**	**409**	**1,728**	**-**	**587**	**4,005**	**3,134**	**259**	**3,393**	**7,398**
Depreciation for 2023	27	10	34	-	143	214	93	50	143	357
Disposals and sales	(167)	(56)	(329)	-	-	(552)	(220)	(52)	(272)	(824)
Balance as of 31 December 2023	**1,141**	**363**	**1,433**	**-**	**730**	**3,667**	**3,007**	**257**	**3,264**	**6,931**
Depreciation for 2024	24	11	58	-	137	230	125	24	149	379
Disposals and sales	-	(15)	(916)	-	-	(931)	(93)	2	(91)	(1,022)
Balance as of 31 December 2024	**1,165**	**359**	**575**	**-**	**867**	**2,966**	**3,039**	**283**	**3,322**	**6,288**
Net carrying value as of 31 December 2023	**298**	**30**	**245**	**8**	**312**	**893**	**786**	**134**	**920**	**1,813**
Net carrying value as of 31 December 2024	**274**	**30**	**335**	**3**	**178**	**820**	**1,037**	**187**	**1,224**	**2,044**

During the year, the Bank disposed of certain assets from property and equipment with a purchase value of EUR 937 thousand (2023: EUR 389 thousand) and sold a portion of them for EUR 1 thousand (2023: EUR 235 thousand).

As of 31 December 2024, the Bank did not have any assets in its possession that it had pledged as collateral. The same applies for 2023.

The amount of assets in use that were fully depreciated as of 31 December 2024 amounted to EUR 1,095 thousand (2023: EUR 1,414 thousand).

20. FORECLOSED ASSETS

Changes in foreclosed assets for uncollected receivables are as follows:

in EUR '000

	2024	2023
As of 1 January	713	770
Increase based on assets foreclosed	525	65
Decrease due to impairment (Note 10)	(7)	(8)
Decrease due to sale of foreclosed assets	(51)	(114)
Total	**1,180**	**713**

In 2024, the Bank sold EUR 51 thousand (2023: EUR 114 thousand) of foreclosed assets, resulting in a gain on sale of EUR 94 thousand (2023: EUR 383 thousand).

Overview of sensitivity to changes in real estate prices for 1%:

in EUR '000

	31.12.2024		31.12.2023	
	Decrease	Increase	Decrease	Increase
Foreclosed assets	(12)	12	(7)	7

21. OTHER ASSETS

in EUR '000

	2024	2023
Financial assets		
Receivables from clients	211	196
Fee and commission receivables	256	236
Receivables for purchase proceeds deposited in court by third parties	2	2
Impairment for expected credit losses on financial assets	(90)	(70)
Non-financial assets		
Receivables from the state	2,297	2,297
Receivables from employees on other grounds	546	546
Other receivables	548	487
Receivables from domestic legal entities based on paid legal costs	73	69
Impairment for expected credit losses on non-financial assets	(1,044)	(1,091)
Total	**2,799**	**2,672**

22. LIABILITIES TO BANKS

in EUR '000

	2024	2023
Demand deposits		
- euros	371	424
- foreign currencies	13	12
Total demand deposits	384	436
Total	**384**	**436**

23. DEMAND DEPOSITS

in EUR '000

	2024	2023
Demand deposits retail		
- euro	48,079	43,004
- foreign currency	3,638	2,085
Total retail	**51,717**	**45,089**
Demand deposits corporate		
- euro	68,269	34,242
- foreign currency	548	656
Total corporate	**68,817**	**34,898**
Demand deposits of financial institutions		
- foreign currency	148	280
Total financial institutions	**148**	**280**
Demand deposits of state and other institutions		
- euro	7,885	5,973
- foreign currency	43	92
Total state and other institutions	**7,928**	**6,065**
Limited deposits		
- euro	3,667	3,692
Total limited deposits	**3,667**	**3,692**
Deposits of foreign persons		
- euro	3,343	3,901
- foreign currency	1,012	1,101
Total foreign persons	**4,355**	**5,002**
Total	**136,632**	**95,026**

24. TERM DEPOSITS

in EUR '000

	2024	2023
Deposits retail		
- euro	83,246	75,110
- foreign currency	2,321	3,006
Total retail	**85,567**	**78,116**
Deposits corporate		
- euro	13,245	14,034
Total corporate	**13,245**	**14,034**
Deposits of the state and other institutions		
- euro	433	544
Total state and other institutions	**433**	**544**
Deposits of foreign persons		
- euro	6,393	6,187
- foreign currency	30	30
Total foreign persons	**6,423**	**6,217**
Accrued interest	**694**	**387**
Total	**106,362**	**99,298**

25. LIABILITIES UNDER RECEIVED LOANS

in EUR '000

	2024	2023
Croatian National Bank	18,581	18,581
Domestic banks	1,021	98
Accrued interest	210	163
Total	**19,812**	**18,842**

26. FINANCIAL LIABILITIES

in EUR '000

	2024	2023
Financial liabilities		
Trade payables	265	240
Fees and commissions payable	21	19
Other liabilities	39	38
Non-financial liabilities		
Liabilities to employees	414	386
Deferred income and accrued expenses	219	308
Other liabilities	1,377	947
Total	**2,335**	**1,938**

Lease liabilities reported within Other liabilities are presented as follows:

in EUR '000

	2024	2023
Lease liabilities		
- current	126	139
- non-current	59	182
Total	**185**	**321**

Liabilities from financial instruments relate to deposits from banks and clients and other borrowings.

in EUR '000

	Liabilities from financial instruments	Lease liabilities	Total debt	Cash and cash equivalents	Net debt
As of 1 January 2023	**(18,839)**	**(281)**	**(19,120)**	**39,732**	**20,612**
New leases/new borrowings	-	(206)	**(206)**	-	(88)
Cash flow	(3)	166	**163**	(29,270)	**(29,107)**
As of 31 December 2023	**(18,842)**	**(321)**	**(19,163)**	**10,462**	**(8,701)**
As of 1 January 2024	**(18,842)**	**(321)**	**(19,163)**	**10,462**	**(8,701)**
New leases/new borrowings	-	(3)	(3)	-	(3)
Cash flow	(970)	138	(832)	2,568	1,736
As of 31 December 2024	**(19,812)**	**(186)**	**(19,998)**	**13,030**	**(6,968)**

27. PROVISIONS

in EUR '000

	2024	2023
Provisions for legal disputes	504	604
Provisions for contingent liabilities and commitments	464	474
Provisions for unused vacation days, severance pay and other rewards	44	15
Other provisions	147	92
Total	**1,159**	**1,185**

Changes in provisions are shown as follows:

in EUR '000

	2024	2023
As of 1 January	**1,185**	**3,807**
Reversal of provisions for legal disputes against the bank (Note 10)	(47)	-
New provisions for legal disputes (Note 10)	280	1,011
Changes in provisions for contingent liabilities and commitments (Note 10)	(10)	(371)
Cost of provisions for termination benefits, etc. (Note 8)	29	(12)
Changes in other provisions	77	18
Changes in payments made under legal disputes	(333)	(3,258)
Changes in payments made under termination benefits	(22)	(10)
As of 31 December	**1,159**	**1,185**

In respect of legal disputes against the Bank during 2024, an amount of EUR 333 thousand was paid against provisions (2023: EUR 3,258 thousand). The total amount of legal disputes against the Bank as of 31 December 2024 is EUR 504 thousand (31 December 2023: EUR 604 thousand).

Provisions for off-balance sheet credit risk exposure and legal proceedings are recognised through other impairment losses and provisions in the statement of profit or loss (Note 10).

28. CAPITAL

As of 31 December 2024 and 2023, the sole shareholder of the Bank is the Croatian Deposit Insurance Agency, owned by the Republic of Croatia, so the Bank's ultimate owner is the Republic of Croatia.

Share capital amounts to EUR 62,990.24 thousand (2023: EUR 62,990.24 thousand).

29. OFF-BALANCE SHEET EXPOSURES

in EUR '000

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Guarantees	14,726	14	79	14,819
Revolving loans	8,855	56	2	8,913
Other common risk-bearing off-balance sheet items	10,026	-	-	10,026
Total	**33,607**	**70**	**81**	**33,758**

in EUR '000

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Guarantees	14,999	117	79	15,195
Revolving loans	6,480	240	1	6,721
Other common risk-bearing off-balance sheet items	10,324	125	285	10,734
Total	**31,803**	**482**	**365**	**32,650**

The item "Other common risk-bearing off-balance sheet items" relates to liabilities based on the payment of approved but unused amounts of the framework that clients can use in the form of various types of products (credit, guarantee, and letter of credit).

30. LEGAL DISPUTES

The Bank is currently involved in 39 legal disputes in which the Bank is a defendant.

In accordance with the internal act and legal regulations, the Bank estimates the possible outflow of cash for disputes for which there is a risk of loss and estimates and forms the corresponding provisions.

As of 31 December 2024, provisions for losses from legal disputes against the Bank amounted to EUR 504 thousand (EUR 604 thousand in 2023).).

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of preparing the cash flow statement are presented in the table below:

in EUR '000

	2024	2023
Cash on hand and on current accounts with banks (Note 12)	6,391	4,373
Balances with other banks with maturities up to 3 months (Note 14)	6,641	6,091
Total	**13,032**	**10,464**
Expected credit losses (Note 12)	(2)	(2)
Total	**13,030**	**10,462**

32. RELATED PARTY TRANSACTIONS

The Bank is owned (100%) by the Croatian Deposit Insurance Agency (CDIA). The Bank considers to be directly related to its shareholder, Supervisory Board and Management Board members and other executives (jointly referred to as "the key management personnel"), their close family members, companies under joint control or under significant influence of Management Board members, key management personnel or their close family members or companies in which the above persons have significant voting rights, directly or indirectly, in accordance with the definition of related parties provided in International Accounting Standard 24 "Related Party Disclosures" (IAS 24). Key management personnel includes members of the Management Board and the Supervisory Board, directors of Sectors and directors of control functions. As of 31 December 2024, key management personnel comprised 19 employees (2023: 19 employees).

The balances of assets and liabilities as well as income and expenses as of 31 December 2024 and 31 December 2023 and for the years then ended resulting from key transactions with related parties are as follows:

in EUR '000

2024	Receivables	Liabilities	Income	Expenses
CDIA (sole shareholder)	1	234	1	-
Key management				
Short-term (demand deposits, bonuses, salaries, benefits)	9	80	2	643
Pension contributions	-	-	-	121
Long-term (loans, term deposits and other)	175	194	7	1
State in narrow and broad definitions	75,130	25,163	3,550	323
Total	**75,315**	**25,671**	**3,560**	**1,088**

in EUR '000

2023	Receivables	Liabilities	Income	Expenses
CDIA (sole shareholder)	17	118	1	-
Key management				
Short-term (demand deposits, bonuses, salaries, benefits)	7	192	1	599
Pension contributions	-	-	-	116
Long-term (loans, term deposits and other)	162	100	7	-
State in narrow and broad definitions	79,492	21,477	3,222	281
Total	**79,678**	**21,887**	**3,231**	**996**

Key management

Key management does not own Bank shares. Loans and receivables from clients include EUR 183 thousand (2023: EUR 168 thousand) related to loans granted to key management. During the year, the Bank collected interest in the amount of EUR 7 thousand (2023: EUR 7 thousand) based on loans and receivables from key management that were approved at annual interest rates of 3.55%-4.51% (2023: from 2.53%-4.07%). The amount of current accounts and customer deposits includes EUR 194 thousand of time deposits of key management (2023: EUR 100 thousand). On this basis, during 2024 the Bank paid interest in the amount of EUR 1 thousand (2023: EUR 0,4 thousand), with annual interest rates of 0.15% - 3.05% (2023: 0.05% - 3.10%).

The costs of the Supervisory Board in 2024 amounted to EUR 577 thousand (2023: EUR 56 thousand).

State in narrow and broad definition

Transactions with the state in narrow and broad definition comprise transactions with:

- the Central Government
- local governments
- public non-financial companies
- public insurance companies and pension funds
- public auxiliary financial institutions
- other public monetary financial institutions
- other public financial intermediaries.

Most significant receivables from the state in narrow and broad definition are as follows:

As of 31 December 2024, exposure to the state in the narrow and broad sense consists of exposure to the state-owned company Hrvatske autoceste d.o.o. in the amount of EUR 41,249 thousand (2023: EUR 41,939 thousand) based on receivables under a syndicated loan.

Exposure to the company HŽ Cargo amounts to EUR 0 thousand (in 2023: EUR 3,420 thousand). During 2024, receivables from the company HŽ Cargo were taken over by the Ministry of Finance of the Republic of Croatia. Receivables from the company Borovo d.d. amount to EUR 6,283 thousand (2023: EUR 6,639 thousand). Receivables from the company Đuro Đaković group amount to EUR 0.4 thousand (2023: EUR 62 thousand).

The Bank is exposed to the Ministry of Finance based on listed bonds of the Ministry of Finance in the amount of EUR 18,871 thousand (2023: EUR 16,362 thousand), based on issued treasury bills of the Ministry of Finance in the amount of EUR 3,247 thousand (2023: EUR 7,947 thousand), and based on receivables taken over from HŽ Cargo in the amount of EUR 2,096 thousand.

The restricted deposit of the Ministry of Finance amounts to EUR 2,000 thousand (2023: EUR 2,000 thousand).

The Restructuring Centre has EUR 3 thousand in its transaction account with the Bank as of 31 December 2024 (2023: EUR 4 thousand).

The Bank's shareholder, the Croatian Deposit Insurance Agency, has EUR 234 thousand in its transaction account as of 31 December 2024 (2023: EUR 118 thousand).

As of 31 December 2024, the Bank has a liability to the Croatian Bank for Reconstruction and Development based on loans received (lending to clients in cooperation with CBRD) in the amount of EUR 1,019 thousand (the balance as of 31 December 2023 was EUR 98 thousand).

All of the above significant transactions related to the state and state-owned enterprises were concluded according to market principles.

The most significant income and expenses from the state in the narrow and broad sense are as follows:

The income recognized in the statemen of profit or loss in 2024 that are treated as key transactions are:

- income from loans to Hrvatske autoceste in 2024 amounts to EUR 2,165 thousand (2023: EUR 2,007 thousand)
- income from loans to HŽ Cargo in 2024 amounts to EUR 13 thousand (2023: EUR 187 thousand)
- income from securities of the Republic of Croatia amounts to EUR 737 thousand (2023: EUR 443 thousand)

Expenses recognized in the statement of profit or loss that are treated as key transactions are:

- expenses of loans received from CBRD in 2024 in the amount of EUR 34 thousand (2023: EUR 4 thousand)
- in 2024, costs according to CDIA, which primarily relate to expenses euros (2023: EUR 115 thousand

Off-balance sheet contingent liabilities to key management personnel and the state in narrow and broad definition:

in EUR '000

31 December 2024	Key management personnel	State in narrow and broad definition
Framework loans and other off-balance-sheet items	39	1,297

in EUR '000

31 December 2023	Key management personnel	State in narrow and broad definition
Framework loans and other off-balance-sheet items	39	5,035

The Bank has the largest off-balance sheet exposure in the Government group in the narrow and broad sense to the client Borovo d.d. in the amount of EUR 385 thousand (2023: Đuro Đaković Specijalna Vozila d.d. in the amount of EUR 3,541 thousand). All exposures presented in this note are on a gross basis (before impairment for credit losses).

33. RISK MANAGEMENT POLICIES

Details on the Bank's exposure to risks and methods the Management Board applies for risk control are described below. The most significant types of financial risks the Bank is exposed to are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and price risk.

33.1. Credit risk

In its business activities the Bank is continuously exposed to credit risk arising from its lending and investing and in cases where it acts as an intermediary on behalf of customers or other third parties.

The Bank's primary exposure to credit risk arises from loans and receivables from clients and banks and investment securities. In addition, the Bank is exposed to credit risk on its off-balance sheet items, reflecting its commitments under undrawn loans and guarantees issued.

Credit risk is the greatest individual risk arising from the Bank's operations; therefore, all organisational units and functions of the Bank monitor the risk closely. Credit risk management and control are centralised in the Risk Management Department which regularly reports to the Management Board, other bodies of the Bank, the Supervisory Board and senior management.

For the purpose of credit risk management, the Bank has spread its principal credit risk management activities over the following processes:

- loan approval
- loan monitoring
- loan portfolio analysis
- non-performing loans
- early warning of increased credit risk
- loan classification according to risk degrees.

Establishing appropriate relations between the individual processes is a particularly important process, as it helps prevent any process overlaps and misalignment and establishes the necessary level of segregation of duties and responsibilities for the processes. Organisational responsibilities for credit risk management are divided among the responsibility structures of sales and back-office/organisational units/functionalities, among control and management functions, and operational support, and are additionally positioned for all credit risk management segments, including:

- risk identification,
- risk measurement and assessment,
- risk management,
- risk controls and risk reporting.

Loan analysis is organisationally placed within the Credit Analysis Department whose scope of responsibilities directly affect the credit risk management, primarily in developing analyses and opinions regarding the Bank's credit risk appetite, which includes the following sub-processes:

- Providing opinion on new credit placements
- Providing opinion on proposals for changes in conditions of existing placements
- Analysing the viability of proposed renewal and restructuring of the existing placements
- Periodic reviews of all existing placements

In analysing placements that belong to the credit risk management area, the Credit Analysis Department also estimates the acceptability of credit risk by individual placements, in accordance with the standards and criteria of best banking practice, i.e. application of the effective (external and internal) normative regulations. It communicates its views/principles of assessing the credit risk acceptability to decision-making individuals and bodies responsible for loans.

Further responsibilities of staff engaged in loan analysis include monitoring credit risk exposure, including the early warning of increased credit risk. The duties and responsibilities of the Credit Analysis Department include the credit portfolio control activity, which ensures, in cooperation with other organisational units at the Bank, timely identification of customers with potential risk. Such an approach involves a complex management of business relations with customers aiming at decreasing credit risk costs and improving the quality of the Bank's credit portfolio. Credit risk control is based on an individual approach to the credit risk assessment specifically tailored to individual client, including identification of clients with a potential risk, analysis and classification of clients with potential risk, determining the form and manner of managing business relations with clients, and follow-up. Special attention is paid to managing exposures to related parties by reference to the effective organisational normative and operational rules, as well as other aspects of credit risk exposure defined by the Credit Institutions Act and the related by-laws and internal acts governing its implementation.

33.1.1. Credit risk management

The expected credit losses are calculated as a multiple of PD (Probability of Default), Loss Given Default (LGD) and Exposure at Default (EAD) over the remaining expected life of the financial asset and are discounted at the reporting date at the effective interest rate for exposures with a significant increase in credit risk (Stage 2 Contracts). On the other hand, for exposures classified as Stage 1, the expected credit loss is calculated over a one-year period, i.e. the expected credit loss of 1 year is estimated.

Increase in credit risk since initial recognition

Significant increase in credit risk since initial recognition

Observable impairment factors

STAGE 1 ***Performing***	***STAGE 2*** ***Underperforming***	***STAGE 3*** ***Non-performing***
• 12-month expected • Credit losses • Initial recognition • Credit quality has not deteriorated significantly	• Lifetime expected credit losses • Significant increase in credit risk since initial recognition	• Lifetime expected credit losses • Impairment of financial assets

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers quantitative and qualitative information and expert credit assessments based on historical experience. For the purpose of proper allocation of income-based exposures, criteria for determining a significant increase in credit risk (transition from Stage 1 to Stage 2) were defined:

- If the debtor defaults on payment of due exposures for more than 30 days but does not exceed a period of 90 days. This provision does not apply to exposures to the central government and other exposures for which the Bank can prove that a 30-day default is not a relevant indicator;
- The debtor has Watch-list monitoring status and days past due do not exceed 90 days;
- The debtor meets the preservation criterion (in line with internal segmentation, for natural persons if continuous preservation exceeds 10 days, and for others if continuous preservation exceeds 15 days) and the number of days past due does not exceed 90 days.

In addition to assessing the risk of default, the Bank also defines the default status. It is considered that the status of default of a particular debtor (Stage 3) has occurred when one of the following conditions or both of the following conditions have been met:

- the Bank considers it likely that the debtor will not fully meet its obligations, not considering the possibility of recovery from the collateral;
- if the debtor is more than 90 days past due
- The debtor has Watch II or Exit monitoring status

Exceptionally, for the exposures from the retail exposures category the Bank assesses the default status based on an individual product and if it has a balance sheet exposure towards a debtor with the default status and the gross carrying amount of exposure with the default status accounts for more than 20% of gross carrying amount of all balance sheet exposures to that debtor, all on-balance sheet and off-balance sheet exposures by all products of that debtor are considered to be in default.

When defining the default status, the Bank uses objective evidence of partial or complete irrecoverability of placements.

The following is considered as objective evidence of partial recoverability of placements:

- observable significant financial difficulties of the debtor;
- if the debtor is in default for more than 90 days or in the event of a frequent delinquency in interest and/or principal payments or failure to perform other contractual provisions;
- if the Bank makes a payment on the given guarantees and the debtor does not settle the obligation within 90 days;
- if cash flows from operations and secondary sources (insurance instruments) are not sufficient to settle the contractual obligations, considering the timeliness of settlement (days past due);
- if the debtor requires exposure restructuring, write-offs of liabilities and other actions that result in the decrease of the client's original liabilities

The following is considered to be objective evidence of total irrecoverability/loss:

- bankruptcy, liquidation or termination of business for other reasons, while at the same time the Bank has no recognised and separate satisfaction and/or exclusion rights over the assets of the debtor or other collaterals, and it is estimated that the Bank cannot expect to collect a portion of its receivables due to the debtor's insufficient funds and/or the recovery priority order in bankruptcy proceedings;
- if the debtor is in continuous default for more than 365 days, and the Bank does not have adequate collaterals;
- if the placement is the subject of a legal dispute for which it is presumed that the Bank could lose it in its entirety.

In order to determine the increased credit risk in addition to the quantitative indicators, the Bank conducts a placement monitoring process and a system of early increased credit risk detection for the purpose of timely identification of clients with increased risk exposure and for the purpose of establishing adequate placement / client monitoring at an already established increased degree of risk, all in order to avoid and/or reduce potential losses on placements.

The following monitoring statuses (risk zones) were established for the placement/client portfolio:

- STANDARD - standard exposure - monitored every 12 months, with the exception of the Financial Markets Sector for which exposure is monitored every 3 months
- WATCH I - potentially problematic exposure or exposure that requires increased monitoring due to the amount of exposure - monitored within a year, every 3 to 9 months,
- WATCH II - problematic exposure of partially or completely non-performing placements with the possibility of collection or exposure requiring enhanced monitoring) - monitored within a year, every 3 to 9 months,
- EXIT - problematic exposure where the Bank exits from a business relationship with a client - exposure is monitored every 3 months,
- NO MONITORING NECESSARY - the exposure for which a special monitoring status is assigned, i.e. the exposure is not included in further monitoring.

Additionally, for the purpose of defining UTP criteria (probability that the debtor will not fully meet its obligations) related to ESG risks, in addition to continuous analyses, the Bank will also carry out necessary analyses in the area of ESG risks, which will indicate whether there is a need to introduce new UTP criteria.
When classifying exposures/debtors, the Bank considers qualitative and quantitative data on environmental risks. As part of the aforementioned process, the Bank includes the results of analyses of historical defaults and their connection with environmental risks. If it is determined that environmental risks have caused the default of certain activities, during the classification they will be approached with increased attention and, if necessary, a worse monitoring status will be added.

Expected credit loss measurement

The key inputs for measuring the expected credit loss are the following variables:

- PD - probability of default
- LGD - loss given default
- EAD - exposure at default

Expected credit losses for the exposures (ECL) in Stage 1 are calculated by multiplying the 12-month PD with LGD and EAD.

Lifetime expected credit losses are calculated by multiplying the lifetime PD with LGD and EAD and discounting it at the reporting date.

Probability of default (PD) i.e. the probability of a transition from a performing to the non-performing status.

The basis for estimating *lifetime PD* is the empirical default rate. The empirical *default rates* and consequently the estimated *lifetime PDs* are calculated at the segment level:

- Corporate
- SME
- Retail
- Public sector
- Financial institutions
- Retail Overdraft

The Bank calculates the exposure at default (EAD):

- For products with cash flows (mortgages, long-term loans, investment loans, bonds...) EAD is calculated based on cash flows received from repayment plans.

For other products with no cash flow the CFF factor 1 applies.

33.2. Credit risk measurement

Loans and receivables (including contingent liabilities)

The Bank assesses the probability of default by individual clients using internal assessment tools created for all categories of customers.

Loans and contingent liabilities are classified into the following two key categories:

1.1. fully recoverable loans– placements assessed as fully recoverable (principal and interest) or contingent liabilities that are not expected to result in an outflow of the Bank's resources or if there is an outflow that will be fully recovered. The Bank allocates these placements to the following sub-categories:

- Stage 1; if after initial recognition the credit risk of a certain exposure of the debtor has not increased significantly,
- Stage 2; if after initial recognition the credit risk of a certain exposure of the debtor has increased significantly.

1.2. partly recoverable and fully irrecoverable loans (Stage 3) – loans assessed as not recoverable at contractual amounts (principal and interest), or contingent liabilities expected to result in an outflow of the Bank's resources in excess of the estimated recoverable amount and loans assessed as fully irrecoverable or insignificantly recoverable or contingent liabilities expected to result in an outflow of the Bank's resources assessed as fully irrecoverable.

Managing credit risk of a portfolio of workout or non-performing (bad) loans is the responsibility of a separate unit within the Bank which is in charge of working out such debt (Risk placement management team), both for legal entities and natural persons. These activities are primarily aimed at realising positive effects of the implementation of various forms of financial consolidation of clients' business, including various forms of prolongation, renewal or restructuring of loans with the aim of their recovery and realisation of the maximum possible level of receivables collection and improvement in the credit and guarantee portfolio of the Bank, as well as cases of full or partial stabilisation of the clients' business by taking consolidation measures, enabling the inclusion of such loans in "performing" ones.

The Risk Management Department estimates future cash flows from non-performing loans on the basis of which provisions for impairment are determined. Such assessment is prepared for all loans managed.

In accordance with the provisions of IFRS 9 for performing loans the Bank appropriately impairs and provides for exposures equalling the following:

- 12-month expected credit losses for Stage 1 loans,
- lifetime expected credit losses for Stage 2 loans.

The Bank makes provisions for expected credit losses on loans and their impairment as follows:

a) on an individual basis for Stage 3 placements, for loans classified in the "large loans portfolio"
b) on a collective basis for Stage 1 and 2 placements which belong to the "big loans portfolio", "small loans portfolio" and overdrafts on current accounts

The small loans portfolio comprises the total Bank's exposure to one person or a group of related persons that is not individually significant, i.e. at the date of assessment does not exceed EUR 33,180. Thereby the total exposure amount includes all active balance sheet and off-balance sheet items that are subject to classification into stages.

The large loans portfolio (Stages 1 and 2 – not individually significant exposure, Stage 3 - individually significant exposure), comprises the total exposure to one person or a group of related persons whose total historical exposure at the date of assessment exceeds EUR 33,180.

The credit risk assessment on an individual basis is a separate estimation of future cash flows and determining the existence or non-existence of expected credit losses for each individual loan and each individual off-balance sheet liability that the Bank is obliged to apply in assessing loans and off-balance sheet liabilities that are an integral part of individually significant exposure.

Credit risk assessment on a collective basis is a collective estimation of future cash flows and determining the existence or non-existence of expected credit losses for groups with similar characteristics of credit risk and off-balance sheet liabilities, and is performed in the following cases:

- in assessing expected credit losses for loans included in the Stage 1 and 2 of large loans portfolio, small loans portfolio and overdrafts on current accounts.

The credit risk exposure is also managed by a regular analysis of the ability of the existing clients and potential clients to settle their liabilities of repaying interest and principal and by changing credit limitations where necessary. Further specific measures for credit risk control and mitigation are stated below

33.3. Risk limit control and mitigation policies

(a) Insurance instruments

The Bank uses policies of insurance instruments for receivables that prescribe the main rules aimed at minimising the risk from credit operations. Insurance instruments for receivables represent the secondary collection source, while the clients' operations and their ability to generate sufficient cash funds for settling financial liabilities are the primary source of collecting the Bank's receivables. The rules that prescribe the obligation to take insurance instruments for which the normative acts prescribe the conditions for acceptability, individually for each of the specific insurance instruments categories are standardised. Also, specific modalities of credit protection aimed at decreasing or mitigating credit risks are determined.

The most significant types of security instruments for loans and receivables are as follows:

- Mortgage over property,
- Pledge over operating/tangible assets,
- Pledge over financial instruments such as debt and equity securities,
- Insurance policies for loan receivables, life insurance policies with redemption values and other instruments whose quality based on evidence may be equalised with the quality of other above-mentioned instruments.

Non-current financial assets, loans to companies and natural persons are generally secured by appropriate insurance instruments.

In addition, in order to reduce credit loss, the Bank requires additional collaterals from the contractual parties as soon as indicators of impairment for individual relevant loans and advances are determined. The collateral held as security for all financial assets other than loans and advances is determined on the basis of the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Commitments related to loans

Loan commitments are unused granted loan amounts in the form of loans, guarantees or letters of credit. With respect to credit risk from loan commitments, the Bank is potentially exposed to loss in the amount equal to the total unused commitments.

However, the potential loss amount is lower than the total amount of unused commitments, since the majority of commitments depend on maintaining specific credit standards by the clients. The Bank monitors the remaining period to loan maturities as non-current liabilities generally have a higher degree of credit risk compared to current liabilities.

33.4. Impairment and provisioning policies

The amount of provisions for expected credit losses in the portfolio of clients monitored on an individual basis is determined using the dynamic approach, on the basis of the calculation of the loan's recoverable value, calculated as the net present value of estimated future cash flows discounted at the effective interest rate of the loan at the moment when it was assessed as "non-performing" (for loans granted at fixed rates it is the original effective rate calculated at the moment of granting).

Insurance instruments for which the nominal value is discounted are as follows:

- mortgage over housing property
- mortgage over other property and pledge on movables for which a market exists and which may be sold in acceptable time periods.

Discounting future cash flows to the present value is calculated individually for all long-term loans from the large loans' portfolio for which an impairment loss was identified and it is estimated that their future cash flow from operating activities and cash flow from security instruments will not be sufficient.

Based on the timely repayment criteria, loans in the large loans' portfolio are classified into the following stages:

1) Stage 1 and Stage 2 include loans that meet the following criteria:
    - the debtor's current financial situation and estimated future cash flows do not give rise to any doubts with respect to the debtor's further operations and settlement of their current and future liabilities to the Bank and other creditors,
    - the debtor settles their liabilities to the Bank in contracted terms, and only exceptionally and occasionally after their maturity,
    - the loans are secured by adequate security instruments for receivables.

The Bank has prescribed the following indicators for determining increased credit risk of the debtor and classifying it in Stage 2:

- If the debtor defaults on payment of due exposures for more than 30 days but does not exceed a period of 90 days. This provision does not apply to exposures to the central government and other exposures for which the Bank can prove that a 30-day default is not a relevant indicator;
- The debtor has Watch or Exit status/monitoring and days of delay do not exceed 90 days;
- The debtor meets the preservation criterion (in line with internal segmentation, for natural persons if continuous preservation exceeds 10 days, and for others if continuous preservation exceeds 15 days) and the number of days past due does not exceed 90 days.;

2) Stage 3 includes partially recoverable loans that are estimated not to be collected in the agreed amount (principal and interest), or contingent liabilities on the basis of which an outflow of the Bank's funds is expected that exceeds the estimated recoverable amount and fully irrecoverable loans or receivables arisen on a disputable legal basis and other receivables for which, due to an exceptionally poor asset and financial position of the debtor, and due to the lack of adequate security instruments, no cash flows can be expected for settling the debtor's liabilities to the Bank.

Specific provisions for impairment for the remaining portfolio of non-performing small loans (exposures below EUR 33,180) and overdrafts on current accounts are calculated by reference to the regularity of payment.

Based on the timely repayment criteria, loans in the small loans' portfolio and overdrafts on current accounts are classified into the following stages:

1) Stage 1 and Stage 2 include fully recoverable loans. For a loan to remain classified in the above stages, the following conditions must be met:

   - the debtor's past due liabilities to the Bank do not exceed 90 days
   - the full loan amount is covered by a guarantee deposit.

2) Stage 3 includes loans that must be provided for on the basis of the number of days past due, where fully irrecoverable loans are loans that are past due more than 365 days.

33.5. Debt securities

For the purpose of realising future yield, the Bank usually invests surplus liquid funds in high-quality government debt securities and foreign bonds.

33.6. Past due and not due loans and receivables

Past due and not past due loans and receivables by type a 31 December 2024

in EUR '000

Past due	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Up to 30 days	70	346	166	55	-	3	640
31-60 days	17	34	-	13	-	118	182
61-90 days	42	654	504	881	5	79	2,165
Over 90 days	604	8,893	104	521	-	924	11,046
Not due	45,190	28,947	8,459	6,421	8,391	54,674	152,082
Total	45,923	38,874	9,233	7,891	8,396	55,798	166,115

Past due and not past due loans and receivables by type a 31 December 2023

in EUR '000

Past due	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Up to 30 days	24	1,041	418	1,019	2	95	2,599
31-60 days	37	284	27	2	-	39	389
61-90 days	14	15	-	-	-	-	29
Over 90 days	393	8,680	126	276	-	2,907	12,382
Not due	36,631	27,568	9,571	4,924	7,712	54,555	140,961
Total	**37,099**	**37,588**	**10,142**	**6,221**	**7,714**	**57,596**	**156,360**

Unimpaired loans on 31 December 2024

in EUR '000

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	44,241	28,399	8,286	6,400	8,350	54,506	150,182
Past due	26	585	570	926	4	83	2,194
Total	**44,267**	**28,984**	**8,856**	**7,326**	**8,354**	**54,589**	**152,376**

Unimpaired loans on 31 December 2023

in EUR '000

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	35,955	27,216	9,383	4,920	7,672	53,206	138,352
Past due	20	1,177	419	877	2	75	2,570
Total	**35,975**	**28,393**	**9,802**	**5,797**	**7,674**	**53,281**	**140,922**

Loans and receivables not impaired relate to placements classified in Stage 1 and 2 and relate to loans and receivables that are regularly repaid by clients, and the Bank does not perform impairment on them.

In the item Other, the largest share relates to shares in indexed loans which in 2024 amounted to EUR 41,249 thousand (2023: EUR 41,939 thousand), then to Lombard loans in the amount of EUR 6,574 thousand (2023: EUR 6,851 thousand), mortgage loans in the amount of EUR 2,988 thousand (2023: EUR 2,747 thousand), and other loans in the amount of EUR 2,007 thousand (2023: EUR 773 thousand). The remainder relates to individual smaller amounts of loans for various purposes.

33.7. Impaired loans

Impaired loans as of 31 December 2024

in EUR '000

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	949	548	173	20	41	170	1,901
Past due	708	9,341	203	544	1	1,041	11,838
Total	**1,657**	**9,889**	**376**	**564**	**42**	**1,211**	**13,739**
Credit losses	**1,045**	**7,148**	**92**	**331**	**1**	**596**	**9,213**

Impaired loans as of 31 December 2023

in EUR '000

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	675	352	187	4	40	1,351	2,609
Past due	448	8,844	152	420	-	2,965	12,829
Total	**1,123**	**9,196**	**339**	**424**	**40**	**4,316**	**15,438**
Credit losses	**618**	**6,144**	**69**	**250**	**10**	**2,858**	**9,949**

In the item Other, loans to clients in pre-bankruptcy amount to EUR 86 thousand (2023: EUR 1,241 thousand), and loans to clients sued amount to EUR 92 thousand (2023: EUR 2,613 thousand). The remainder relates to individual smaller amounts of loans for various purposes.

33.8. Structure of loans and off-balance contingent liabilities by type of activity

Structure of loans and off-balance contingent liabilities by type of activity as of 31 December 2024

in EUR '000

Activity sector	Total loans and off-balance sheet liabilities	Unimpaired loans and off-balance sheet liabilities	Impaired loans and off-balance sheet liabilities	Credit loss balance	Credit loss %
Civil engineering	57,729	57,134	595	683	1.18%
Sector outside the National Classification of Activities - natural persons	62,765	60,873	1,892	2,528	4.03%
Manufacturing	21,596	14,374	7,222	5,094	23.59%
Agriculture, hunting, forestry and fishing	20,110	19,257	853	797	3.96%
Wholesale and retail trade, repair of motor vehicles and household items	12,194	11,359	835	752	6.17%
Transport, storage and connections	9,409	9,313	96	114	1.21%
Real estate business, renting	6,208	6,033	175	157	2.53%
Other social and personal service activities	3,578	3,193	385	388	10.84%
Hotels and restaurants	3,106	1,648	1,458	940	30.26%
Financial intermediation	1,412	1,103	309	216	15.30%
Public administration and defence; social security	840	839	1	25	2.98%
Electricity, gas and water supply	394	394	-	8	2.03%
Education	293	293	-	5	1.71%
Health care and social care	169	169	-	3	1.78%
Mining and ore extraction	70	70	-	2	2.86%
TOTAL	**199,873**	**186,052**	**13,821**	**11,712**	**5.86%**

Structure of loans and off-balance contingent liabilities by type of activity as of 31 December 2023

in EUR '000

Activity sector	Total loans and off-balance sheet liabilities	Unimpaired loans and off-balance sheet liabilities	Impaired loans and off-balance sheet liabilities	Credit loss balance	Credit loss %
Civil engineering	57,956	57,470	486	423	**0.73%**
Sector outside the National Classification of Activities - natural persons	53,077	51,745	1,332	1,969	**3.71%**
Manufacturing	26,858	16,289	10,569	7,239	**26.95%**
Agriculture, hunting, forestry and fishing	17,744	16,911	833	716	**4.04%**
Wholesale and retail trade, repair of motor vehicles and household items	10,264	9,627	637	531	**5.17%**
Transport, storage and connections	7,943	7,943	-	63	**0.79%**
Real estate business, renting	6,250	6,202	48	89	**1.42%**
Other social and personal service activities	2,920	2,607	313	293	**10.03%**
Hotels and restaurants	3,125	1,848	1,277	774	**24.77%**
Financial intermediation	1,027	719	308	71	**6.91%**
Public administration and defence; social security	921	921	-	20	**2.17%**
Electricity, gas and water supply	367	367	-	8	**2.18%**
Education	380	380	-	6	**1.58%**
Health care and social care	178	178	-	3	**1.69%**
Mining and ore extraction	-	-	-	-	**-**
TOTAL	**189,010**	**173,207**	**15,803**	**12,205**	**6.46%**

33.9. Loans and advances to clients in risk groups B and C for which provisions have been made

in EUR '000

	Retail	Corporate	Total
31 December 2024			
Total exposure	2,375	11,363	13,738
Provisions	1,300	7,913	9,213
Total net exposure	1,075	3,450	4,525
Market value of collateral	437	4,405	4,842
% of collateral coverage	40.65%	127.68%	107.01%

in EUR '000,,

	Retail	Corporate	Total
31 December 2023			
Total exposure	1,604	13,834	15,438
Provisions	839	9,109	9,948
Total net exposure	765	4,725	5,490
Market value of collateral	335	5,237	5,572
% of collateral coverage	43.79%	110.84%	101.49%

33.10. Credit risk sensitivity analysis

As part of the macroeconomic factors' sensitivity analysis regarding credit risk provisions, the Bank analyses the effects of macroeconomic indicators and parameters on future operations by increasing Stage 3 loans, the "bad" migration of NPLs etc.

As the basis for creating a stress test scenario The Bank uses the stress scenario as published in Financial Stability document published by the CNB (June 2024). In the above scenario, credit quality is expected to deteriorate and overall NPL could rise to 4.9% by the end of 2026.

On this basis, the Bank uses the following parameters and indicators in stress testing:

- Increase in Stage 3 loans in total loans by 50%,
- Arranging new defaults in a way that 55% of loans is classified into sub-categories with ECLs of up to 30% loan value, and the remaining 45% of newly defaulted loans is classified into sub-categories with ECLs of 30%-70% loan value,
- Transfer of existing defaulted loans from lower risk subcategories into higher risk sub-categories (5% per each sub-category).

The result of the applied test according to the latest testing would be a decline in regulatory capital of the Bank by 13%.

33.11. Credit quality of financial assets

The credit quality of financial assets as rated by external agencies is given below:

in EUR '000

	Rating agency	31 December 2024	31 December 2023
Cash		**6,389**	**4,371**
A3	Moody's	5,595	-
Baa1	Moody's	-	37
Baa2	Moody's	-	3,751
BBB+	Moody's	17	-
A-	Fitch	608	466
BB	Fitch	-	2
BBB	Fitch	-	44
BBB+	Fitch	129	-
No rating	-	40	71
Receivables from the Croatian National Bank		**81,152**	**40,109**
A3	Moody's	81,152	-
Baa2	Moody's	-	40,109
Placements with banks		**6,641**	**6,091**
Aaa	Moody's	1,060	1,081
A1	Moody's	33	84
A3	Moody's	2	-
BBB+	Moody's	3,499	-
Baa1	Moody's	112	2,321
A-	Fitch	1,878	2,121
BBB	Fitch	-	9
BBB+	Fitch	47	0
No rating	-	10	475
Financial assets measured at fair value through OCI		**26**	**26**
No rating	-	26	26
Financial assets at amortized cost		**29,816**	**32,121**
Aaa	Moody's	4,633	4,672
Aa2	Moody's	-	3,057
Aa3	Moody's	3,037	-
Baa2	Moody's	-	24,302
A3	Moody's	22,113	-
No rating	**-**	33	90
Loans and advances to clients		**154,959**	**144,675**
No rating	-	154,959	144,675
Other financial assets		-	**364**
No rating	-	**379**	364

33.12. Concentration risk

The Bank manages, limits and controls concentrations of credit risk in accordance with the Credit Policy wherever such risk is identified – in particular, with respect to individual clients and groups, industries and countries. Concentration is determined at the level of exposure of a particular debtor (at the level of a group of related persons) and also by exposure of a particular activity to the total exposure of the Bank.

The Bank establishes credit risk levels it undertakes by placing limitations on the amount of risk accepted in relation to one client, or a group of clients, and to geographical and industry segments. Limitations on the credit risk level to products, industry sectors and countries are approved by the Bank's Management Board.

The exposure to any borrower is further limited by sub-limits covering both balance sheet and off-balance sheet exposures, as well as daily limits (the liability settlement risk) in relation to the items traded.

33.13. Liquidity risk

Liquidity risk is the risk of loss arising from the existing or expected Bank's inability to settle its cash liabilities at maturities. This risk arises due to a mismatch of maturities of assets and liabilities and is manifested as the risk that it will not be possible to convert a receivable into cash within a suitable term and at a suitable price, i.e. that it will not be possible to convert any non-cash form of assets into cash within a certain period without loss.

The Treasury, the Risk Management Department and the Asset-Liability Committee (hereinafter: the ALCO) are responsible for liquidity risk management, while the Bank's Management Board makes decisions, whereby precise roles in the liquidity management process are allocated to the following organisational parts or Bank's functionalities.

The allowed excess of liquidity indicators and the strategy defining the reasons for allowing the excess are documented by the minutes of the ALCO meeting.

At the moment of escalation of exceeding regulatory limits (where applicable), the Risk Management Department immediately informs the Bank's Management Board, the Audit and Risk Committee, the Supervisory Board and the CNB, and if internal limits are exceeded or early warning indicators are reached, the Bank's Management Board and the LICO / ALCO committees are notified. At the relevant meeting of the LICO / ALCO committees, a strategy is adopted to reduce the limits to acceptable ratios.

The Risk Management Department controls limits within the monthly report and reports the exceeding of limits on the ALCO meetings.

Sources of Bank financing are deposits and equity capital. The Bank continually reassesses liquidity risk by identifying and following changes in financing that are necessary for accomplishing business aims set according to Bank strategy. Moreover, the Bank manages a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank adjusts its operations concerning liquidity risk according to legal provisions and internal policies. The Bank manages assets and sources of funds from a viewpoint of financial flows, cash flows and concentration, all with the aim of adjusting cash inflows with Bank outflows.

Managing in that way assumes identification of known, expected and potential cash outflows and the production of different asset and liabilities management strategies in order to secure the Bank's needs for cash inflows. According to the stated, the liquidity risk management system comprises the evaluation and measurement of liquidity risk exposure, setting limits of liquidity risk exposure and reporting and supervision of limit utilization.

Liquidity risk management is realized by operative management of short-term liquidity and by management of long-term liquidity. Management of short-term liquidity is realized with maintenance of a regular liquidity reserve in EUR and by planning and forecasting daily and weekly cash flows. The Bank produces daily, weekly, monthly and annual liquidity plans and evaluates current and future outflows and inflows based on them.

Indicators related to a possible crisis in the Bank's liquidity and general crisis of the banking system liquidity are monitored by the Risk Management Department and the Treasury, they are determined by the Risk Management Service and reported to the Management Board, Liquidity Committee and/or the Asset-Liability Committee.

Future outflows under financial liabilities that as of 31 December 2024 reflect undiscounted cash flows including future interest payments in the amount of EUR 1,718 thousand on received deposits and borrowings, classified by remaining maturities. Asset items are classified by maturities of the carrying amounts.

in EUR '000

2024	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash	6,389	-	-	-	-	**6,389**
Receivables from the Croatian National Bank	81,152	-	-	-	-	**81,152**
Placements with banks	5,525	1,060	56	**-**	**-**	**6,641**
Financial assets at fair value through other comprehensive income	26	-	-	-	-	**26**
Financial assets at amortised cost	14	10,197	3,102	9,265	7,239	**29,817**
Loans and advances to clients	16,008	7,429	25,382	30,420	75,720	**154,959**
Receivables from clients	211	-	-	-	-	**211**
Fees and commissions receivable	256	-	-	-	-	**256**
Receivables for third-party deposits made at court	2	-	-	-	-	**2**
Provisions for expected credit losses on financial assets	(90)	-	-	-	-	**(90)**
Total assets	**109,493**	**18,686**	**28,540**	**39,685**	**82,959**	**279,363**
LIABILITIES						
Liabilities to banks	384	-	-	-	-	**384**
Demand deposits	136,632	-	-	-	-	**136,632**
Term deposits	9,137	18,559	72,022	4,857	3,049	**107,624**
Borrowings	214	9,416	9,491	281	866	**20,268**
Lease liabilities	11	22	93	59	0	**185**
Trade payables	265	-	-	-	-	**265**
Fees and commissions payable	21	-	-	-	-	**21**
Liabilities for savings deposit insurance	-	-	-	-	-	**0**
Total liabilities	**146,664**	**27,997**	**81,606**	**5,197**	**3,915**	**265,379**
OFF-BALANCE-SHEET ITEMS						
Payment guarantees	1,245	**-**	**-**	**-**	**-**	**1,245**
Performance guarantees	455	2,997	5,156	2,805	2,161	**13,574**
Unbacked letters of credit	-	-	-	-	-	**0**
Revolving loans and framework credit lines	3,318	748	4,397	71	379	**8,913**
Other common risk-bearing off-balance sheet items	225	1,328	2,027	2,124	4,322	**10,026**
Total off-balance sheet items	**5,243**	**5,073**	**11,580**	**5,000**	**6,862**	**33,758**
Net assets/liabilities	**(42,414)**	**(14,384)**	**(64,646)**	**29,488**	**72,182**	**(19,774)**

Future outflows under financial liabilities that as of 31 December 2023 reflect undiscounted cash flows including future interest payments in the amount of EUR 1,254 thousand on received deposits and borrowings, classified by remaining maturities. Asset items are classified by maturities of the carrying amounts.

in EUR '000

2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash	4,371	-	-	-	-	**4,371**
Receivables from the Croatian National Bank	40,109	-	-	-	-	**40,109**
Placements with banks	4,953	1,081	57	-	-	**6,091**
Financial assets at fair value through other comprehensive income	26	-	-	-	-	**26**
Financial assets at amortised cost	7	8,232	4,996	9,390	9,496	**32,121**
Loans and advances to clients	49,272	1,011	9,112	59,582	25,698	**144,675**
Receivables from clients	196	-	-	-	-	**196**
Fees and commissions receivable	236	-	-	-	-	**236**
Receivables for third-party deposits made at court	2	-	-	-	-	**2**
Provisions for expected credit losses on financial assets	(70)	-	-	-	-	**(70)**
Total assets	**99,102**	**10,324**	**14,165**	**68,972**	**35,194**	**227,757**
LIABILITIES						
Liabilities to banks	436	-	-	-	-	**436**
Demand deposits	95,026	-	-	-	-	**95,026**
Term deposits	98,549	244	80	652	786	**100,311**
Borrowings	178	15	49	18,830	10	**19,082**
Lease liabilities	11	23	105	173	9	**321**
Trade payables	240	-	-	-	-	**240**
Fees and commissions payable	19	-	-	-	-	**19**
Liabilities for savings deposit insurance	-	-	-	-	-	**-**
Total liabilities	**194,459**	**282**	**234**	**19,655**	**805**	**215,435**
OFF-BALANCE-SHEET ITEMS						
Payment guarantees	591	-	-	-	-	**591**
Performance guarantees	14,326	250	28	-	-	**14,604**
Unbacked letters of credit	-	-	-	-	-	**0**
Revolving loans and framework credit lines	5,894	-	140	687	-	**6,721**
Other common risk-bearing off-balance sheet items	6,585	1,744	5	438	1,962	**10,734**
Total off-balance sheet items	**27,396**	**1,994**	**173**	**1,125**	**1,962**	**32,650**
Net assets/liabilities	**(122,753)**	**8,048**	**13,758**	**48,192**	**32,427**	**(20,328)**

33.14. Market risks

Market risks represent potential effects that external conditions may have on the value of assets, liabilities and off-balance sheet positions of the Bank, and are caused by changes in prices and movements in financial markets.

All instruments held for trading are subject to market risk, the risk that future changes in market conditions can make an instrument unfavourable or lead to impairment.

The Bank manages financial instruments available for sale according to changes in market conditions. Exposure to market risk is formally managed by buying or selling instruments according to limits set by the Management Board.

Market risk is the risk of loss on balance sheet and off-balance sheet positions arising from unfavourable movements in prices on some of the 4 fundamental markets: debt securities, foreign currencies, commodity and equity securities markets.

Market risks are as follows:

- Interest rate risk in Bank's records
- Currency risk
- Price risk - risk of a change in prices of equity and debt securities

Interest rate risk in Bank's records is defined by the impact of changes in market interest rates on the Bank's financial results. The Bank's daily activities depend on the interest rate risk impacted by the terms of collection of assets and liabilities in relation to interest income and expenses or the terms in which interest rates change. These terms are controlled by the ALCO by defining the interest rate limits and coordinating activities that the Bank has to take.

Interest rate risk is described in more detail in chapter 32.14.2. of the Report.

The Bank's activities are exposed to the risk of changes in the value of the main currencies, which impacts the Bank's financial result and cash flow. The Bank controls foreign currency assets and foreign currency liabilities with the aim to avoid an inadequate currency risk.

The Management Board defined internal limits of the open foreign currency position.

Currency risk is described in more detail in the following chapter of the Report (item 32.14.1.).

Market risk is managed in the Treasury, Risk Management Department and the ALCO, and the Bank's Management Board is informed and makes decisions.

33.14.1. Currency risk

Currency risk is the risk of loss that results from currency changes.

Exposure to currency risk materializes from holding assets and liabilities and/or off-balance sheet items denominated and/or indexed in foreign currency, or when they are structurally unadjusted in cases of unfavourable movement of the kuna towards international currencies as well as unfavourable mutual movements of currencies.

The currency risk management process includes identifying the Bank's exposure to currency risk, measuring currency risk exposure, defining boundaries and limits of currency risk exposure, instruments and processes for risk optimisation, currency risk management process supervision, reporting on the currency risk exposure.

At the end of each working day, the Bank adjusts its total open FX position so that the total open FX position (increased by the position in gold) does not exceed the amount of regulatory capital determined in line with the regulations of the Croatian National Bank.

The Bank uses the Value at Risk methodology (VaR) to evaluate exposure to market risk and expected maximum loss for the position in trading and other activities. VaR represents a statistically based evaluation of potential losses on the existing portfolio due to unfavourable market movements.

The Value at Risk method measures the maximum expected loss for the Bank in case of most unfavourable foreign currency movements in an observed time interval with normal market conditions and a given level of significance based on historical data. The Bank directs its business activities primarily trying to minimize the mismatch between assets' and liabilities' items denominated in foreign currency or carrying a FX clause.

The Bank manages its assets and liabilities by matching the currencies of the individual asset and liability items to optimise the relationship between risk and profitability in unfavourable inter-currency movements.

The potential maximum daily loss of the open foreign currency position (VaR: 95% reliability) as of 31 December 2024 amounted to EUR 172 (2023: EUR 2.7 thousand).

The sensitivity of currency risk measurement is carried out using monthly stress tests. Stress test is based on the simulation of the exchange rate fluctuation with respect to the openness of the position of the most significant currencies (USD, CHF, AUD). Data used are based on the historical movements of the EUR exchange rate according to the 3 most significant currencies mentioned above in the last 2 years.

When performing the testing, 3 levels of intensity are carried out: the geometric mean of the exchange rate fluctuations that exclude extreme fluctuations; 95 percentile or maximum possible exchange rate fluctuation with 95% probability of fluctuation; 99 percentile or maximum possible exchange rate fluctuation with 99% probability of fluctuation.

In EUR

Currency	Long/short position 31 December 2024	% of recognised capital	Scenario 1	Scenario 2	Scenario 3
USD - open position	893	0.004%	2	9	17
CHF - open position	4,875	0.022%	8	34	49
AUD - open position	8,367	0.037%	20	81	107
Total	-	-	**30**	**124**	**173**

FX assets and liabilities of the Bank as of 31 December 2024 are presented as follows:

in EUR '000

2024	USD	Other	EUR with currency clause	Total FX equivalent	EUR	Total
ASSETS						
Cash	203	780	-	983	5,406	6,389
Receivables from the Croatian National Bank	-	-	-	-	81,152	81,152
Placements with banks	1,821	4,559	-	6,380	261	6,641
Financial assets at fair value through other comprehensive income	-	-	-	-	26	26
Financial assets at amortised cost	-	-	-	-	29,816	29,816
Loans and advances to clients	169	-	117	286	154,673	154,959
Receivables from clients	-	-	-	-	211	211
Fees and commissions receivable	-	-	-	-	256	256
Receivables for third-party deposits made at court	-	-	-	-	2	2
Provisions for expected credit losses on financial assets	-	-	-	-	(90)	(90)
Total assets	**2,193**	**5,339**	**117**	**7,649**	**271,713**	**279,362**
LIABILITIES						
Liabilities to banks	13	-	-	13	371	384
Demand deposits	1,281	3,960	-	5,241	131,391	136,632
Term deposits	983	1,368	-	2,351	104,011	106,362
Borrowings	-	-	-	-	19,812	19,812
Trade payables	-	-	-	-	265	265
Fees and commissions payable	-	-	-	-	21	21
Liabilities for savings deposit insurance	-	-	-	-	-	0
Total liabilities	**2,277**	**5,328**	**0**	**7,605**	**255,871**	**263,476**
Net assets/liabilities	**(84)**	**11**	**117**	**44**	**15,842**	**15,886**

FX assets and liabilities of the Bank as of 31 December 2023 are presented as follows:

in EUR '000

2023	USD	Other	EUR with currency clause	Total FX equivalent	EUR	Total
ASSETS						
Cash	324	631	-	955	3,416	4,371
Receivables from the Croatian National Bank	-	-	-	-	40,109	40,109
Placements with banks	2,084	3,793	-	5,877	214	6,091
Financial assets at fair value through other comprehensive income	-	-	-	-	26	26
Financial assets at amortised cost	-	-	-	-	32,121	32,121
Loans and advances to clients	213	-	147	360	144,315	144,675
Receivables from clients	-	-	-	-	196	196
Fees and commissions receivable	-	-	-	-	236	236
Receivables for third-party deposits made at court	-	-	-	-	2	2
Provisions for expected credit losses on financial assets	-	-	-	-	(70)	(70)
Total assets	**2,621**	**4,424**	**147**	**7,192**	**220,565**	**227,757**
LIABILITIES						
Liabilities to banks	12	-	-	12	424	436
Demand deposits	1,301	2,632	-	3,933	91,093	95,026
Term deposits	1,413	1,623	-	3,036	96,262	99,298
Borrowings	-	-	-	-	18,842	18,842
Trade payables	-	-	-	-	240	240
Fees and commissions payable	-	-	-	-	19	19
Liabilities for savings deposit insurance	-	-	-	-	-	-
Total liabilities	**2,726**	**4,255**	**-**	**6,981**	**206,880**	**213,861**
Net assets/liabilities	**(105)**	**169**	**147**	**211**	**13,685**	**13,896**

33.14.2. Interest rate risk

Interest rate risk in the banking book is the risk of loss arising from possible changes in interest rates, impacting the items in the banking book. This risk arises due to a mismatch of assets and liabilities with respect to their type, base and amount of interest rates.

The risk of interest rate change is the risk of a decrease in net interest income due to changes in interest rates and a decrease in the economic value of capital due to changes in interest rates.

Interest rate risk is the result of a temporary mismatch in the revaluation of assets, liabilities and off-balance sheet items; early repayment of loans, deposit withdrawal (term and without term) or the difference in the movements of active and passive interest rates (basic (primary) risk).

The Bank's operations are subject to the risk of interest rate changes to the extent that interest-bearing assets and liabilities mature, or their interest rates change in different periods or in different amounts. Risk management activities are directed to optimizing net interest income according to the Bank's business strategy, at the given market rates.

Activities of managing "asset-liability" risks are performed in the context of the Bank's sensitivity to interest rate changes. Exposure to risk of interest rate changes is a consequence of assets' and liabilities' items mismatch considering the possibility of interest rate changes, and it is supervised by applying an analysis of the assets' and liabilities' mismatch. The aim of interest rate risk management is to secure an optimal and stable net interest margin, and thus net profit. Interest rate risk is minimized by accepting deposits and approving loans as well as with investments carrying fixed interest rates.

The main elements of the interest rate risk management are as follows:

- interest rate risk sensitivity analysis;
- establishing internal limits and boundaries (limit of a decrease in economic value or maturity periods);
- control of performing/fulfilling/meeting the set limits;
- testing the stress resistance for interest rate risk and the analysis of the results obtained;
- introducing hedging operations if required.

The table below shows the carrying amounts of the Bank's assets and liabilities as of 31 December 2024, classified into categories by the earlier of contractual repricing and maturity.

in EUR '000

2024	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
ASSETS							
Cash	-	-	-	-	-	6,389	6,389
Receivables from the Croatian National Bank	81,152	-	-	-	-	-	81,152
Placements with banks	5,525	1,060	56	-	-	-	6,641
Financial assets at fair value through other comprehensive income	-	-	-	-	-	26	26
Financial assets at amortised cost	-	9,895	3,096	9,267	7,558	-	29,816
Loans and advances to clients	80,976	3,132	32,587	13,341	24,923	-	154,959
Receivables from clients	-	-	-	-	-	211	211
Fees and commissions receivable	-	-	-	-	-	256	256
Receivables for third-party deposits made at court	-	-	-	-	-	2	2
Total assets	**167,653**	**14,087**	**35,739**	**22,608**	**32,481**	**6,884**	**279,452**
LIABILITIES							
Liabilities to banks	-	-	384	-	-	-	384
Demand deposits	136,632	-	-	-	-	-	136,632
Term deposits	8,745	17,855	71,020	4,914	3,828	-	106,362
Borrowings	1	9,292	9,345	212	962	-	19,812
Trade payables	-	-	-	-	-	265	265
Fees and commissions payable	-	-	-	-	-	21	21
Liabilities for savings deposit insurance	-	-	-	-	-	-	0
Total liabilities	**145,378**	**27,147**	**80,749**	**5,126**	**4,790**	**286**	**263,476**
Net assets/liabilities	**22,275**	**(13,060)**	**(45,010)**	**17,482**	**27,691**	**6,598**	**15,976**

The table below shows the carrying amounts of the Bank's assets and liabilities as of 31 December 2023, classified into categories by the earlier of contractual repricing and maturity.

in EUR '000

2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
ASSETS							
Cash	-	-	-	-	-	4,371	4,371
Receivables from the Croatian National Bank	40,109	-	-	-	-	-	40,109
Placements with banks	6,035	-	56	-	-	-	6,091
Financial assets at fair value through other comprehensive income	-	-	-	-	-	26	26
Financial assets at amortised cost	152	5,194	8,638	9,499	8,638	-	32,121
Loans and advances to clients	78,751	3,577	15,938	26,330	20,079	-	144,675
Receivables from clients	-	-	-	-	-	196	196
Fees and commissions receivable	-	-	-	-	-	236	236
Receivables for third-party deposits made at court	-	-	-	-	-	2	2
Total assets	**125,047**	**8,771**	**24,632**	**35,829**	**28,717**	**4,831**	**227,827**
LIABILITIES							
Liabilities to banks	-	-	436	-	-	-	436
Demand deposits	95,026	-	-	-	-	-	95,026
Term deposits	3,931	8,671	10,300	71,727	2,602	2,067	99,298
Borrowings	15	15	18,753	49	10	-	18,842
Trade payables	-	-	-	-	-	240	240
Fees and commissions payable	-	-	-	-	-	19	19
Liabilities for savings deposit insurance	-	-	-	-	-	-	-
Total liabilities	**98,972**	**8,686**	**29,489**	**71,776**	**2,612**	**2,326**	**213,861**
Net assets/liabilities	26,075	85	(4,857)	(35,947)	26,105	2,505	13,966

The table below summarises effective interest rates for interest-bearing assets and liabilities.

u %

	2024	2023
Assets		
Cash	0.00-0.00	(0.60)-0.00
Placements with banks	0.20-5.15	0.00-5.15
Financial assets at amortised cost	(0.68)-3.65	(0.67)-3.65
Financial assets at fair value through other comprehensive income	-	-
Loans and advances to clients	2.65-8.16	1.48-8.21
Equity and liabilities		
Liabilities to banks	0.00-0.00	0.00-0.25
Demand deposits	0.00-0.05	0.00-0.05
Term deposits	0.00-3.50	0.00-4.00
Borrowings	0.025-4.52	0.03-4.58

33.14.3. Price risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The risk is managed by setting maximum volumes, limits and other restrictions. The Bank manages this risk by regularly measuring, monitoring and reporting on the duration and prescribed limits according to the financial asset model fair value through OCI and at amortised cost.

33.14.4. Analysis of the impact of ESG risks on liquidity and market risks

In order to maintain adequate resilience to the negative impacts of environmental, social and governance risks (hereinafter referred to as ESG risks), credit institutions are expected to be able to systematically identify, measure and manage ESG risks, prioritizing environmental risks and progressing towards other sustainability factors as methodologies and assessment tools develop.

In order to improve monitoring of the impact of environmental risks, the Bank intends to establish records of increased deposit outflows, identifying the reasons for their withdrawal, and in order to identify whether they are caused by environmental risks.

For example, large outflows related to the time period since a harmful event (e.g. all withdrawals of large deposits 6+ months after the occurrence of the event, if any).

The Bank intends to further analyse events if they coincide with a harmful event that falls under environmental risks.

The Bank regularly analyses inflows and outflows on a weekly basis within the Liquidity Committee.

In accordance with the Strategy, the Bank is mainly exposed to the risk of the Republic of Croatia and EMU member states through its operations with debt securities. The Bank's strategy is to continue diversifying its securities portfolio and to be exposed to domestic and foreign financial institutions up to a maximum of 20% of its recognized capital.

Since 2023, the Bank no longer invests in financial instruments with the aim of generating trading profits and measures all securities at amortized cost.

Therefore, the Bank does not invest in financial instruments issued by companies belonging to sectors that are perceived as environmentally unsustainable and that do not adopt a comprehensive approach to sustainability management, which may suffer a sudden decrease in value.

The conclusion is that the impact of environmental factors on current market risk positions as well as on future investments, in accordance with the previously stated argumentation, has no impact.

33.15. Market risk measurement techniques

Measurement techniques used for measuring and controlling market risks are the Value at Risk (VaR) method and stress tests.

VaR method

The VaR method measures the Bank's maximum loss (the maximum expected loss) in case of unfavourable movements in FX exchange rates in a set time interval under normal market conditions and the set level of reliability on the basis of historical data.

Currency exposure limits and limitations

The Bank defines its basic position limit by maintaining the open foreign currency position within 2% of eligible capital, i.e. the targeted open foreign currency position on the last day of the month is less than 2% of eligible capital.

Within a month, the Bank may use the following position limits as follows, provided that:

- the total open FX position does not exceed 25% of the Bank's regulatory capital,
- the maximum allowed open FX position in USD and CHF amounts to 10% of the regulatory capital,
- the maximum allowed open FX position in AUD amounts to 5% of the regulatory capital.

	Internal limit	**As of 31 December 2024**
Bank's total open FX position	25.00%	0.19%
Maximum open FX position in USD	10.00%	0.004%
Maximum open FX position in CHF	10.00%	0.022%
Maximum open FX position in other currencies	5.00%	0.04%

Daily VaR calculation

In accordance with the provisions of the Basel II agreement on market risk measurement, the Bank has opted for the VaR method for calculating its FX position exposure to changes in foreign currency exchange rates (the impact of unfavourable movements in rates on the amount of open FX position).

For calculating VAR, the Bank develops the application of the Variance-Covariance Model, which implies the assessment of the present open risk on the basis of movements in exchange rates.

The Risk Management Department reports on the Bank's FX Department under Value-at-Risk methodology on a daily basis, and to the ALCO at their meetings.

Stress tests

Stress testing is a risk management technique used for assessing potential impacts of specific events and/or changes in several risk factors on the Bank's financial position.

The purpose of the stress testing is to determine whether the Bank has an appropriate level of capital in case of the occurrence of specific events and/or changes in several risk factors. These are unfavourable events that are difficult to foresee (extreme, but possible) and that impact the Bank's capital, risk profile and profit. The stress test may be divided into the scenario analysis and sensitivity analysis.

The scenario analysis is a type of stress test which estimates the impact of simultaneous changes of several risk factors on the Bank's financial position in clearly defined stress circumstances. The sensitivity analysis is a type of stress test which estimates the impact of a particular risk factor on the Bank's financial position without the stress cause being identified. The stress test is performed semi-annually.

In performing liquidity stress tests, the Bank assumes a liquidity shock on the market, such as deposit withdrawal or inability to place on the market the instruments the Bank possesses without incurring significant loss. In doing so, potential outflows are estimated under scenario and sensitivity analyses. In defining a scenario, the Bank considers the circumstances that may arise upon the expiry of a significant volume of deposits or losing a part of its unsecured sources of funding, including deposits from major customers etc. The baseline scenarios used for the purpose of the analysis, with individual factors having two levels of disturbance intensity, are defined as follows:

- Internal Bank crisis
- Market crisis
- A combination of both

VaR is not used in performing liquidity stress tests, as in extreme circumstances the losses exceed the expected losses in a much larger number of instances than envisaged using VaR.

Stress testing interest rate risk in the Bank's records

Interest rate risk is the risk arising from non-trading book activities (hereinafter: IRRBB) is the current or prospective risk to both the earnings and the economic value arising from adverse movements in interest rate that affect interest rate sensitive instruments, including gap risk, basis risk and option risk.

When performing stress testing, the Bank uses the gap analysis of the impact of the interest rate gap on the expected annual interest margin with a parallel interest rate shock of 100 basis points. The interest margin loss is calculated for currencies that make up at least 5% of the total balance sheet.

The limit defining the impact on the annual interest margin is 11.4% of total net interest income.

The change in economic value in relation to regulatory capital/Tier 1 capital, calculated according to the methodology of the Croatian National Bank as of 31 December 2024, is as follows:

	Internal limit	Internal early warning system	As of 31 December 2024
Δ EVE – regulatory shocks/Regulatory capital	< 16%	>16%	0.50%
Δ EVE – 6 additional shocks/Tier 1 capital	< 11%	>11%	6.75%
Annual interest margin loss/Net interest income	<1%	<0.5%	11.42%

Additionally, since 30 September 2024, and in accordance with the amendments to the regulatory requirements for risk assessment resulting from possible changes in interest rates that affect the economic value of capital and net interest income from the affairs of institutions that are kept in the book of positions that are not traded, the Bank calculates the change in economic value in relation to the Tier 1 capital as well as the impact on net interest income.

On 31 December 2024 the following values were calculated:

Ratio Δ EVE to worst case scenario	-4.91%
Ratio Δ NII to worst case scenario	-6.70%

33.16. Operating risk

The Bank is exposed to operational risk in all its business activities. The objective of operational risk management is to identify all occurrences of operational risk, to control and minimise operational risk exposure.

The Bank seeks to achieve optimum operational risk management in accordance with the principles defined by the Bank's regulator and policies, with a view to mitigating and avoiding operational risks. In this regard, the Bank collects data on operational risk events, monitors key risk indicators, conducts scenario analysis, assesses operational risk in its operations, reports to the Management Board on operational risk exposure and proposes measures to reduce, avoid and transfer operational risk.

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date, the so-called exit price. Financial assets measured at fair value through other comprehensive income are stated at fair value.

The table below summarises the year-end fair value estimates made by the Management Board.

In EUR '000

	Carrying value		Fair value	
	2024	2023	2024	2023
Financial assets				
Cash	6,389	4,371	6,389	4,371
Receivables from the Croatian National Bank	81,152	40,109	81,152	40,109
Placements with banks	6,641	6,091	6,641	6,091
Loans and advances to clients	154,959	144,675	146,753	139,876
Financial assets at FVOCI	26	26	26	26
Financial assets at amortized cost	29,816	32,121	29,816	32,121
Financial liabilities				
Deposits from banks	384	436	384	436
Deposits from clients	242,994	194,324	236,094	188,827
Borrowings	19,812	18,842	19,812	18,842

Loans and receivables from clients and deposits from clients represent aggregate balances received from/owed to corporate and retail customers that bear interest at different average variable rates, and their effects are presented separately in the following tables.

In EUR '000

	Carrying value		Fair value	
	2024	2023	2024	2023
Corporate				
Financial assets				
Loans and receivables from clients	80,332	79,269	79,875	78,977
Financial liabilities				
Deposits from clients	94,335	59,513	94,237	59,510
Retail				
Financial assets				
Loans and receivables from clients	74,627	65,406	66,878	60,899
Financial liabilities				
Deposits from clients	148,659	134,811	141,857	129,317

The table below summarizes the hierarchy of fair values of financial assets and liabilities:

in EUR '000

	2024			2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Cash	3,796	2,593	-	2,792	1,579	-
Receivables from the Croatian National Bank	-	81,152	-	-	40,109	-
Placements with banks	-	6,641	-	-	6,091	-
Loans and receivables from clients	-	146,753	-	-	139,876	-
Financial assets at FVOCI	-	-	26	-	-	26
Financial assets at amortised cost	26,570	3,246	-	24,117	7,946	58
Financial liabilities						
Deposits from banks	-	384	-	-	436	-
Deposits from clients	-	132,752	-	-	92,338	-
Loans taken	-	103,342	-	-	96,489	-
Borrowings	-	19,812	-	-	18,842	-

An overview of key methods and assumptions used in estimating the fair values of financial instruments is set out below.

Loans and receivables from banks

Loans and receivables are reported net of provision for impairment. The estimated fair value of loans and receivables represents the discounted amount of future cash flows. Future cash flows are discounted using the current market rates to arrive at the fair value.

Loans and receivables from clients

Loans and receivables are reported net of provision for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows. Future cash flows are discounted using current market rates to arrive at their fair value. Future expected losses are not considered, and no adjustment is performed to reflect any amounts doubtful of collection (including timing uncertainty) for exposures under due and reprogrammed amounts as well as under exposures not yet due but required to be monitored more closely.

Deposits from banks

The fair value estimate of fixed-maturity deposits is based on expected cash flows discounted at currently valid market rates on deposits with similar remaining maturities, however, the fair value cannot be lower than the nominal amount for those deposits that may be called by customers at any time.

Due to their short maturity, the Management Board considers that their carrying amounts do not differ from their fair values.

Deposits from clients

The fair value estimate of fixed-maturity deposits is based on cash flows discounted at currently valid market rates on deposits with similar remaining maturities, however, the fair value cannot be lower than the nominal amount for those deposits that may be called by clients at any time. The value of client relationships is not considered in fair value evaluation.

35. CAPITAL MANAGEMENT

The main goal in managing the Bank's capital is to ensure the compliance with all regulatory capital requirements and maintain the credit rating and total capital rate to improve operations.

The Bank manages its capital structure and adjusts it in accordance with changes in economic conditions and the characteristics of its business risks.

In managing capital, the Bank also follows the principles of:

- Compliance with all legally prescribed capital requirements
- Maintaining the Bank's ability to continue as a going concern and achieve the Bank's objectives
- Maintaining a strong capital base that will enable a continued and sustainable development with the aim to achieve positive results in the statement of profit or loss.

The Bank's regulatory capital and the total capital rate, calculated in accordance with the requirements of Regulation (EU) No. 575/2013 only for the Bank, were as follows:

in EUR '000

	2024	2023
Regulatory capital		
Tier 1 capital		
Issued share capital	62,990	62,990
Share premium	-	-
Loss carried forward	(39,814)	(42,610)
Deductions according to the Regulation (EU) No. 575/2013 /i/	(511)	(342)
Total Tier 1 capital	22,665	20,038
Total regulatory capital	**22,665**	**20,038**

/i/ The amount includes intangible assets, unrealised losses on financial assets at fair value through other comprehensive income and 0.1% on the entire portfolio of financial assets and liabilities measured at fair value.

As of 31 December 2024, the Bank's regulatory capital amounted to EUR 22,665 thousand (2023: EUR 20,038 thousand).

In EUR '000

	2024	2023
Total capital ratio according to Regulation EU No. 575/2013		
Capital requirements		
Credit risk exposure	6,926	6,436
Balance sheet items	6,605	5,822
Off-balance sheet items	321	614
Operational risk exposure	1,537	1,328
Capital requirements for total capital ratio	**8,463**	**7,764**
Additional capital requirements		
Capital requirements for prescribed additional capital rate	2,930	2,107
Capital conservation buffer	2,645	2,426
Systemic risk buffer	1,587	1,456
Countercyclical capital buffer	1,566	970
Total capital requirements	**17,191**	**14,723**
Common Equity Tier 1 capital ratio	**21.42%**	**20.65%**
Tier 1 capital ratio	**21.42%**	**20.65%**
Total capital ratio	**21.42%**	**20.65%**

The comparative presentation provides the total capital ratios according to the requirements of Regulation (EU) No. 575/2013. The total capital ratio as of 31 December 2024 is 21.42% (2023: 20.65%).

As of 31 December 2024, the Bank meets all capital requirements. The same applies as of 31 December 2023.

The Bank has included the entire profit from 2024 in capital as of 31 December 2024.

Legal reserves

The Companies Act requires that 5% of profit for the year is added to this reserve until 5% of issued share capital is reached. The legal reserve, amounting to 5% of the issued share capital, may be used to cover the current and prior year losses.

Fair value reserves

The fair value reserves include unrealized gains and losses on changes in fair value of financial assets through other comprehensive income as well as foreign exchange differences resulting from non-monetary financial assets through other comprehensive income.

Loss carried forward

Loss carried forward includes losses accumulated from previous years.

36. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

The concentration of assets, liabilities and off-balance sheet items is presented below:

in EUR '000

	2024			2023		
	Assets	Liabilities	Off-balance sheet items	Assets	Liabilities	Off-balance sheet items
Geographical region						
Republic of Croatia	279,270	279,010	33,758	227,755	226,054	32,650
Europe	8,856	4,298	-	8,576	4,532	-
Other	1,919	6,737	-	1,095	6,840	-
Total by geographical region	**290,045**	**290,045**	**33,758**	**237,426**	**237,426**	**32,650**
Sector						
Republic of Croatia (state)	27,455	5,652	463	27,492	6,066	361
Croatian National Bank	82,954	18,581	-	41,070	18,581	-
Trade and commerce	6,313	3,386	5,956	7,467	3,207	2,926
Finance	8,664	1,021	273	7,240	1,246	523
Tourism	2,915	338	212	3,076	272	212
Agriculture	18,606	958	2,113	16,807	1,151	1,022
Industry	63,486	5,393	16,950	66,207	5,550	19,899
Individuals	62,635	148,309	2,036	52,582	134,554	2,202
Other	17,017	106,407	5,755	15,485	66,799	5,505
Total by sector	**290,045**	**290,045**	**33,758**	**237,426**	**237,426**	**32,650**

37. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Report was adopted on 24 March 2025.

For and on behalf of the Management Board:

24 March 2025

Katarina Stanić
President of the Management Board

Danijel Luković
Member of the Management Board

SUPPLEMENTARY REPORT FOR THE CROATIAN NATIONAL BANK

The basic financial statements provided below were prepared within the reporting framework and the basic financial statements stipulated by the CNB's Decision on the structure and content of annual financial statements of banks (hereinafter referred to as the 'Decision').

Statement of financial position (Balance sheet)

Statement of financial position (Balance Sheet)

Balance as of 31 December 2024

Form BAN-BIL

Reporting entity: CROATIA BANKA d.d.

Position	AOP code	Note no.	Previous year (net)	Current year (net)
1	2	3	4	5
Assets				
1. Cash. Cash receivables from central banks and other demand deposits (AOP 002 to 004)	001		44,635,070	87,734,057
1.1. Cash in hand	002		2,791,566	3,796,806
1.2. Cash receivables from central banks	003		41,067,396	82,942,126
1.3. Other demand deposits	004		776,108	995,125
2. Financial assets held for trading (AOP 006 to 009)	005		-	-
2.1. Derivatives	006		-	-
2.2. Equity instruments	007		-	-
2.3. Debt securities	008		-	-
2.4. Loans and advances	009		-	-
3. Non-trading financial assets not traded, mandatorily measured at fair value through profit or loss (AOP 011 to 013)	010		-	-
3.1. Equity instruments	011		-	-
3.2. Debt securities	012		-	-
3.3. Loans and advances	013		-	-
4. Financial assets at fair value through profit or loss (AOP 015 + 016)	014		-	-
4.2. Debt securities	015		-	-
4.3. Loans and advances	016		-	-
5. Financial assets at fair value through other comprehensive income (AOP 018 to 020)	017		26,068	26,068
5.1. Equity instruments	018		26,068	26,068
5.1. Debt securities	019		-	-
5.2. Loans and advances	020		-	-
6. Financial assets at amortized cost (AOP 022+023)	021		186,975,018	195,915,476
6.1. Debt securities	022		32,121,567	29,815,937
6.2. Loans and advances	023		154,853,451	166,099,539
7. Derivatives – hedge accounting	024		-	-
8. Changes in fair value of hedged items in portfolio hedges of interest rate risk	025		-	-
9. Investments in subsidiaries, joint ventures and associates	026		-	-
10. Tangible assets	027		5,779,298	5,868,757
11. Intangible assets	028		793,517	1,131,908
12. Tax assets	029		77,352	81,997
13. Other assets	030		782,303	1,253,242
14. Fixed assets and disposal groups classified as held for sale	031		-	-
15. TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 to 031)	032		239,068,626	292,011,505

Position	AOP code	Note no.	Previous year (net)	Current year (net)
1	2	3	4	5
Liabilities				
16. Financial liabilities held for trading (AOP 034 to 038)	033		-	-
16.1. Derivatives	034		-	-
16.2. Short positions	035		-	-
16.3. Deposits	036		-	-
16.4. Debt securities issued	037		-	-
16.5. Other financial liabilities	038		-	-
17. Financial liabilities at fair value through profit or loss (AOP 040 to 042)	039		-	-
17.1. Deposits	040		-	-
17.2. Debt securities issued	041		-	-
17.3. Other financial liabilities	042		-	-
18. Financial liabilities measured at amortized cost (AOP 044 to 046)	043		214,191,969	263,639,383
18.1. Deposits	044		213,852,766	263,433,727
18.2. Debt securities issued	045		-	-
18.3. Other financial liabilities	046		339,203	205,656
19. Derivatives – hedge accounting	047		-	-
20. Changes in fair value of hedged items in portfolio hedges of interest rate risk	048		-	-
21. Provisions	049		1,147,874	1,114,451
22. Tax liabilities	050		51,033	630,541
23. Share capital repayable on demand	051		-	-
24. Other liabilities	052		3,297,729	3,450,951
25. Liabilities included in disposal groups classified as held for sale	053		-	-
26. TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 to 053)	054		218,688,605	268,835,326
Capital				
27. Share capital	055		62,990,245	62,990,245
28. Share premium	056		-	-
29. Equity instruments issued other than capital	057		-	-
30. Other equity instruments	058		-	-
31. Accumulated other comprehensive income	059		-	-
32. Retained earnings	060		(45,078,971)	(42,610,224)
33. Revaluation reserves	061		-	-
34. Other reserves	062		-	-
35. Treasury shares	063		-	-
36. Profit or loss attributable to owners of the parent	064		2,468,747	2,796,158
37. Dividends during the financial year	065		-	-
38. Minority interests (non-controlling interests)	066		-	-
39. TOTAL EQUITY (AOP 055 to 066)	067		20,380,021	23,176,179
40. TOTAL LIABILITIES AND EQUITY (AOP 054+067)	068		239,068,626	292,011,505

Profit and loss account for the period from 1 January 2024 to 31 December 2024 – Form BAN-RDG

Reporting entity: CROATIA BANKA d.d.

Position	AOP code	Note no.	Previous year	Current year
1	2	3	4	5
1. Interest income	069		9,572,396	11,811,962
2. Interest expense	070		541,028	2,022,753
3. Expenses on share capital returned upon request	071		-	-
4. Dividend income	072		-	-
5. Fee and commission income	073		2,051,748	2,433,403
6. Fee and commission expense	074		476,395	475,636
7. Gains or losses on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss, net	075		-	-
8. Gains or losses on financial assets and financial liabilities held for trading, net	076		196,033	153,130
9. Gains or losses on non-trading financial assets measured at fair value through profit or loss, net	077		-	-
10. Gains or losses on financial assets and financial liabilities at fair value through profit or loss, net	078		-	-
11. Gains or losses from hedge accounting, net	079		-	-
12. Foreign exchange differences (gains or losses), net	080		-15,512	338
13. Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net	081		-	-
14. Gains or losses on derecognition of non-financial assets	082		-	-
15. Other operating income	083		1,017,379	1,146,030
16. Other operating expenses	084		73,126	16,487
17. TOTAL OPERATING INCOME, NET (AOP 069 – 070 – 071 + 072 + 073 – 074 + 075 to 082 – 08)	085		11,731,495	13,029,987
18. Administrative expenses	086		7,371,100	7,823,159
19. Contributions in cash to resolution committees and deposit insurance schemes	087		116,837	-
20. Depreciation	088		356,667	378,876
21. Gains or losses due to changes, net	089		1,720	(492)
22. Provisions or reversals of provisions	090		639,464	301,068
23. Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss	091		643,700	1,128,677
24. Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	092		-	-
25. Impairment or reversal of impairment of non-financial assets	093		8,476	8,339
26. Negative goodwill recognised in profit or loss	094		-	-
27. Share of profit or loss from investments in subsidiaries. Joint ventures and associates accounted for using the equity method	095		-	-
28. Profit or loss from non-current assets and disposal groups classified as held for sale that do not qualify as a discontinued operation	096		-	-
29. PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS AOP 085 – 086 to 088 + 089 – 090 to 093+ 094 to 096)	097		2,596,971	3,379,376
30. Tax expense or income related to profit or loss from continuing operations	098		128,224	583,218
31. PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (AOP 097 – 098)	099		2,468,747	2,796,158
32. Profit or loss after tax from discontinued operations (AOP 097 – 098)	100		-	-
32.1. Profit or loss before tax from discontinued operations	101		-	-
32.2. Tax expense or income related to discontinued operations	102		-	-
33. PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 099 + 100; 104 + 105)	103		2,468,747	2,796,158
34. Attributable to minority interests (non-controlling interests)	104			
35. Attributable to owners of the parent	105			

STATEMENT OF OTHER COMPREHENSIVE INCOME				
1. Profit or loss for the current year (AOP 103)	106		2,468,747	2,796,158
2. Other comprehensive income (AOP 108 + 120)	107		-	-
2.1. Items that will not be reclassified to profit or loss (AOP 109 to 115 + 119)	108		-	-
2.1.1. Tangible assets	109		-	-
2.1.2. Intangible assets	110		-	-
2.1.3. Actuarial gains or losses on employer-sponsored pension plans	111		-	-
2.1.4. Fixed assets and disposal groups held for sale	112		-	-
2.1.5. Share of other recognised income and expenses from entities accounted for using the equity method	113		-	-
2.1.6. Changes in fair value of equity instruments measured at fair value through other comprehensive income	114		-	-
2.1.7. Gains or losses from hedge accounting of equity instruments measured at fair value through other comprehensive income, net	115		-	-
2.1.8. Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	116		-	-
2.1.9. Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	117		-	-
2.1.10. Changes in the fair value of financial liabilities measured at fair value through profit or loss attributable to changes in credit risk	118		-	-
2.1.11. Income tax relating to items that will not be reclassified	119		-	-
2.2. Items that may be reclassified to profit or loss (AOP 121 to 128)	120		-	-
2.2.1 Hedges of net investments in foreign operations (effective interest)	121		-	-
2.2.2. Foreign currency translation	122		-	-
2.2.3. Cash flow hedges (effective interest)	123		-	-
2.2.4. Hedging instruments (undesignated items)	124		-	-
2.2.5. Debt instruments at fair value through other comprehensive income	125		-	-
2.2.6. Non-current assets and disposal groups held for sale	126		-	-
2.2.7. Share of other recognised income and expenses from investments in subsidiaries, joint ventures and associates	127		-	-
2.2.8. Income tax relating to items that may be reclassified to profit or loss	128		-	-
3. Total comprehensive income for the year (AOP 106 + 107 and AOP 130 + 131)	129		2,468,747	2,796,158
4. Attributable to minority interests (non-controlling interests)	130		-	-
5. Attributable to owners of the parent	131		2,468,747	2,796,158

Statement of cash flows, indirect method – Form BAN-NTI

Reporting entity; CROATIA BANKA d.d.				
Position	**AOP code**	**Note no.**	**Previous year**	**Current year**
1	**2**	**3**	**4**	**5**
Operating activities and adjustments				
1. Profit / loss before tax	001		2,596,970	3,379,377
2. Impairment and provisions	002		1,293,628	1,447,617
3. Depreciation	003		499,639	516,207
4. Net unrealized gain / loss on financial assets and liabilities at fair value through profit or loss	004		(196,033)	(153,130)
5. Gain / loss on sale of tangible assets	005		(182,495)	(93,838)
6. Other non-cash items	006		(1,071,855)	(585,766)
Changes in assets and liabilities from operating activities				
7. Balances with the CNB	007		(38,310,824)	(41,043,188)
8. Deposits with financial institutions and loans to financial institutions	008		-	-
9. Loans and advances to other clients	009		(13,699,191)	(1,068,400)
10. Securities and other financial instruments at fair value through other comprehensive income	010		(27,221,000)	-
11. Securities and other financial instruments held for trading	011		-	-
12. Securities and other financial instruments that are not actively traded and are measured at fair value through profit or loss	012		-	-
13. Securities and other financial instruments that are mandatorily carried at fair value through profit or loss	013		-	-
14. Securities and other financial instruments carried at amortized cost	014		186,975,018	(2,380,000)
15. Other assets from operating activities	015		(105,720,162)	(49,966,551)
Increase/Decrease in operating activities				
16. Deposits from financial institutions	016		(384,470)	(184,527)
17. Transaction accounts of other clients	017		(50,009,300)	82,131,622
18. Savings deposits of other clients	018		10,812,185	(8,141,693)
19. Term deposits of other clients	019		(3,630)	6,999,700
20. Derivative financial liabilities and other liabilities that are traded	020		-	-
21. Other liabilities	021		169,527	732,000
22. Unpaid interest from operating activities	022		8,475,713	11,336,368
23. Received dividends from operating activities	023		-	-
24. Interest paid from operating activities	024		(68,221)	(144,411)
25. Profit tax paid	025		-	587,942
A) Net cash flows from operating activities (AOP 001 to 025)	026		(26,044,501)	2,194,176
Investing activities				
1. Proceeds from sales / payments for purchases / tangible and intangible assets	027		(148,675)	(329,040)
2. Proceeds from sales / payments for purchases / investments in subsidiaries, joint ventures and associates	028		-	-
3. Proceeds from collections / payments for purchases / securities and other financial instruments from investing activities	029		-	-
4. Dividends received from investing activities	030		-	-
5. Other proceeds / payments / from investing activities	031		-	-
B) Net cash flows from investing activities (AOP 027 to 031)	032		(148,675)	(329,040)
Financing activities				
1. Net increase / decrease / of received loans from financial activities	033		(43,571)	923,544
2. Net increase / decrease / of issued debt securities	034		-	-
3. Net increase/decrease in supplementary capital instruments	035		-	-
4. Increase in share capital	036		-	-
5. Dividend paid	037		-	-
6. Other receipts / payments from financial activities	038		(3,101,000)	(218,000)
C) Net cash flows from financial activities (AOP 033 to 038)	039		(3,144,571)	705,544
D) Net increase / decrease in money and cash equivalents (AOP 026+032+039)	040		(29,337,747)	2,570,679
Cash and cash equivalents at the beginning of the year	041		39,731,680	10,460,820
The effect of changes in foreign exchange rates on cash and cash equivalents	042		66,887	(1,679)
Cash and cash equivalents at the end of the year (AOP 040+041+042)	043		10,460,820	13,029,090

CHANGES IN EQUITY for the period from 1 January 2024 to 31 December 2024 – Form BANK-PK

Position	AOP code	Note no	Distributable to equity holders of the parent company											Minority interest		Total
			Capital	Share premium	Issued equity instrument except capital	Other equity shares	Accumulated other comprehensive income	Retained earnings	Rev. Reserves	Other reserves	Treasury shares	Profit/loss attributable to the owners of the parent	Dividends during the year	Accumulated other comprehensive income	Other items	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 to 16)
1. Opening balance (before restating)	01		62,990,245				-	(45,078,971)				2,468,747				20,380,020
2. Effect of corrections of errors	02															
3. Effect of changes in accounting policies	03															-
4. Opening balance (current period) (AOP 01 to 03)	04		62,990,245	-	-	-	-	(45,078,971)	-	-	-	2,468,747	-	-	-	20,380,020
5. Issuance of ordinary shares	05															-
6. Issuance of preference shares	06															-
7. Issuance of other equity instruments	07															-
8. Exercise or expiration of other issued equity instruments	08															-
9. Conversion of debt into equity instruments	09															-
10. Capital reduction	10															-
11. Dividends	11															-
12. Purchase of treasury shares	12															-
13. Sale or cancellation of treasury shares	13															-
14. Reclassification of financial instruments from equity instruments to liabilities	14															-
15. Reclassification of financial instruments from liabilities to equity instruments	15															-
16. Transfers between components of equity instruments	16							2,468,747				(2,468,747)				-
17. Increase or decrease in equity instruments as a result of business combinations	17															-
18. Share-based payments	18															-
19. Other increase or decrease in equity instruments	19						-									-
20. Total comprehensive income for the current year	20											2,796,158				2,796,158
21. Closing balance (current period) (AOP 04 to 20)	21		62,990,245	-	-	-	-	(42,610,224)	-	-	-	2,796,158	-	-	-	23,176,178

Balance sheet reconciliation as of 31 December 2024

Mismatches of items in the balance sheet disclosed in the Annual Report in relation to the standard prescribed in CNB's Decision relate to the following categories:

in EUR '000

Position		CNB Decision	Annual Report	Difference
1. Cash. cash receivables from central banks and other demand deposits	001	87,734	94,182	(6,448)
1.1. Cash in hand	002	3,797	-	3,797
1.2. Cash receivables from central banks	003	82,942	-	82,942
1.3. Other demand deposits	004	995	-	995
Cash		-	6,389	(6,389)
Receivables from the Croatian National Bank		-	81,152	(81,152)
Placements with banks		-	6,641	(6,641)
2. Financial assets held for trading (AOP 006 to 009)	005	-	-	-
2.1. Derivatives	006	-	-	-
2.2. Equity instruments	007	-	-	-
2.3. Debt securities	008	-	-	-
2.4. Loans and advances	009	-	-	-
3. Non-trading financial assets mandatorily measured at fair value through profit or loss (AOP 011 to 013)	010	-	-	-
3.1. Equity instruments	011	-	-	-
3.2. Debt securities	012	-	-	-
3.3. Loans and advances	013	-	-	-
Financial assets measured at fair value through profit or loss		-	-	-
4. Financial assets at fair value through profit or loss (AOP 015+016)	014	-	-	-
4.2. Debt securities	015	-	-	-
4.3. Loans and advances	016	-	-	-
5. Financial assets at fair value through other comprehensive income (AOP 018 to 020)	017	26	-	26
5.1. Equity instruments	018	26	-	26
5.1. Debt securities	019	-	-	-
5.2. Loans and advances	020	-	-	-
Financial assets measured at fair value through profit or loss		-	26	(26)
6. Financial assets at amortized cost (AOP 022+023)	021	195,916	184,775	11,141
6.1. Debt securities	022	29,816	-	29,816
Financial assets at amortized cost		-	29,816	(29,816)
6.2. Loans and advances	023	166,100	-	166,100
Loans and advances to customers		-	154,959	(154,959)
7. Derivatives - hedge accounting	024	-	-	-
8. Changes in fair value of hedged items in portfolio hedges of interest rate risk	025	-	-	-
9. Investments in subsidiaries, joint ventures and associates	026	-	-	-
10. Tangible assets	027	5,869	-	5,869
Investment property		-	4,957	(4,957)
Property, plant and equipment		-	820	(820)
Foreclosed assets		-	1,180	(1,180)
11. Intangible assets	028	1,132	-	1,132
Intangible assets		-	1,224	(1,224)
12. Tax assets	029	82	-	82
Deferred tax assets		-	82	(82)
13. Other assets	030	1,253	-	1,253
Other assets		-	2,799	(2,799)
14. Fixed assets and disposal groups classified as held for sale	031	-	-	-
15. TOTAL ASSETS (AOP 001+005+010+014+017+021+024 to 031)	032	292,012	290,045	1,967

in EUR '000

Position		CNB Decision	Annual Report	Difference
Liabilities				
16. Financial liabilities held for trading (AOP 034 to 038)	033	-	-	-
16.1. Derivatives	034	-	-	-
16.2. Short positions	035	-	-	-
16.3. Deposits	036	-	-	-
16.4. Debt securities issued	037	-	-	-
16.5. Other financial liabilities	038	-	-	-
17. Financial liabilities at fair value through profit or loss (AOP 040 to 042)	039	-	-	-
17.1. Deposits	040	-	-	-
17.2. Debt securities issued	041	-	-	-
17.3. Other financial liabilities	042	-	-	-
18. Financial liabilities measured at amortized cost (AOP 044 to 046)	043	263,640	263,190	450
18.1. Deposits	044	263,434	-	263,434
18.2. Debt securities issued	045	-	-	-
18.3. Other financial liabilities	046	206	-	206
Liabilities to banks		-	384	(384)
Demand deposits		-	136,632	(136,632)
Term deposits		-	106,362	(106,362)
Liabilities for loans received		-	19,812	(19,812)
19. Derivatives - hedge accounting	047	-	-	-
20. Changes in fair value of hedged items in portfolio hedging of interest rate risk	048	-	-	-
21. Provisions	049	1,114	1,159	(45)
22. Tax liabilities	050	631	-	631
23. Share capital repayable on demand	051	-	-	-
24. Other liabilities	052	3,451	-	3,451
Other liabilities		-	2,520	(2,520)
25. Liabilities included in disposal groups classified as held for sale	053	-	-	-
26. TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 to 053)	054	268,836	266,869	1,967
Capital				
27. Share capital	055	62,990	62,990	-
28. Share premium	056	-	-	-
29. Equity instruments issued other than equity	057	-	-	-
30. Other equity instruments	058	-	-	-
31. Accumulated other comprehensive income	059	-	-	-
32. Retained earnings	060	(42,610)	(39,814)	(2,796)
33. Revaluation reserves	061	-	-	-
34. Other reserves	062	-	-	-
35. Treasury shares	063	-	-	-
36. Profit or loss attributable to owners of the parent	064	2,796	-	2,796
37. Dividends during the financial year	065	-	-	-
38. Minority interests (non-controlling interests)	066	-	-	-
39. TOTAL EQUITY (AOP 055 to 066)	067	23,176	23,176	-
40. TOTAL LIABILITIES AND EQUITY (AOP 054+067)	068	292,012	290,045	1,967

ASSETS

Cash on hand, Cash receivable from central banks and Other demand deposits are items separately disclosed under the CNB standard, while in the Annual Report those items are disclosed within Cash, Receivables from the CNB and Placements with banks.

In the Annual Report, Loans and advances to clients include amounts of principal and accrued interest, less any loan prepayments and collected interest income relating to future periods. In the CNB report, the principal and interest amounts net of the accrued interest income of the future period , are disclosed under Loans and advances (at amortised cost) and the amounts of the loan prepayments are disclosed under Other liabilities (not offset). Other receivables are disclosed within Loans and advances in the CNB Report, while in the Annual Report they are disclosed within Other assets.

Also, the item Tangible assets consists of the inventory amount in the CNB report, while inventories in the Annual Report are disclosed within Other assets. Foreclosed assets are disclosed separately in the Annual Report, while they are disclosed within Other assets in the CNB report.

Finally, the balance sheet disclosed in the Annual Report and the CNB Report differ due to the reduction in the prepayment of Loans and advances in the Annual Report and offsetting tax assets and deferred tax liabilities

LIABILITIES AND EQUITY

Financial liabilities carried at amortised cost disclosed in the CNB report in the Annual Report are disclosed within Liabilities to Banks, Demand Deposits, Term Deposits and Borrowings. The difference in amounts refers to Deposits for Custody and Brokerage Services that are reported in the CNB Statement under Other Liabilities and Fees and Commissions payable that are disclosed within Other Liabilities in the Annual Report.

Statement of profit or loss reconciliation as of 31 December 2024

in EUR '000

Position		CNB Decision	Annual Report	Difference
1. Interest income	069	11,812	11,812	-
2. Interest expenses	070	2,023	2,022	1
3. Expenditures from share capital that is returned on request	071	-	-	-
4. Dividend income	072	-	-	-
Provisions for credit losses			*(1,177)*	1,177
5. Income from fees and commissions	073	2,433	2,433	-
6. Expenses from fees and commissions	074	476	475	1
Provisioning and impairment charges			*(270)*	270
7. Gains or losses upon derecognition of financial assets and financial liabilities that are not measured at fair value through profit or loss, net	075	-	-	-
8. Gains or losses on financial assets and financial liabilities held for trading, net	076	153		153
Gains less losses on financial instruments measured at fair value through other comprehensive income		-	-	-
Gains less losses from financial instruments measured at fair value through the income statement		-	-	-
Gains less losses from trading in foreign currencies			*153*	(153)
Gains less losses from modifications of financial assets measured at amortized cost that are not caused by derecognition		-	-	-
9. Gains or losses on non-trading financial assets measured by fair value through profit or loss, net	077	-	-	-
10. Gains or losses on financial assets and financial liabilities at fair value through profit or loss, net	078	-	-	-
11. Gains or losses from hedge accounting, net	079	-	-	-
12. Foreign exchange differences (gains or losses), net	080	-	-	-
Gains less foreign exchange losses		-	-	-
13. Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net	081	-	-	-
14. Gains or losses on derecognition of non-financial assets, net	082	-	-	-
Lease income		-	595	(595)
15. Other operating income	083	1,146	643	503
16. Other operating expenses	084	16		16
17. TOTAL OPERATING INCOME, NET (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 to 083 - 084)	085	**13,029**	**11,692**	**1,337**
18. Administrative expenses	086	7,823	-	7,823
19. Cash contributions to resolution committees and insurance schemes deposits	087	-	-	-
Employee expenses		-	*(4,482)*	4,482
20. Depreciation	088	379	*(379)*	-
Other operating expenses		-	*(3,452)*	*3,452*
21. Gains or losses due to changes, net	089	-	-	-
22. Provisions or reversals of provisions	090	301	-	301
23. Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss	091	1,129	-	1,129
24. Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	092	-	-	-
25. Impairment or reversal of impairment of non-financial assets	093	18	-	18
26. Negative goodwill recognised in profit or loss	094	-	-	-
27. Share of profit or loss from investments in subsidiaries. joint ventures and associates accounted for using the equity method	095	-	-	-
28. Profit or loss from non-current assets and disposal groups classified as held for sale that do not qualify as discontinued operations	096	-	-	-
29. PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (AOP 085 - 086 to 088 + 089 to 093+ 094 to 096)	097	**3,379**	**3,379**	-
30. Tax expense or income related to profit or loss from continuing operations	098	583	583	-
31. PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (AOP 097 - 098)	099	**2,796**	**2,796**	-
32. Profit or loss after tax from discontinued operations (AOP 101 - 102)	100	-	-	-
32.1. Profit or loss before tax from discontinued operations	101	2,796	2,796	-
32.2. Tax expense or income related to operations that will not continue	102	-	-	-
33. PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 099 + 100; 104 + 105)	103	**2,796**	**2,796**	-
34. Attributable to minority interests (non-controlling interests)	104	-	-	-
35. Attributable to owners of the parent company	105	2,796	2,796	-

Differences in the items of the Statement of profit or loss published in the Annual Report and the items of the same report prepared according to the Decision of the CNB, as a rule, arise due to methodologically differently defined positions of income and expenses in those reports. For example, according to the CNB Decision, gains/losses from the purchase and sale of foreign exchange and spot transactions are shown in the position Gains or losses on financial assets and financial liabilities held for trading, net, while in the Annual Report they are shown in the position Gains less losses from trading in foreign currencies.

Reconciliation of the Cash Flow Statement for 2024

in EUR '000

Position		CNB Decision	Annual Report	Difference
Operating activities and adjustments				
1. Profit / loss before tax	001	3,379	3,379	-
2. Impairment and provisions	002	1,448	-	1,448
Net credit losses		-	1,177	(1,177)
Provision and impairment expenses		-	(270)	270
3. Depreciation	003	516	379	137
4. Net unrealized gain / loss on financial assets and liabilities at fair value through profit or loss	004	(153)	-	(153)
Foreign exchange gains		-	(47)	47
5. Gain / loss on sale of tangible assets	005	(94)	-	(94)
6. Other non-cash items	006	(586)	-	(586)
Other (decreases) in cash flow		-	-	-
Interest income		-	(11,812)	11,812
Interest expense		-	2,022	(2,022)
Other non-cash items		-	(762)	762
Changes in assets and liabilities from operating activities		-	-	-
7. Funds with the Croatian National Bank	007	(41,043)	(41,043)	-
8. Deposits with and loans to financial institutions	008	-	-	-
9. Loans and advances to other clients	009	(1,068)	-	(1,068)
Decrease in loans and receivables		-	(10,284)	10,284
10. Securities and other financial instruments at fair value through other comprehensive income	010	-	-	-
11. Securities and other financial instruments held for trading	011	-	-	-
12. Securities and other financial instruments not actively traded, and valued at fair value through P&L	012	-	-	-
13. Securities and other financial instruments that are mandatorily carried at fair value through profit and loss	013	-	-	-
14. Securities and other financial instruments that are carried at amortized cost	014	(2,380)	-	(2,380)
15. Other assets from operating activities	015	(49,968)	-	(49,968)
Decrease/(increase) in other assets		-	(517)	517
(Decrease) in other short-term liabilities		-	196	(196)
Increase/decrease in operating liabilities		-	-	-
16. Deposits from financial institutions	016	(185)	-	(185)
Increase in liabilities to banks		-	(52)	52
17. Transaction accounts of other clients	017	82,132	-	82,132
18. Savings deposits of other clients	018	(8,142)	-	(8,142)
19. Term deposits of other clients	019	7,000	-	7,000
(Decrease) in deposits		-	48,670	(48,670)
20. Derivative financial liabilities and other liabilities held for trading	020	-	-	-
21. Other liabilities	021	733	-	733
22. Interest received from operating activities	022	11,336	-	11,336
Interest receipts		-	10,696	(10,696)
23. Dividends received from operating activities	023	-	-	-
24. Interest paid from operating activities	024	(144)	-	(144)
Interest expense		-	(145)	145
25. Profit tax paid	025	(588)	(588)	-
A) Net cash flows from operating activities (AOP 001 to 025)	026	2,193	999	1,194

in EUR '000

Position		CNB Decision	Annual Report	Difference
Investing activities				
1. Proceeds from sale/payments for purchase/ of tangible and intangible assets	027	(329)	-	(329)
Expenditures for acquisition of property, plant and equipment		-	645	(645)
Proceeds from sale of foreclosed assets		-	94	(94)
2. Proceeds from sale/payments for purchase/ of investments in subsidiaries, joint ventures and associates	028	-	-	-
3. Proceeds from collection/payments for purchase/ of securities and other financial instruments from investing activities	029	-	-	-
4. Dividends received from investing activities	030	-	-	-
5. Other proceeds/payments/ from investing activities	031	-	-	-
Expenditures for purchase of financial assets at fair value through profit or loss		-	-	-
Sale of financial assets at fair value through other comprehensive income		-	-	-
Proceeds from sale of financial assets at fair value through profit or loss		-	-	-
B) Net cash flows from investing activities (AOP 027 to 031)	032	(329)	739	(1,068)
Financing activities				
1. Net increase / decrease / of received loans from financing activities	033	924	-	924
Expenses for payment of received loans		-	970	(970)
Lease and rent payment		-	(138)	138
2. Net increase / decrease / of issued debt securities	034	-	-	-
3. Net increase/decrease in supplementary capital instruments	035	-	-	-
4. Increase in share capital	036	-	-	-
5. Dividend paid	037	-	-	-
6. Other receipts / payments from financing activities	038	(218)	-	(218)
C) Net cash flows from financing activities (AOP 033 to 038)	039	706	832	(126)
D) Net increase / decrease in cash and cash equivalents (AOP 026+032+039)	040	2,570	2,570	-
Cash and cash equivalents at the beginning of the year	041	10,462	10,462	-
The effect of changes in foreign exchange rates on cash and cash equivalents	042	(2)	(2)	-
Cash and cash equivalents at the end of the year (AOP 040+041+042)	043	13,030	13,030	-

Differences in the positions of the Statement of Cash Flows published in the Annual Report in relation to the instructions prescribed by the CNB Decision mainly arise due to the different methodology used for the preparation of these reports, i.e. due to differently presented input data for the calculation of cash flows by category.

Reconciliation of the Statement of Comprehensive Income and Statement of Changes in Equity

The Statement of Comprehensive Income and the Statement of Changes in Equity prepared under the CNB standard do not differ from the Annual Report.

In accordance with Article 164 of the Credit Institutions Act, the Bank is obliged to disclose the following data relating to the previous financial year:

1. Banking and financial services provided, the nature of its activities and the geographic location of these services;
2. Total income;
3. Number of employees on a full-time equivalent basis;
4. Amount of profit tax; and
5. Amount of state subsidies received.

Ad.1.
In accordance with the Credit Institutions Act, the Bank engages in the following banking and financial services in the country and abroad:

- Receiving cash deposits,
- Granting loans and other placements on its own behalf and for its own account,
- Issuing means of payment in the form of electronic money,
- Issuing guarantees and other commitments,
- Factoring,
- Finance leasing,
- Lending, including client loans, mortgage loans and financing commercial transactions (including forfeiting),
- Trading on its own behalf and for its own account or on its own behalf and for the account of the client: money market instruments and other transferable securities, foreign currencies, including currency exchange, financial futures and options, currency and interest rate instruments,
- Payment transactions in the country and abroad in accordance with special laws,
- Collection, analysis and provision of information on the creditworthiness of legal entities and natural persons who perform activities independently,
- Issuing and management of payment instruments,
- Rental of safe deposit boxes,
- Representation in insurance,
- Receipt and transfer of orders in relation to one or more financial instruments,
- Execution of orders on behalf of clients,
- Trading for own account,
- Underwriting services, i.e. the sale of financial instruments with a purchase obligation,
- Underwriting Services, i.e. the sale of financial instruments without a purchase obligation,
- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash management and security instruments,
- Providing loans to investors to allow carrying out transactions with one or more financial instruments, if the transactions involve a company that grants loans,
- Foreign exchange services, if related to the provision of investment services,
- Services related to underwriting or selling financial instruments with a purchase obligation.

In accordance with the National Classification of Activities, the activities of Croatia banka are defined as: 64.19 Other monetary mediation.

In 2024, Croatia banka performed its services in the Republic of Croatia.

Ad.2.
In 2023, Croatia banka realised a total net income of EUR 11.626 thousand.

Ad.3.
As of 31 December 2024, Croatia banka had 154 employees based on the number of working hours, but at the end of 2024 the actual number of employees was 165.

Ad. 4.

Profit tax expense is based on taxable profit for the year and consists of current tax and deferred tax. In 2024, the Bank achieved taxable profit of EUR 3,624 thousand. The Bank uses tax relief from previous periods in the amount of EUR 357 thousand, while it will pay profit tax in the amount of EUR 588 thousand on the remaining taxable profit of EUR 3,266 thousand. The amount reported in the profit tax item relates to net deferred tax assets on pre-paid/paid fees in the amount of EUR 5 thousand of income and to current profit tax expense in the amount of EUR 588 thousand.

Ad.5.
In 2024, Croatia banka did not receive any state subsidies.

NAME AND REGISTERED OFFICE

Name	Croatia banka d.d.
Address	Roberta Frangeša Mihanovića 9
	10110 Zagreb
Legal form	dioničko društvo
Country of registration	Hrvatska
Registration number	080007370
PIN	32247795989
Website	www.croatiabanka.hr
Phone	0800 57 57
E-mail	info@croatiabanka.hr
IBAN:	HR0324850031000009027

BUSINESS NETWORK

City	Address	Phone	E-mail
Commercial centre Čakovec	Ulica Ivana Mažuranića 2 40000 Čakovec	040 310 160	cakovec@croatiabanka.hr
Commercial centre Osijek	Ulica Josipa Jurja Strossmayera 4 31000 Osijek	031 203 001	osijek@croatiabanka.hr
Commercial centre Pula	Istarska ulica 14 52100 Pula	052 451 202	pula@croatiabanka.hr
Commercial centre Slavonski Brod	Trg Ivane Brlić Mažuranić 15 35000 Slavonski Brod	035 442 112	slavonski.brod@croatiabanka.hr
Commercial centre Split	Gundulićeva 26A 21000 Split	021 539 795	split@croatiabanka.hr
Commercial centre Vinkovci	Duga ulica 2 32100 Vinkovci	032 331 377	vinkovci@croatiabanka.hr
Commercial centre Virovitica	Trg kralja Zvonimira 10 33000 Virovitica	033 725 441	virovitica@croatiabanka.hr
Commercial centre Vukovar	Josipa Jurja Strossmayera 5 32000 Vukovar	032 450 520	vukovar@croatiabanka.hr
Commercial centre Zagreb	R.F. Mihanovića 9 10110 Zagreb Poslovni toranj Sky Office	01 2391 174	zagreb@croatiabanka.hr
Outlet Šubićeva, Zagreb	Šubićeva 67 10000 Zagreb	01 4623 024	subiceva@croatiabanka.hr
Outlet Sky Office, Zagreb	R.F. Mihanovića 9 10110 Zagreb	01 2391 294	poslovnica.sky.office@croatiabanka.hr
Outlet Županja	Strossmayerova 5 32270 Županja	032 831 051	zupanja@croatiabanka.hr
Outlet Rijeka*	Kukuljanovo 387 51000 Rijeka	091 233 2632 091 233 2633	rijeka@croatiabanka.hr

*opened at the beginning of 2025


ČAKOVEC
ZAGREB
VIROVITICA
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VINKOVCI
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SLAVONSKI
BROD
RIJEKA
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SPLIT