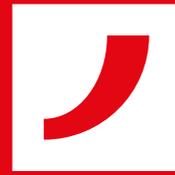


Annual Report for 2025



HPB

HRVATSKA POŠTANSKA BANKA



Every year - jump forward!

The report in PDF format is an unofficial document. The official report is publicly available in the European Single Electronic Format.



**Annual
Report**
for 2025

Zagreb, March 2026



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Introduction

The Annual Report presents a comprehensive overview of financial information, an analysis of operations, the Sustainability Report, and the audited annual financial statements, together with the independent auditor's report, for the year ended 31 December 2025. The official and legally binding version of the Annual Report is published in Croatian.

Legal status

The Annual Report includes the annual financial statements prepared in accordance with the statutory accounting framework applicable to credit institutions in the Republic of Croatia and audited in compliance with the International Standards on Auditing.

The Annual Report has been prepared in accordance with the Accounting Act and the Companies Act, which require the Management Board to report to shareholders at the Annual General Meeting. Pursuant to the Accounting Act, the statutory annual financial statements comprise the Statement of Financial Position, the Income Statement together with the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements, while the Companies Act, in accordance with Articles 250.a and 250.b, prescribes the obligation to submit an Annual Report on the status and development of the Bank and other members of the HPB Group.

Abbreviations

In this Annual Report, Hrvatska poštanska banka, p.l.c. is referred to as the "Bank" or "HPB", the Hrvatska poštanska banka Group as the "HPB Group" or the "Group", the Croatian National Bank as the "CNB", the Republic of Croatia as "Croatia", and the Croatian Bank for Reconstruction and Development as "HBOR".

Exchange rates

For the purpose of translating amounts denominated in foreign currencies into euro amounts, the following middle exchange rates of the Croatian National Bank were applied:

As at 31 December 2025

1 EUR = 1.175700 USD

As at 31 December 2024

1 EUR = 1.044400 USD



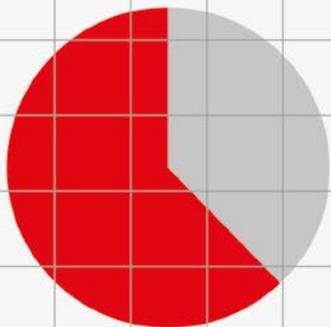
Vision and Mission

Vision

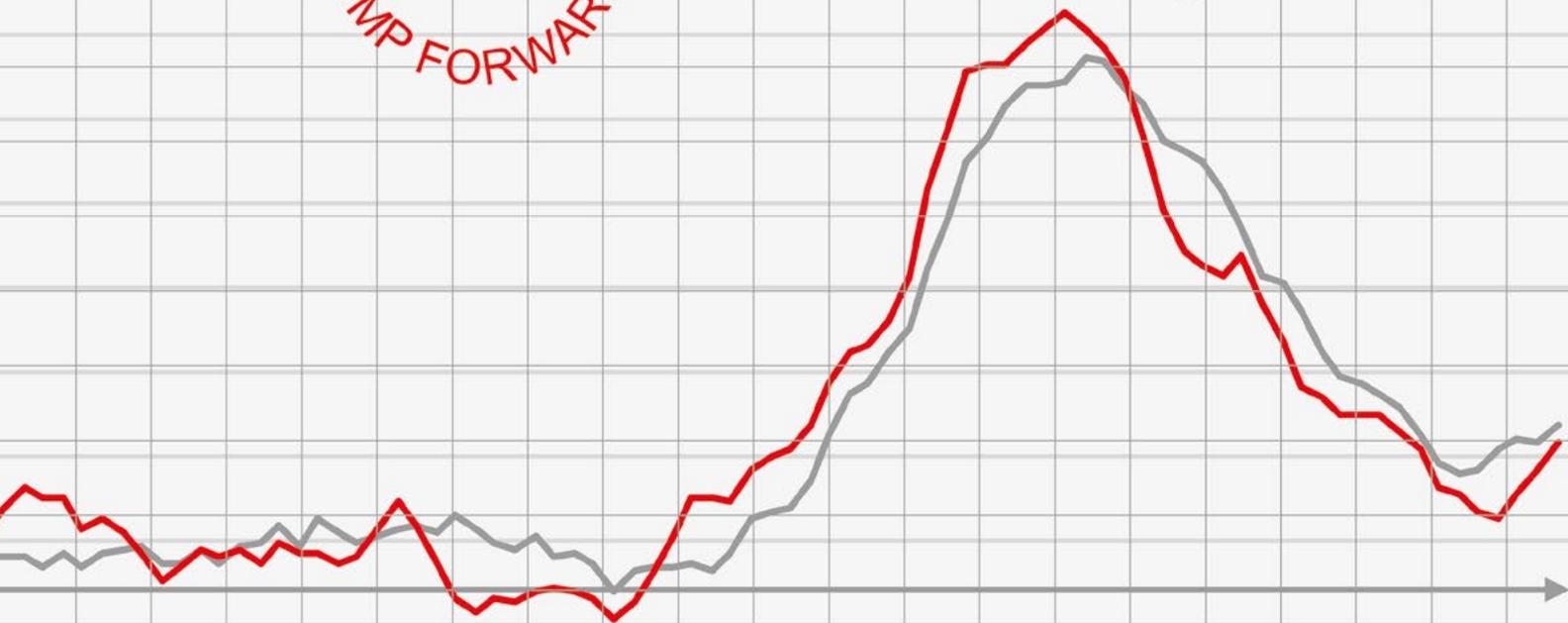
**A Croatian-owned bank
with relevant market influence
that cares best for clients, shareholders
and the community.**

Mission

**We create conditions
for a better life in Croatia.**



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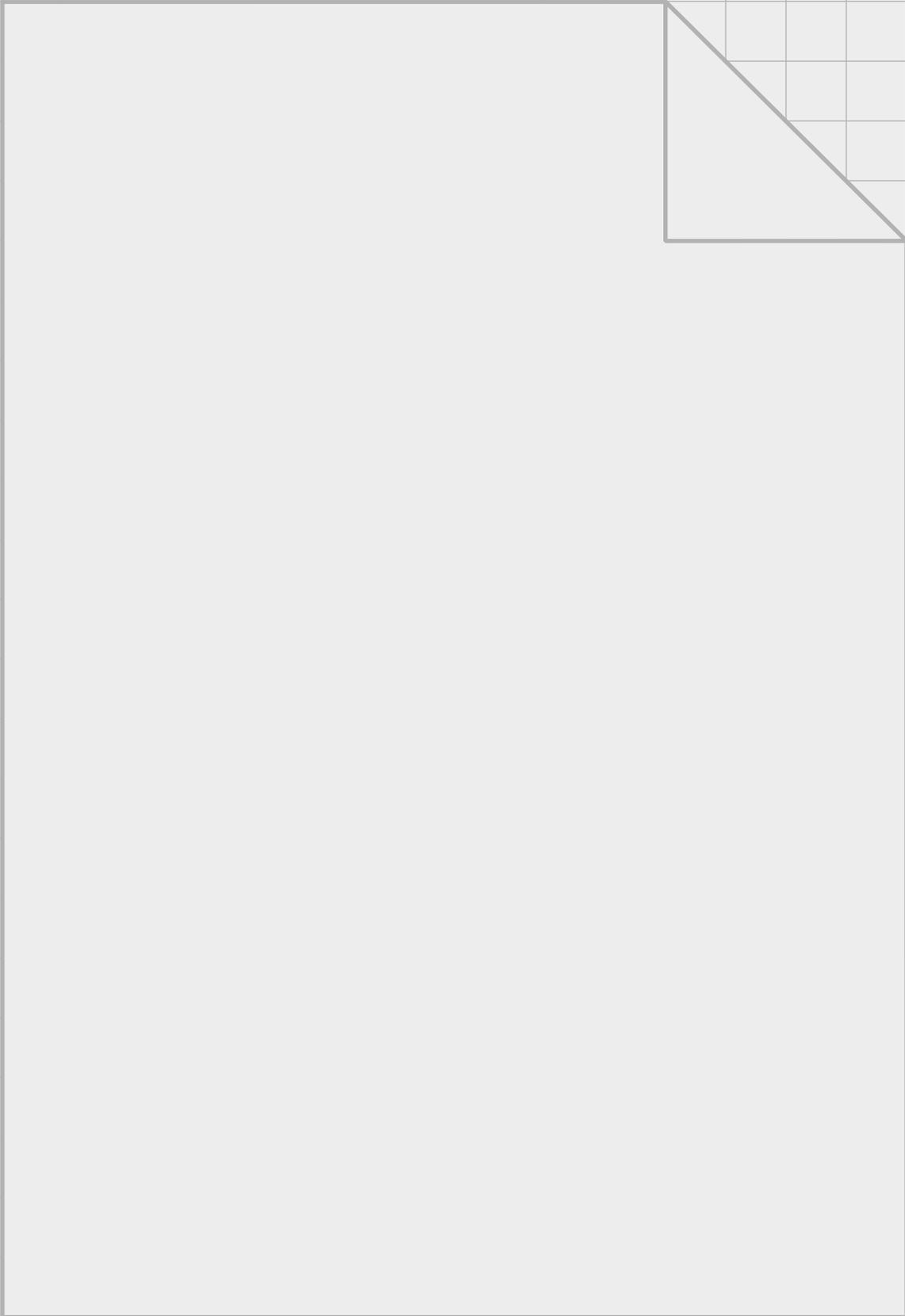


Key Financial Indicators

GROUP (EUR million)	2025	2024	2023	2022	2021
Basic indicators					
Profit for the year	58.8	73.5	83.1	126.7	26.9
Operating profit	81.6	112.2	99.2	27.7	41.5
Total assets	8,562	7,882	7,046	5,540	3,694
Loans and advances to customers	3,695	2,869	2,910	3,062	1,892
Customer deposits	7,185	6,733	5,923	4,641	3,111
Share capital and reserves	576	560	534	457	353
Other Indicators					
Return on equity (ROE)	10.21%	13.14%	15.57%	27.72%	7.63%
Return on assets (ROA)	0.69%	0.93%	1.18%	2.29%	0.73%
Cost-to-income ratio ¹	59.88%	50.17%	53.15%	79.18%	62.36%

BANK (EUR million)	2025	2024	2023	2022	2021
Basic indicators					
Profit for the year	59.1	73.6	81.0	18.0	27.0
Operating profit	82.0	112.3	94.0	24.0	41.0
Total assets	8,564	7,883	7,046	4,563	3,694
Loans and advances to customers	3,695	2,869	2,910	2,107	1,892
Customer deposits	7,186	6,734	5,924	3,924	3,112
Share capital and reserves	576	560	534	347	352
Other Indicators					
Return on equity (ROE)	10.26%	13.15%	15.10%	5.07%	7.63%
Return on assets (ROA)	0.69%	0.93%	1.14%	0.39%	0.73%
Cost-to-income ratio ¹	59.37%	49.85%	50.56%	76.01%	62.03%
Regulatory capital	547	512	505	345	349
Capital adequacy ratio	19.45%	21.13%	22.51%	23.57%	25.65%

¹general and administrative costs, depreciation and amortisation and other operating costs





Statement by the President of the Management Board

Dear and esteemed shareholders,

For the fifth consecutive year, HPB has delivered above-market growth, confirming that our performance is anchored in strategic clarity, disciplined execution and long-term vision rather than favourable external conditions. The results presented in this report demonstrate that we have delivered on every commitment outlined in last year's statement.

As at 31 December 2025, the Bank's total assets amounted to EUR 8.6 billion, representing a year-on-year increase of 8.6%. This growth outpaced the market expansion of 8.4%, which itself represents the second-highest growth rate recorded by the Croatian banking sector in the past decade. As a result, HPB's position among the leading banks in the Republic of Croatia has not only been consolidated, but further strengthened by 0.03 percentage points, and today our market share stands at 9.4%.

I am particularly pleased with the 27.2% expansion of our loan portfolio, with double-digit growth recorded across all segments, retail, SMEs and large corporates alike. Crucially, this growth has been achieved on a disciplined and sustainable basis, reflected in exceptionally low portfolio deterioration. As a result, HPB today maintains a robust and resilient balance sheet, with a non-performing loan (NPL) ratio of 3.2%, fully aligned with market benchmarks.

Net profit decreased by 19.7% year-on-year to EUR 59.1 million, while the Bank delivered a solid double-digit return on equity (ROE) of 10.4%. The primary factor influencing our performance and the decline in revenues, was the monetary policy stance of the European Central Bank. Unlike certain foreign-owned competitors benefiting from more diversified funding bases, HPB is required to maintain a relatively larger share of its balance sheet in the form of overnight deposits with the central bank. As a result, the eight consecutive reductions in the ECB's key policy rates during 2024 and 2025 were directly reflected in our net interest income, which declined by 13.3%. Notwithstanding this headwind, the continued deepening of client relationships and the associated increase in business volumes across all segments enabled us to stabilise net interest income in the fourth quarter of 2025, effectively halting the downward trend.

Sustainable growth requires sustained investment, particularly in digital transformation. The increase in operating expenses therefore reflects a deliberate strategic choice. We prudently leveraged our strong capital base to accelerate the expansion of our client portfolio and business volumes, thereby creating the conditions for future economies of scale, while further reinforcing the strength and visibility of the HPB brand across both digital and traditional channels. In line with this strategic direction, personnel expenses increased by 6.6%. This reflects our commitment to strengthening the Bank's human capital by enhancing the overall value proposition of employment, retaining experienced and highly qualified professionals, and sustaining the strong

engagement of the HPB team. Investment in our people is essential to the continuous advancement of our systems, service quality and operational capabilities, thereby underpinning the long-term creation of value for both clients and shareholders. At the same time, other general and administrative expenses, together with depreciation, increased by a contained 1.5%, materially below the rate of inflation, reflecting disciplined cost control in a challenging operating environment.

In addition, pursuant to the applicable regulatory framework, Croatian banks were required, as of the fourth quarter of 2025, to resume contributions to the deposit insurance scheme. On this basis, HPB recognised an expense of EUR 2 million, whereas no such charge was incurred in 2024.

Since the beginning of 2020, HPB has quadrupled its market capitalisation, increasing shareholder value by nearly half a billion euros. In 2025, EUR 44.2 million was allocated for distribution from the 2024 profit. Together with dividends of EUR 5.3 million from 2022 earnings and EUR 48.4 million from 2023 earnings, total distributions to shareholders over this period approach EUR 100 million.

At the beginning of 2026, these achievements were further reinforced by the assignment of an investment-grade credit rating by Moody's, one of the world's three leading rating agencies. The Bank was assigned a Baa2 long-term deposit rating and a Baa3 long-term issuer rating, both with a stable outlook. The attainment of investment-grade status constitutes an important external recognition of the Bank's financial strength, prudent risk management and consistent execution. At the same time, it reinforces our responsibility to sustain robust performance, deliver appropriate returns to shareholders and continue creating long-term value for the communities in which we operate.

Our expectations for 2026 are grounded in consistent strategic delivery, the professionalism and drive of our teams, and our demonstrated resilience in dynamic market conditions. As in previous years, we will continue to expand our market presence while maintaining rigorous risk management standards, thereby securing sustainable and attractive returns for our shareholders. At the same time, we will further advance our digital transformation to ensure that HPB remains future-ready, not only for the coming year, but for the structural shifts shaping the banking industry over the next decade.

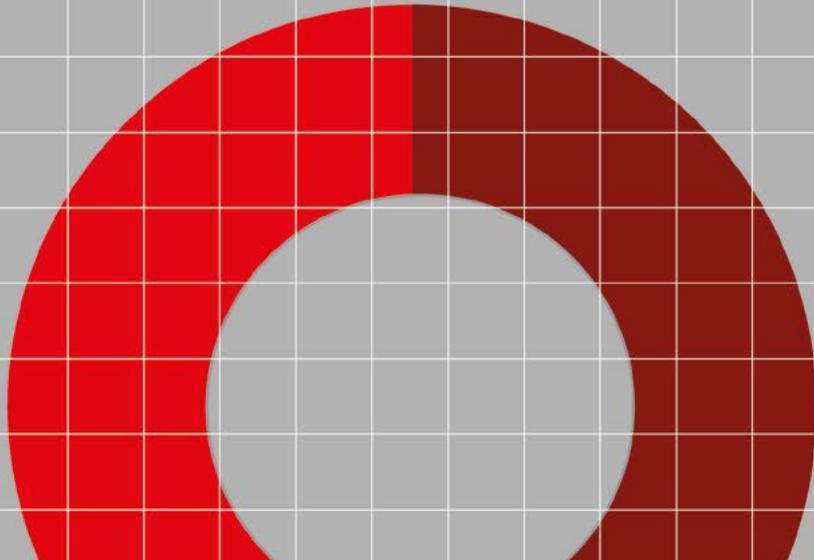
On behalf of the Management Board of Hrvatska poštanska banka, I extend my sincere gratitude to our shareholders and members of the Supervisory Board for their continued confidence and support, and to our clients and employees for their loyalty to HPB, the only systemically important bank in domestic ownership.

Marko Badurina

President of the Management Board



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Management Board of Hrvatska Poštanska Banka p.l.c.

Management board	Area of responsibility	Experience
Marko Badurina <i>President of the Management Board</i>	<ul style="list-style-type: none"> • Large Companies and Public Sector • Financial Markets • Compliance Division • Human Resources • Strategic Development and Business Transformation • Internal Audit • Management Board Office • Legal affairs 	<ul style="list-style-type: none"> • 2019 - HPB d.d. President of the Management Board • 2017 - Sberbank d.d. Advisor to the Business Strategy Board for Financial Markets, Investment Banking, Financial Institutions • 2013 - Sberbank d.d. Deputy Director of the Financial Markets Division • 2012 - Volksbank d.d. Deputy Director of the Financial Markets Division • 2007 - Volksbank – Liquidity and Trading Management
Anto Mihaljević <i>Member of the Management Board</i>	<ul style="list-style-type: none"> • Retail • SME • Products and Delivery Processes Management Division • Marketing • Quality Service Management • Service Development and Sales Personnel Office 	<ul style="list-style-type: none"> • 2019 - HPB d.d., Member of the Management Board • 2019 - Kentbank d.d., Director for Retail • 2017 - Allianz Zagreb d.d., Director of Sales Support • 2015 - Zagrebačka banka d.d., Sales Management Director for Individual Banking Clients • 2010 - Zagrebačka banka d.d., The Director of the Region Zagreb • 2005 - Zagrebačka banka d.d., The Director of the Region Sjeverozapadna Hrvatska • 2003 - Zagrebačka banka d.d., Leasing Sales Manager • 2001 - Zagrebačka banka d.d., Head of Sales Controlling • 1999 - Fer count d.o.o., Trainee Auditor
Ivan Soldo <i>Member of the Management Board</i>	<ul style="list-style-type: none"> • Credit Risk Management of natural person • Credit Risk Management of legal entities • Strategic Risk and Risk Control • Collection Management 	<ul style="list-style-type: none"> • 2019 - HPB d.d., Member of the Management Board • 2018 - Raiffeisen Bank International AG, Executive Director, Risk Management of Financial Institutions and States • 2015 - Raiffeisen Bank International AG, Director, Risk Management of Financial Institutions and States • 2013 - Raiffeisen Bank International AG, Risk Manager, Senior Risk Manager • 2011 - Raiffeisen Bank International AG, Analyst, Senior Analyst banks and Financial Institutions • 2010 - Ipreo Ltd., Analitičar Global Markets • 2005 - FIMA Fas d.o.o., Assistant Director • 2005 - KPMG Croatia d.o.o., Junior Associate
Tadija Vrdoljak <i>Member of the Management Board</i>	<ul style="list-style-type: none"> • Financial management • ALM • Procurement and General Affairs • Corporate Security • Controlling and Management Reporting 	<ul style="list-style-type: none"> • 2023 - HPB d.d., Member of the Management Board • 2023 - HPB d.d., Direktor of Digitalization of Business • 2022 - Nova hrvatska banka Plc., President of the Management Board • 2018 - Croatia Banka Plc., Member of the Management Board • 2017 - Agromeđimurje Plc., President of the Management Board • 2016 - Agrokor Plc., Retail, Director of Projects • 2012 - Konzum Plc., Director • 2009 - Hypo Alpe Adria Bank Plc., Member of the Management Board • 2007 - Slavonska banka Plc., Hypo Alpe Adria Bank Plc., Advisor to the Management Board, Procurator
Josip Majher <i>Member of the Management Board</i>	<ul style="list-style-type: none"> • Business Support • IT • Direct Channels Banking • Payments • Organization and Project Management 	<ul style="list-style-type: none"> • 2023 - HPB d.d., Member of the Management Board • 2021 - Ministry of Labour, Pension System, Family and Social Policy, Cabinet of the Minister, Special Advisor • 2020 - V20 Turizam Ltd – Hotel Blue Zagreb, Director / Partner • 2016 - Croatia Insurance Company Plc., Director, Insurance of Corporate clients and SME • 2012 - Croatia Insurance Company Plc., Director, Corporate client Management Service • 2011 - Croatia Insurance Company Plc., Head of Department for Development of External Sales Network • 2009 - Croatia Insurance Company Plc., Senior specialist for improving sales channels with financial institutions

Note: organizational jurisdiction as of December 31, 2025



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Macroeconomic overview

Gross domestic product

Decomposition of GDP growth by components

	2020	2021	2022	2023	2024	2025
GDP - real growth rate	(8.3%)	12.6%	7.3%	3.3%	3.8%	3.0%
GDP – nominal growth rate	(7.6%)	15.0%	15.9%	15.4%	9.5%	7.9%
GDP deflator	0.7%	2.3%	8.6%	12.1%	5.7%	4.9%
Contribution to GDP growth						
- Household consumption	(2.9%)	6.3%	4.0%	1.8%	3.2%	2.3%
- Government consumption	0.8%	0.7%	0.5%	1.6%	1.0%	1.1%
- Gross fixed capital formation	(1.4%)	1.1%	2.2%	2.2%	2.3%	1.0%
- Net exports	(5.2%)	5.1%	(0.5%)	1.5%	(2.5%)	(1.5%)
- Changes in inventories and other	0.4%	(0.6%)	1.1%	(3.7%)	(0.2%)	0.1%
Year-on-year growth of GDP components						
- household consumption	(5.2%)	10.7%	6.9%	3.0%	5.6%	5.9%
- Government consumption	3.4%	2.8%	2.2%	7.1%	4.5%	5.3%
- Gross fixed capital formation	(6.3%)	4.8%	10.4%	10.1%	9.9%	5.9%
- Exports of goods and services	(23.2%)	32.7%	27.0%	(2.9%)	0.9%	0.5%
- Imports of goods and services	(12.3%)	17.3%	26.5%	(5.3%)	5.3%	3.4%

Source: Croatian Bureau of Statistics (CBS), www.dzs.hr (Gross Domestic Product – MSI, Table 12.1.1.4); source for the 2025 projection: CNB, www.hnb.hr (Macroeconomic Developments and Forecasts, No. 19, available at www.hnb.hr; Draft State Budget of the Republic of Croatia for 2026 with projections for 2027 and 2028; HPB analysis

Nominal GDP growth in 2025 remained robust, while real GDP growth moderated compared to 2024, primarily reflecting weaker external demand from Croatia's key export markets, notably Germany and Italy. From a longer-term perspective, Croatia's real GDP growth continues to outpace the EU average. By the end of 2025, GDP per capita is expected to converge further towards the EU average, reaching approximately 78% of the EU level. This reflects the asymmetric growth dynamics between Croatia and the core EU economies, where subdued external demand and ongoing structural adjustments related to deglobalisation trends continue to weigh on growth.

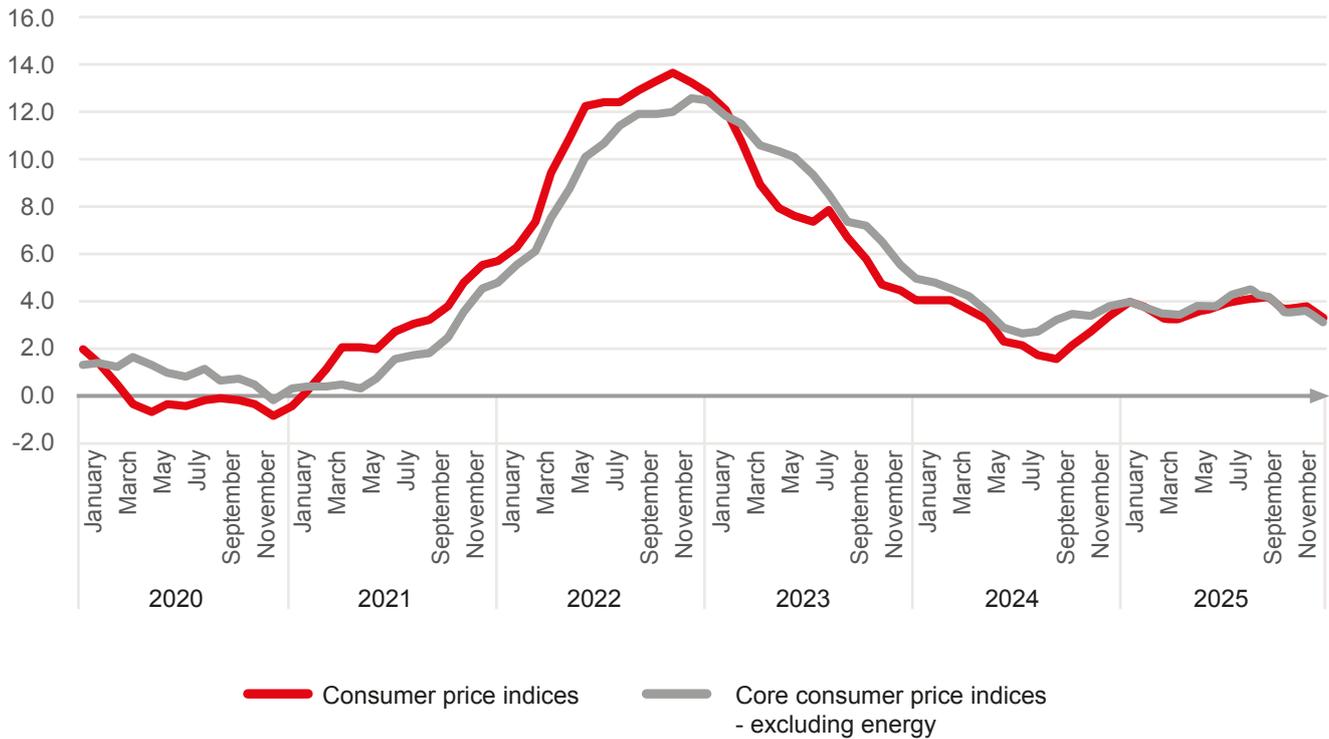
In terms of expenditure components, household consumption made the largest contribution to real GDP growth in 2025 (2.3 percentage points), supported by rising wages, favourable labour market conditions and sustained consumer confidence. Macroprudential measures introduced in the second half of 2025 moderated household lending growth, slightly dampening the overall contribution of private consumption. At the same time, these measures mitigated the build-up of excessive leverage risks on both the borrower side (households) and the lender side (credit institutions).

Government consumption continued to play a significant role in economic activity. Fiscal policy maintained an expansionary stance, supporting public investment and domestic demand. Gross fixed capital formation contributed 1.0 percentage point to real GDP growth, with year-on-year growth of 5.9%. However, a gradual slowdown is evident, largely influenced by heightened uncertainty and economic stagnation among Croatia's main trading partners. Increased investment in the defence sector provided some support to industrial output and export capacity, potentially generating positive medium-term spillover effects for domestic production and technological development.

Net exports decreased by -1.5% marking the second consecutive year with negative sign. Although import growth has decelerated, it continues to exceed the growth of external demand for domestically produced goods and services, while the contribution of tourism was somewhat weaker compared to previous years. High absorption of EU funds continues to support public investment and government expenditure, partially offsetting external headwinds and increasing the likelihood of sustained above-average economic growth.

Prices

Consumer price index (y-o-y changes in %)



Source: CNB, www.hnb.hr (statistical forms H-J1 and H-J2); HPB analysis

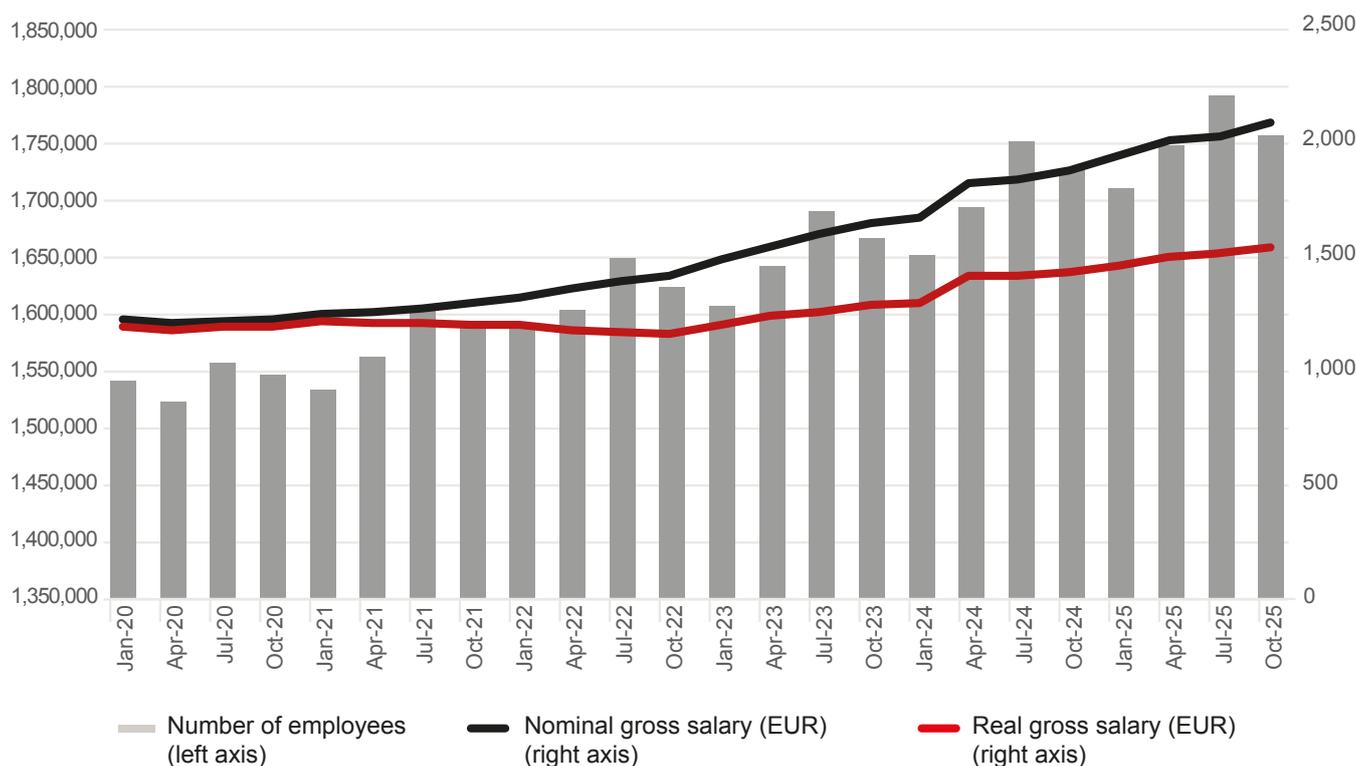
Average consumer prices, as measured by the Consumer Price Index (CPI), indicate a slight acceleration of inflation in Croatia to 3.7% in 2025. Although significantly lower than the elevated rates recorded in 2022 and 2023, inflationary pressures remained present during the reporting year, particularly in the categories of energy and housing, as well as in healthcare services and hospitality. The increase in energy prices, partly reflecting base effects, was influenced by the gradual withdrawal of administrative price controls in the process of alignment with EU regulatory practices. This was accompanied by persistently

elevated food price inflation (5.1%), which, given the substantial weight of food in the consumer basket, continues to materially affect perceived inflation and household purchasing power. The restaurants and hotels category (8.2%), while recording a modest deceleration compared to the double-digit growth rates of previous years, remained among the primary contributors to overall price growth. Continued increases in service prices reflect sustained wage pressures and strong demand during the tourist season.



Employment and wages

Comparative trends in nominal and real gross wages and total employment



Source: CNB, www.hnb.hr (Bulletin, seasonally adjusted and supplementary time series); HPB analysis

The Croatian labour market remained exceptionally strong in 2025, reaching levels indicative of near full employment, with total employment continuing its gradual upward trajectory towards 1.7 million persons. This dynamic reflects robust employer demand in the context of stable economic growth, alongside pronounced demographic pressures that continue to constrain the supply of domestic labour.

The structural shortage of domestic workers has continued to be offset by the employment of foreign labour. However, data published by the Ministry of the Interior for 2025 indicate a moderation in this trend. A total of 171 thousand residence and work permits were issued, representing a year-on-year decrease of 17.3%. More than half of these permits remained

concentrated in construction and in tourism and hospitality, suggesting that the observed decline partly reflects a gradual slowdown in activity within these sectors compared with the exceptionally strong levels recorded in previous years.

Following exceptionally strong nominal wage growth in 2024, the upward trend continued in 2025, albeit at a more moderate pace. Wage increases remained more pronounced in the public sector, largely reflecting adjustments agreed under collective bargaining agreements, while wage growth in the private sector followed at a somewhat lower intensity. Real gross wages also increased, indicating sustained employee bargaining power amid persistent labour market tightness.

Public finances

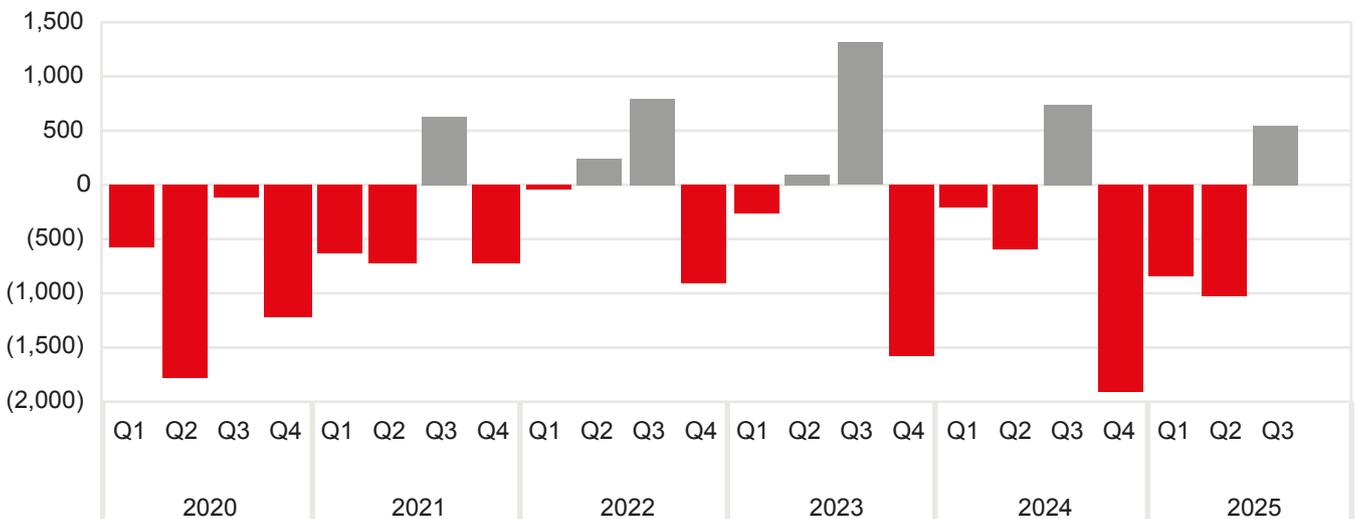
In 2025, fiscal policy continued to reflect a prudent approach, with a focus on maintaining the general government deficit below the Maastricht reference value of 3% of GDP. Although there was no change in Croatia's sovereign credit rating during the year, favourable macroeconomic prospects and sustained fiscal discipline enabled Croatia to retain its investment-grade rating with all three major rating agencies, with stable outlooks, reaffirming continued confidence from international financial markets.

In the third quarter of 2025, strong growth in general government revenues persisted, while expenditures also increased. Total revenues amounted to EUR 31.7 billion, supported primarily by higher social contributions and indirect tax revenues, reflecting favourable labour market developments. At the same time, total expenditures reached EUR 33.0 billion, exceeding revenue growth largely due to a significant increase in compensation of employees. With social benefits remaining the largest

expenditure category and capital expenditure broadly stable, net borrowing in the quarter amounted to EUR 1.3 billion. Given the continued robust GDP growth, compliance with the Maastricht fiscal criteria remains firmly in place. According to European Commission forecasts, the general government deficit is expected to remain at approximately 2.8% of GDP, while the debt-to-GDP ratio is projected to stabilise at a moderate level of around 56%.

During 2025, the development of the domestic capital market continued through further issuances of retail government bonds and Treasury bills, strengthening the domestic investor base and reducing reliance on external financing. The share of interest expenditure in total budgetary spending remains sustainable. Active debt management has contributed to extending the average maturity of public debt and minimising currency risk exposure.

Difference between total revenue and total expenditure of the consolidated general government (EUR million)



Source: CNB, www.hnb.hr (non-financial accounts of general government, form H-I_1); HPB analysis



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Business environment

Following several years of consolidation, which significantly reduced the number of credit institutions operating in Croatia, 2025 marked the second consecutive year without structural changes in the sector. The market comprised 19 commercial banks and one housing savings bank. Market concentration remains elevated, with the five largest banks accounting for approximately 82.9% of total assets. The Herfindahl–Hirschman Index (HHI) increased marginally to 1,642 points, indicating a slight rise in concentration consistent with the market position of the largest institutions.

The banking system continues to be dominated by foreign-owned institutions, which account for approximately 90% of total sector assets. HPB remains the largest domestically owned bank, ranking fifth overall with a market share of 9.4%.

Key performance indicators of credit institutions (in %)

	2020	2021	2022	2023	2024	2025
Return on assets (ROA)	0.61	1.17	1	1.75	1.88	1.64
Return on equity (ROE)	4.40	8.75	8.18	15.46	16.33	14.60
Cost-to-income ratio (CIR)	54.99	48.72	52.51	41.02	39.57	42.94
Non-performing loan ratio (NPL)	5.42	4.33	3.01	2.62	2.37	2.28
NPL coverage ratio	64.05	63.16	66.98	69.04	66.36	65.37
Total capital ratio	24.92	25.85	24.57	23.94	23.95	22.67
Liquidity coverage ratio (LCR)	181.94	202.48	242.38	238.08	230.9	212.98

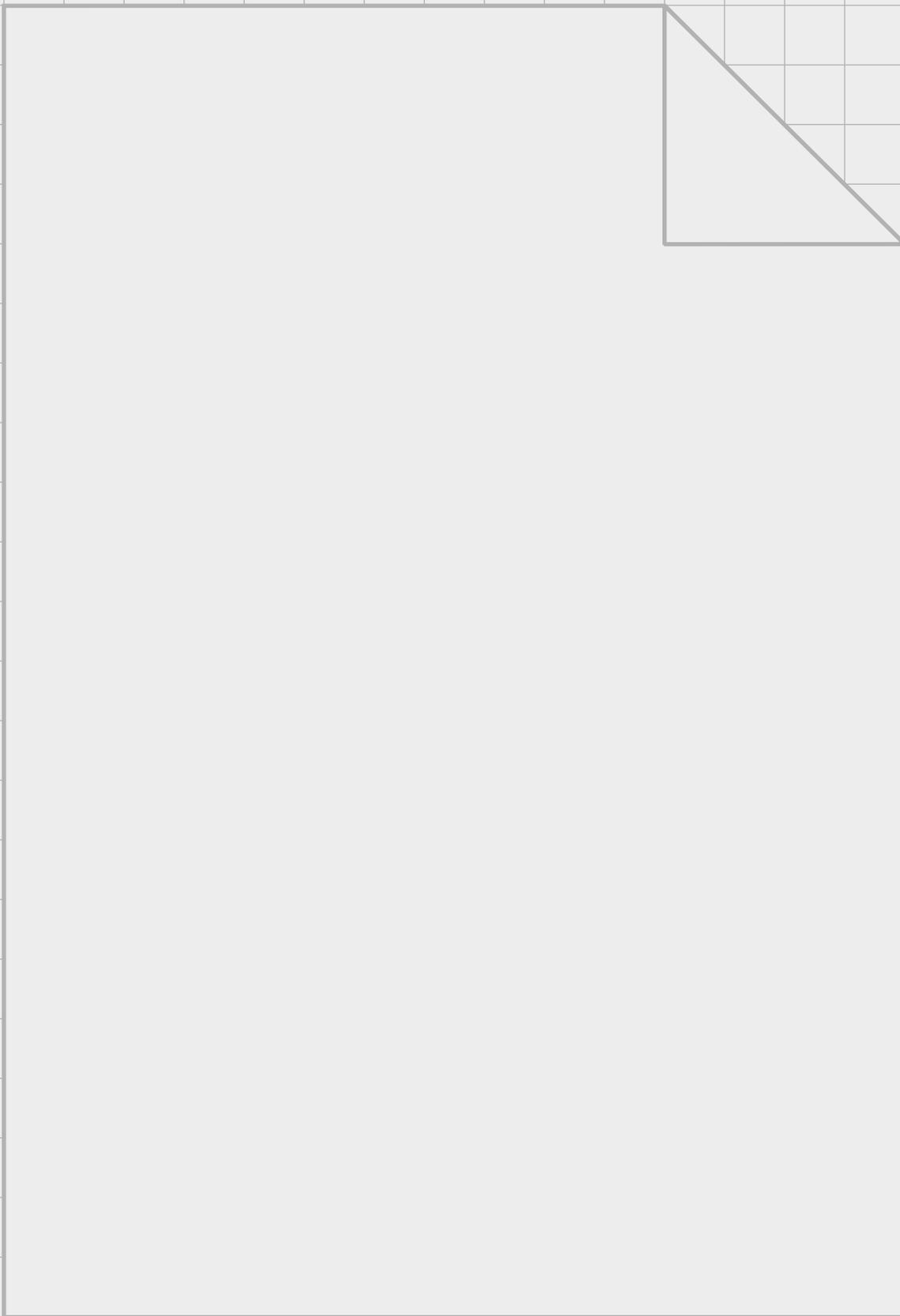
Source: CNB, www.hnb.hr (audited performance indicators of credit institutions for 2018–2024; preliminary unaudited data as at 31 December 2025); HPB analysis

Total sector assets continued to expand, increasing by 8.3% in the latest cycle, despite partial liquidity outflows from households deposits into treasury bills and bonds. The asset structure remains primarily concentrated in loans and advances and deposits with the Croatian National Bank, while lending activity in 2025 stabilised at lower levels, reflecting tighter financing conditions and the impact of macroprudential measures.

Asset quality continued to improve, supported by favourable macroeconomic conditions. The system-wide NPL ratio declined further to 2.28%. Within the household segment, the NPL ratio decreased to 3.3% (from 3.7%), while in the non-financial corporate sector it fell to 3.7% (from 4.5%).

These improvements reflect sustained real GDP growth and continued labour market resilience, which have supported borrowers' repayment capacity. At the same time, bank profitability remained elevated, underpinned by higher net interest margins, although a gradual narrowing is expected in 2026 in line with declining reference interest rates.

According to preliminary unaudited data, credit institutions generated net profit of EUR 1.43 billion in 2025, extending the period of historically strong earnings. The sector continues to be characterised by high capitalisation levels, while liquidity indicators remain robust, supported by a substantial volume of funds held in transaction accounts with the central bank.





Management Board report on the position of Hrvatska poštanska banka

History and key milestones in the development of Hrvatska poštanska banka, p.l.c.

Establishment and early development

The Bank was established in October 1991 with its registered office in Zagreb. Its initial shareholders were Croatian Post and its business partners.

Responding to the demand for banking services among households and corporate clients, particularly in areas without established banking infrastructure, and leveraging the extensive network of post offices, the Bank commenced operations by collecting deposits from retail customers, private entrepreneurs and other legal entities.

During its early years, the Bank's activities were primarily focused on retail banking, including the disbursement of salaries and pensions. Surplus liquidity was placed in the money market, while short-term financing was extended to meet the working capital needs of corporate clients. Despite operating in a challenging macroeconomic environment, the Bank recorded continuous growth in total assets and generated positive financial results.

In 1995, the Bank acquired the landmark building at Jurišićeva 4 in Zagreb, which remains its headquarters.

Expansion of operations

The first branch was opened in Split in April 2003, marking the beginning of a systematic expansion of the Bank's distribution network, which has since grown to 66 business units.

In 2005, the Bank established HPB-Nekretnine d.o.o., a limited liability company engaged in real estate brokerage and development, and HPB Invest d.o.o., a limited liability company for investment fund management, thereby forming the HPB Group.

Further development of the Group continued in 2006 with the establishment of HPB-Stambena štedionica d.d., a housing savings bank, which was successfully merged into the parent company on 2 December 2019 as part of a broader rationalisation and operational optimisation process.

Diversification of ownership structure and capital strengthening

Following a public offering of the Bank's shares in September 2015, share capital was increased by HRK 550 million through a combination of public and private investment. Upon subscription of 55% of the newly issued shares, pension funds, investment funds and other private investors entered the ownership structure, collectively holding 25.5% of the Bank's share capital. As a result, the ownership interest of the Republic of Croatia, which subscribed 45% of the new share issue, decreased from 99% to 74.5%. In 2021, the Republic of Croatia's ownership stake increased to 77.3% following the dissolution of the Prosperus Economic Cooperation Fund, previously a shareholder of the Bank. The shares held by the Fund were transferred to its unit holders, namely the Croatian Bank for Reconstruction and Development (which subsequently transferred its interest to the Republic of Croatia) and the Fund for Financing the Decommissioning and Disposal of Radioactive Waste and Spent Nuclear Fuel of the Krško Nuclear Power Plant, an entity wholly owned by the Republic of Croatia.

Acquisition and merger of Jadranska banka d.d. Šibenik

In 2018, the Bank executed its first inorganic growth transaction. On 14 July 2018, it acquired a 100% ownership interest in JADRANSKA BANKA d.d. ŠIBENIK (JABA), which had previously undergone a resolution process. Immediately following the acquisition, a merger procedure was initiated and successfully completed on 1 April 2019. After the merger, the former JABA continued operations within the Bank as a regional centre. The transaction generated positive capital and operational synergies.

Acquisition of Sberbank d.d., stabilisation, rebranding into Nova hrvatska banka and subsequent merger

Following the onset of the Russian invasion of Ukraine, Sberbank's Croatian subsidiary experienced a rapid deterioration in its liquidity position due to accelerated deposit withdrawals. Consequently, resolution proceedings were initiated on 1 March 2022.

Having significantly strengthened its capital position in the period following 2019, HPB was well positioned to undertake strategic acquisitions. Following a public call by the Single Resolution Board and the Croatian National Bank for the sale of Sberbank d.d., HPB promptly submitted a binding offer and acquired a 100% ownership interest in Sberbank d.d. for HRK 71 million, subject to all required regulatory approvals. The transaction mitigated potential systemic risks that could have arisen from the failure of Sberbank's Croatian operations. HPB assumed control and management of Sberbank on 14

April 2022 and subsequently implemented a rebranding to Nova hrvatska banka d.d. In order to maximise operational synergies and enhance value for shareholders and clients, HPB completed the merger of Nova hrvatska banka d.d. into HPB on 3 July 2023, following the registration of the merger by the Commercial Court in Zagreb.

In parallel with the acquisition of Sberbank, on 4 July 2022 the Bank entered into a transaction involving the purchase of claims and equity interests related to credit-deposit and other exposures of Nova hrvatska banka d.d. to Pronam Nekretnine d.o.o. and SBERBANK EUROPE AG in liquidation, for a total consideration of EUR 74 million. Through this transaction, the Bank strengthened its real estate portfolio by acquiring commercial properties in Zagreb and Rijeka, while simultaneously terminating residual business relationships between the former Sberbank and its previous parent and affiliated entities. The merger of the acquired entity was completed on 14 March 2023.

Significant Milestones in 2025

Jan-Jun 2025

Successful campaign for the market-leading HPB Super Housing Loan

Mar 2025

HPB-ZICER-EFGZ fintech ecosystem initiative

Apr 2025

HGK awards: HPB Invest - best bond fund & best moderate fund

Jun-Jul 2025

Apple Pay and Google Pay launched for HPB clients

Aug 2025

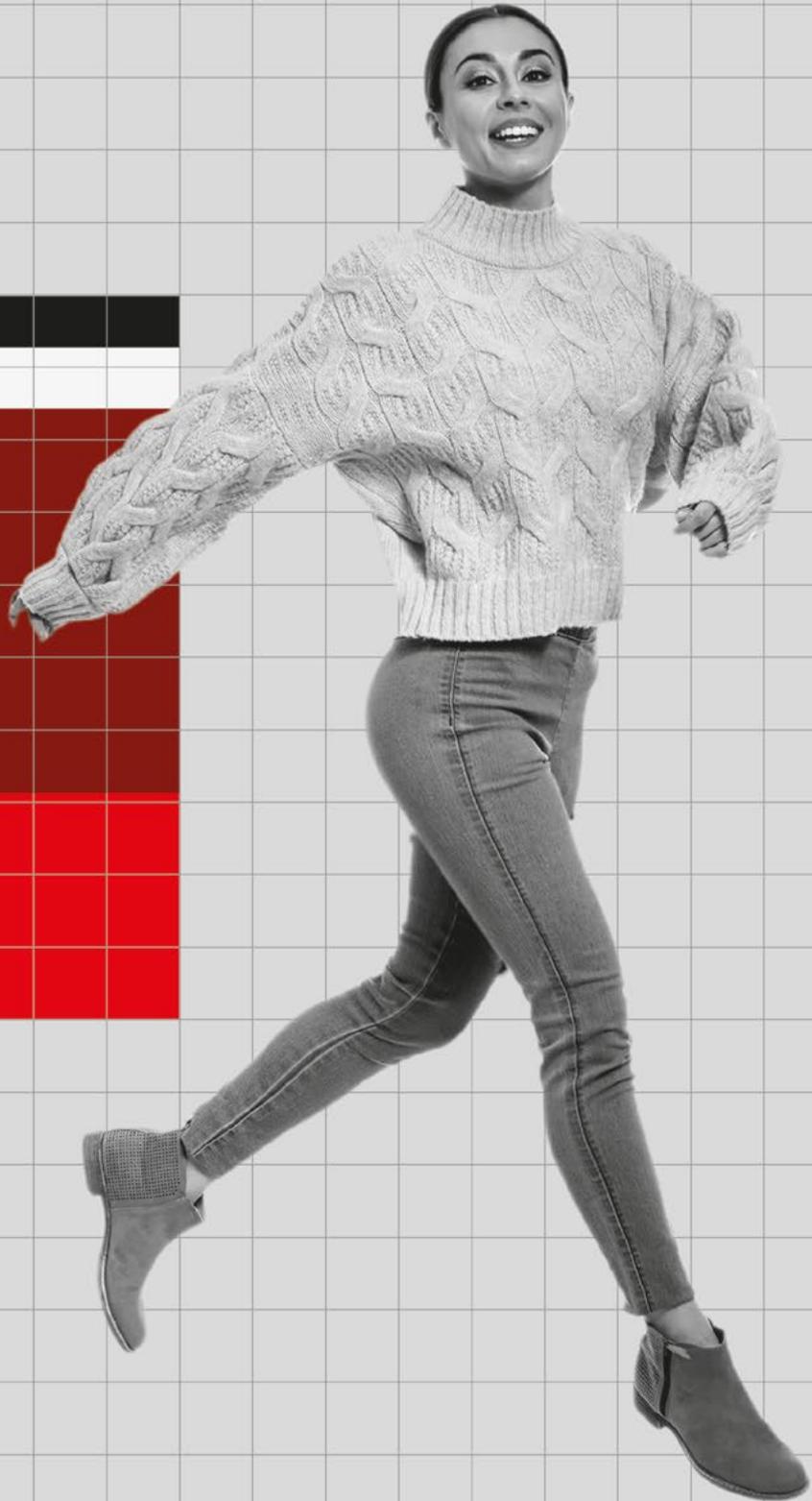
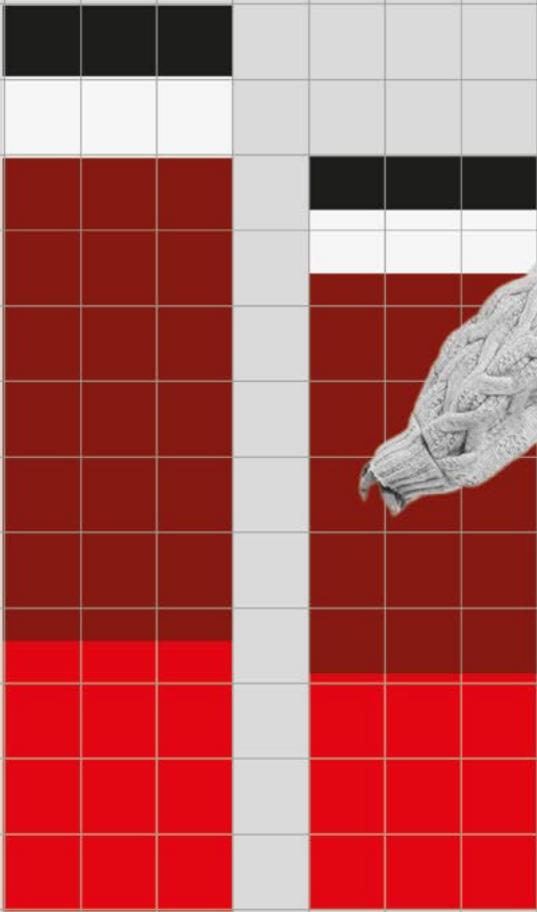
Supervisory Board strengthened with three new members

Dec 2025

Dividend declared at the Extraordinary General Meeting



EVERY YEAR -
JUMP FORWARD!



Principal activities of Hrvatska poštanska banka

Hrvatska poštanska banka, p.l.c. operates as a full-service credit institution, providing a comprehensive range of banking and financial services. Its core business activities comprise retail banking and corporate banking operations. The Bank's principal activities comprise:

- the acceptance of deposits and the provision of credit products and services to natural and legal persons in domestic and foreign currencies,
- the provision of payment and transaction services,
- the issuance of guarantees, letters of credit and other forms of sureties,
- factoring and financial leasing services,
- trading in securities and the provision of related investment services,
- ancillary services related to lending activities, including the collection and processing of financial information and the assessment of the creditworthiness of natural and legal persons engaged in business activities,
- activities relating to the distribution of insurance policies in accordance with applicable insurance regulations,
- the issuance of electronic money,
- the issuance and management of other payment instruments where such activities do not constitute payment services within the meaning of the relevant legislation,
- other banking products, and
- other services permitted under its banking licence.

Legislative framework

The conditions governing the establishment and operation of the Bank as a credit institution in the Republic of Croatia are primarily regulated by the Credit Institutions Act (Official Gazette Nos. 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024) and the Companies Act (Official Gazette Nos. 125/2011, 111/2012, 68/2013, 110/2015, 40/2019, 34/2022, 114/2022, 18/2023, 130/2023 and 136/2024).

The Bank's operations are further governed by secondary legislation issued by the Croatian National Bank (CNB) as the competent supervisory authority, regulating the Bank's core activities and related operations, in particular the Decision on the Governance System (Official Gazette Nos. 96/2018, 67/2019, 145/2020, 145/2021, 51/2023, 28/2024 and 150/2024). The provision of investment and ancillary services and the performance of investment activities in Croatia are regulated by the Capital Market Act (Official Gazette Nos. 65/2018, 17/2020, 83/2021, 151/2022, 85/2024 and 126/2025), the relevant secondary legislation issued by the Croatian Financial Services Supervisory Agency (HANFA), and applicable European Union

legislation governing capital markets, whether directly applicable or transposed into Croatian law. Payment services provided by the Bank are regulated by the Payment Services Act (Official Gazette Nos. 66/2018, 114/2022 and 136/2024), together with the related secondary legislation. In conducting insurance distribution activities, the Bank complies with the Insurance Act (Official Gazette Nos. 30/2015, 112/2018, 63/2020, 133/2020, 151/2022, 152/2024 and 151/2025) and the corresponding implementing regulations.

Given that the Republic of Croatia, directly or through entities under its control, is the majority shareholder of the Bank, the Bank is also subject to specific legislation applicable to companies majority-owned by the State, in particular the Act on Legal Entities Owned by the Republic of Croatia (Official Gazette No. 102/2025) and related regulations. As the Bank's shares are admitted to trading on the regulated market of the Zagreb Stock Exchange, the Bank qualifies as an issuer and is therefore subject to the Capital Market Act in the part governing issuers whose securities are admitted to trading on a regulated



market, as well as to the relevant secondary legislation issued by HANFA and applicable EU legislation. Of particular relevance is Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), repealing Directive 2003/6/EC and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

In its operations, the Bank applies directly applicable European Union legislation adopted by the European Parliament and the Council. Of particular importance is Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation – CRR), together with the related delegated and implementing regulations of the European Commission, which are directly applicable in Croatia. The Bank also complies with other relevant regulations governing the operations of legal entities in Croatia and cross-border activities of Croatian legal entities and credit institutions, including international agreements and foreign regulations relating, inter alia, to anti-money laundering, restrictive measures (sanctions), and international payment transactions.

The Croatian Financial Services Supervisory Agency (HANFA) is the competent authority for the supervision of the Bank insofar as it provides investment and ancillary services and performs investment activities. The Croatian Deposit Insurance Agency oversees compliance with obligations arising from the Deposit Insurance Act (Official Gazette Nos. 146/2020 and 119/2022). The Croatian National Bank is responsible for implementing rules and determining procedures and instruments for the resolution of credit institutions in accordance with the Act on the Resolution of Credit Institutions and Investment Firms (Official Gazette Nos. 146/2020, 21/2022, 27/2024 and 145/2024).

The Personal Data Protection Agency supervises compliance with personal data protection regulations, in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (General Data Protection Regulation – GDPR) and the Act on the Implementation of the General Data Protection Regulation (Official Gazette No. 42/2018).

As an obliged entity under the Anti-Money Laundering and Terrorist Financing Act (Official Gazette Nos. 108/2017, 39/2019 and 151/2022), the Bank implements measures, actions and procedures prescribed by law to prevent and detect money laundering and terrorist financing and to prevent the misuse of the financial system for such purposes. In addition, as an obliged entity subject to anti-money laundering and counter-terrorist financing (AML/CFT) requirements, the Bank applies the EBA Guidelines on ML/TF risk factors (EBA/GL/2021/02) and the EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT compliance officer pursuant to Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05), and implements them in its operations.

Furthermore, the Bank complies with the Act on Restrictive Measures (Official Gazette Nos. 133/2023 and 151/2025), which governs the implementation of restrictive measures (sanctions) adopted by the Republic of Croatia in accordance with legal acts and decisions of the European Union, the United Nations and other international organisations, including decisions of the Government of the Republic of Croatia, for the purpose of safeguarding democratic values, the rule of law, human rights, and international peace and security. In addition to the aforementioned Act, the Bank applies the EBA Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures (EBA/GL/2024/14) and the EBA Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures under Regulation (EU) 2023/1113 (EBA/GL/2024/15), and integrates them into its internal governance and control framework.

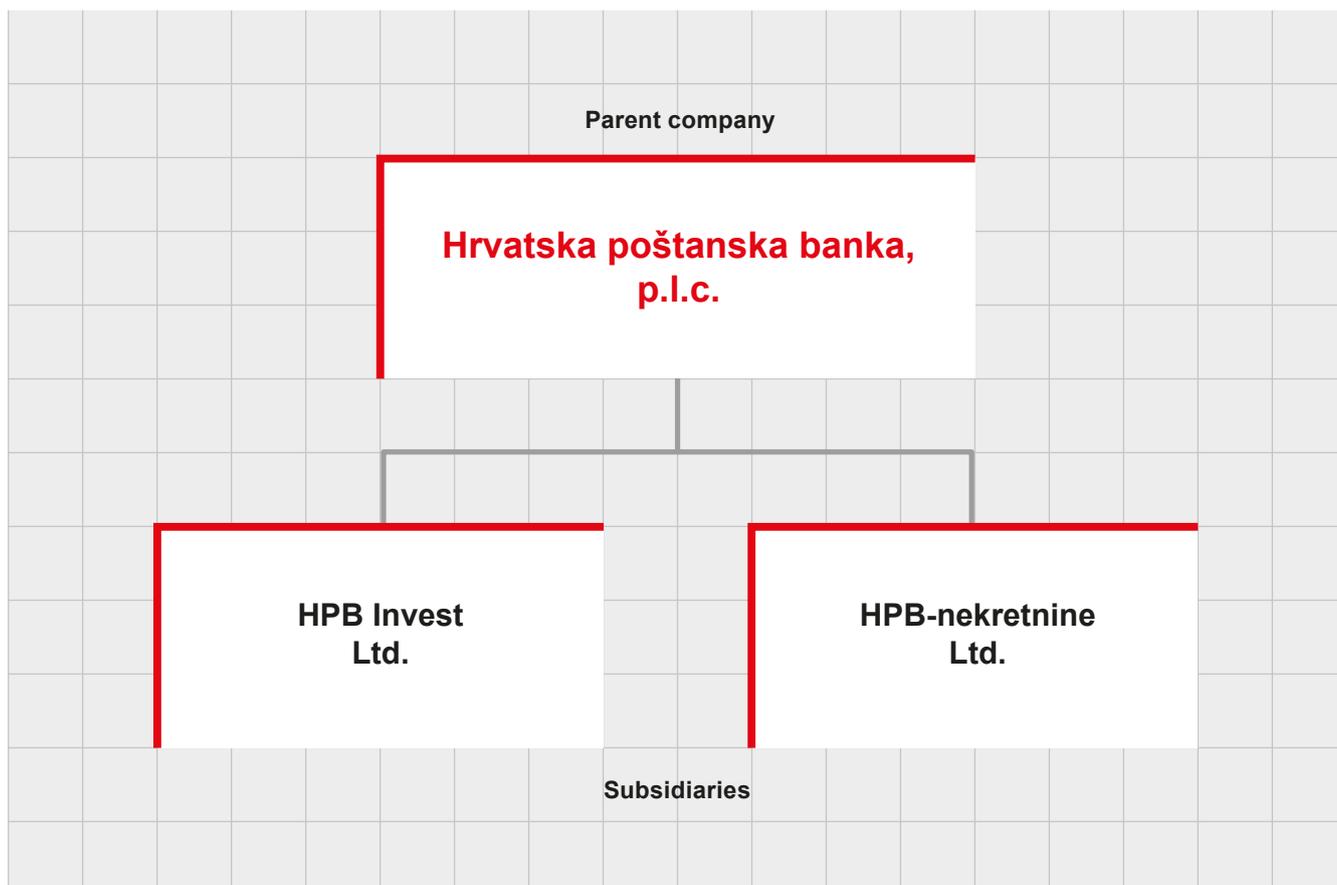


Overview of HPB Group and the Bank's position within the Group

Hrvatska poštanska banka, p.l.c. forms part of a group of connected persons within the meaning of the Credit Institutions Act and acts as the parent undertaking of the HPB Group. The Bank holds a 100% ownership interest in the following companies, which together with the Bank constitute the HPB Group:

	Activity	Country	Ownership %
HPB Invest Ltd.	Investment fund management	Croatia	100.00
HPB-nekretnine Ltd.	Real estate brokerage and development	Croatia	100.00

Hrvatska poštanska banka, p.l.c. is not a member of a corporate group within the meaning of the Companies Act.





HPB-R-A Share

The HPB share (ticker: HPB-R-A) is admitted to trading on the Official Market of the Zagreb Stock Exchange. The closing price per share at the end of the 2025 reporting period amounted to EUR 314.00 (trading day: 30 December 2025), compared with EUR 318.00 as at 30 December 2024.

Trading in the HPB-R-A share during the reporting period was as follows:



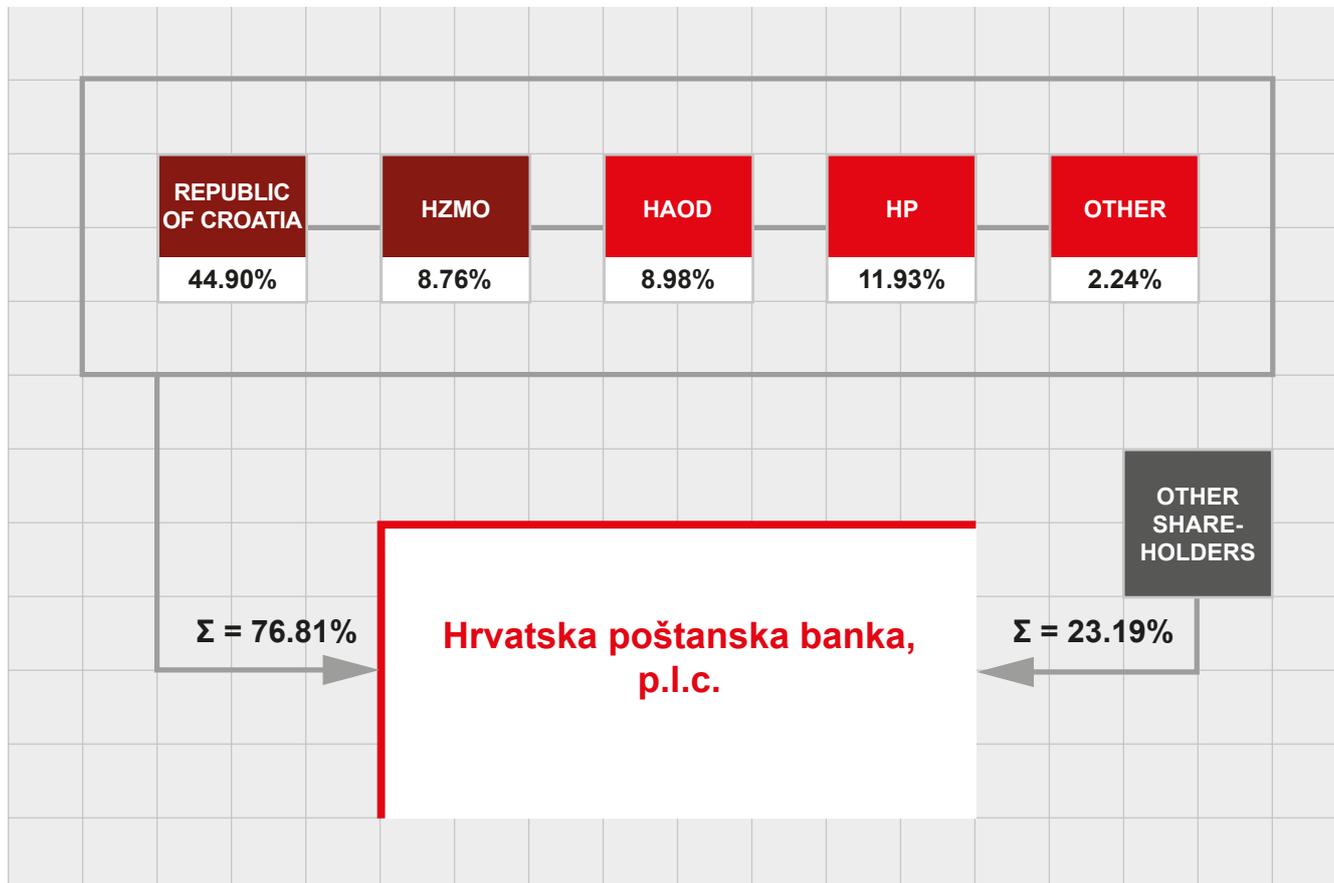
Security information

Issue date	12 December 2000
ISIN	HRHPB0RA0002
Market segment	Official Market of the Zagreb Stock Exchange
Number of shares admitted to trading	2,024,625
Market price as at 31 December 2025 (EUR)	314.00
Market capitalisation (EUR million)	635.73



Ownership Structure of Hrvatska poštanska banka p.l.c.

On December 31, 2025 the Bank's ownership structure was as follows:



- Equity holdings managed by the Ministry of Physical Planning, Construction and State Assets
- Companies owned by the Republic of Croatia
- Private institutional shareholders and individuals

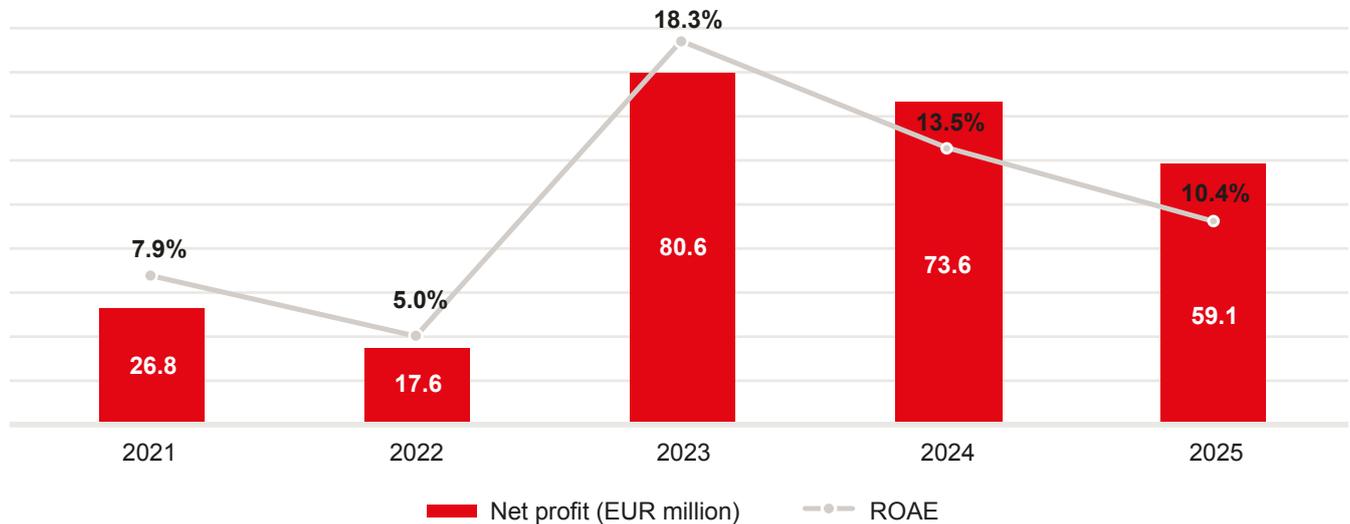
Source: SKDD

The Republic of Croatia, through the Ministry of Physical Planning, Construction and State Assets and other state institutions and entities under its control, held 77% of the Bank's share capital and voting rights as at 31 December 2025.



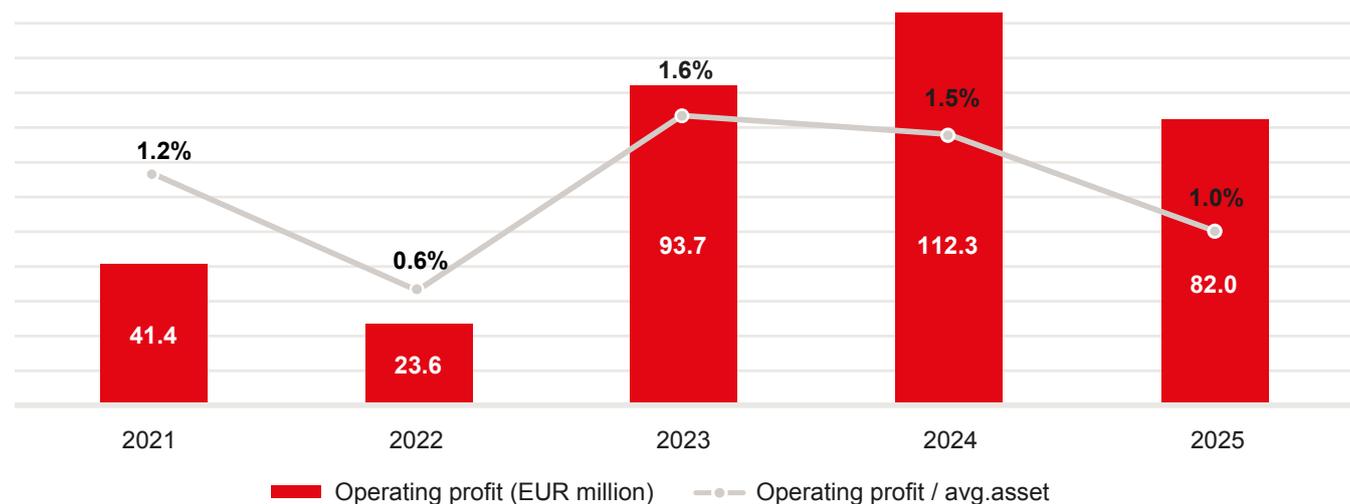
Business review and financial performance

Net result



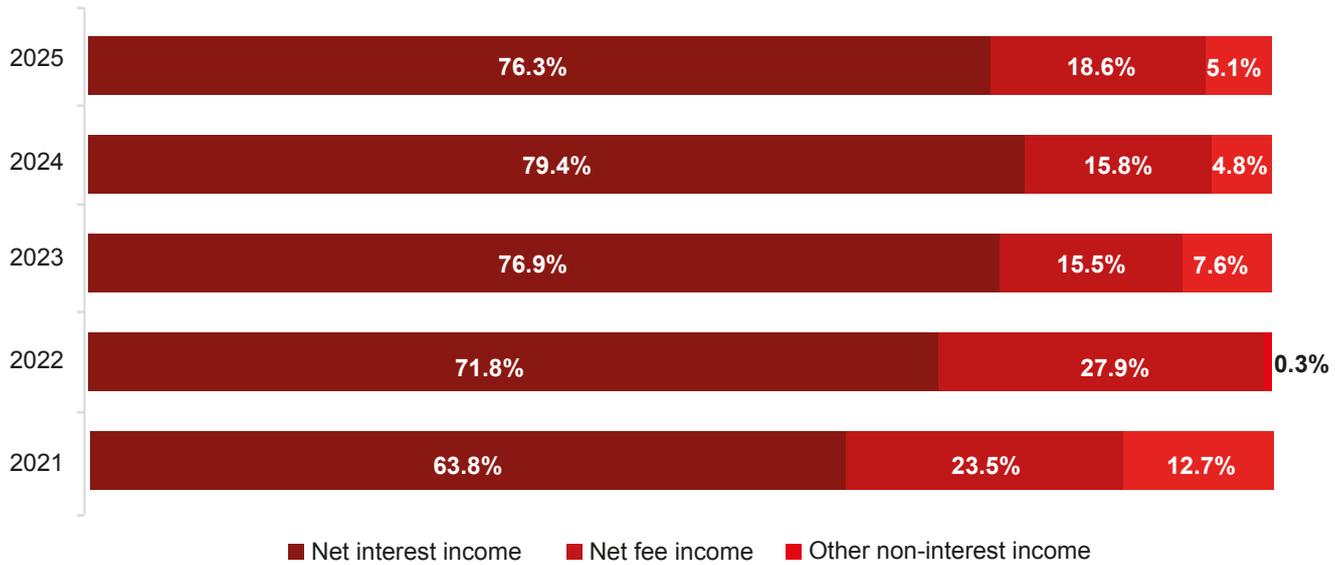
In 2025, the Bank generated net profit after tax of EUR 59.1 million.

Operating profit (before impairment losses and provisions)



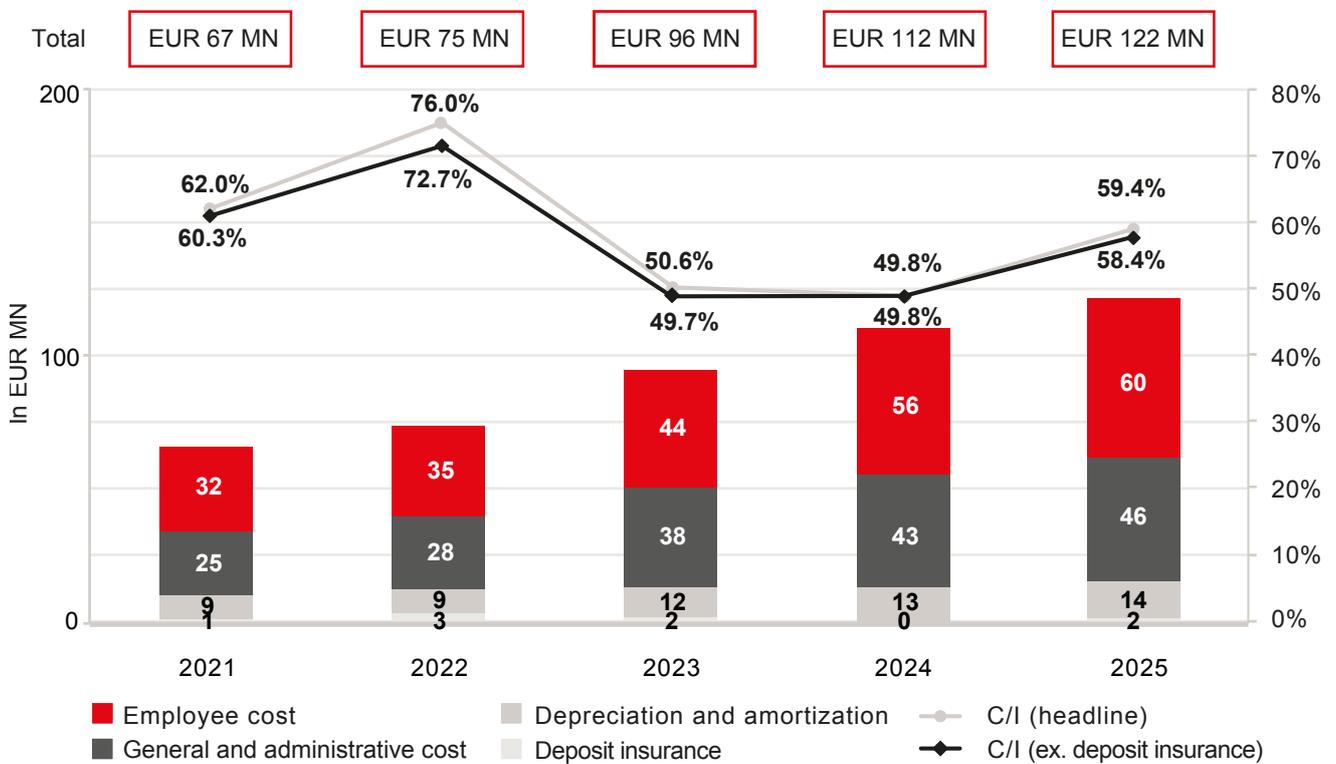
Operating profit before impairment losses and provisions amounted to EUR 82.0 million. Impairment losses on loans and advances and other value adjustments of financial and non-financial assets totalled EUR 3.6 million, while provisions for liabilities and charges amounted to EUR 6.0 million.

Structure of Net Operating Income for the Period 1 January – 31 December



Total operating income amounted to EUR 202 million. Net interest income of EUR 154 million accounted for 76% of total operating income.

Cost management 2021 – 2025

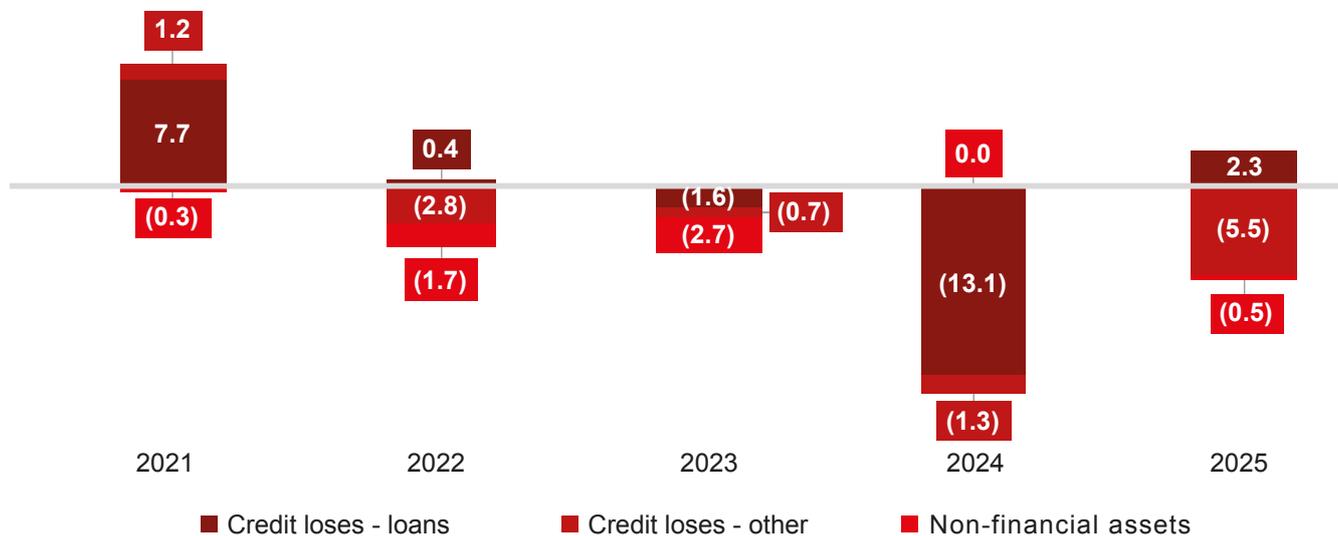


The increase in operating expenses in 2025 primarily reflects targeted investments in employees aimed at mitigating the impact of inflation and enhancing employee motivation, thereby strengthening competitiveness in the labour market and supporting the implementation of the Bank's digital transformation programme.

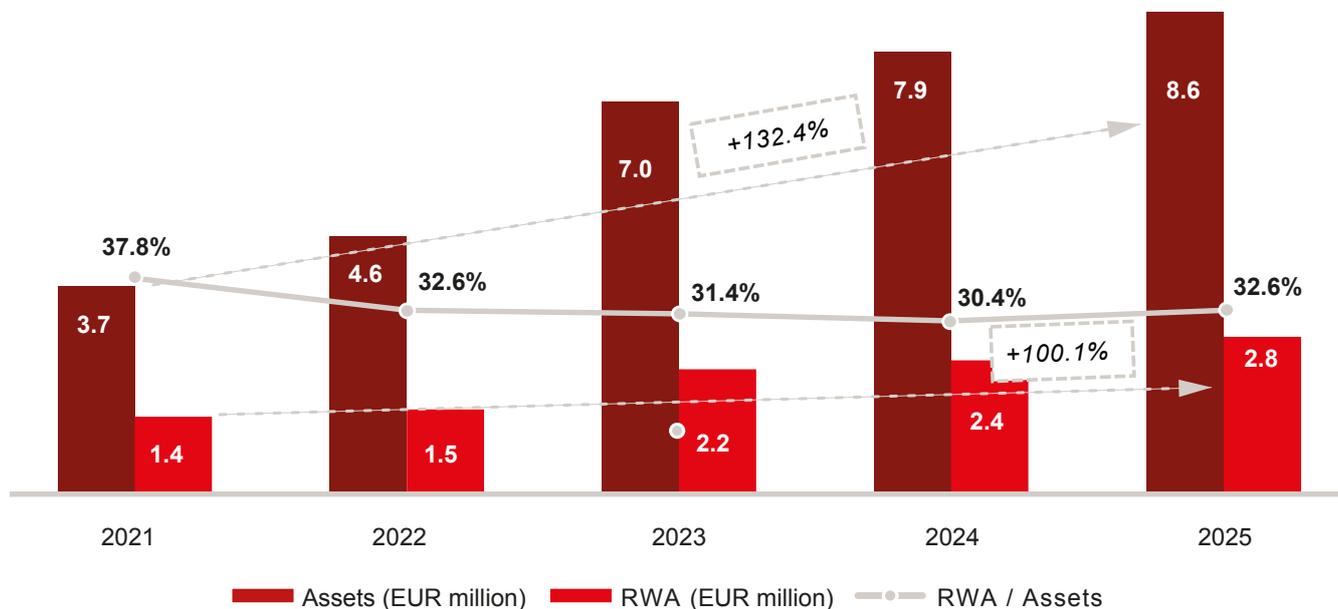


Impairment losses and provisions

EUR million



Assets and Risk-Weighted Assets (RWA)

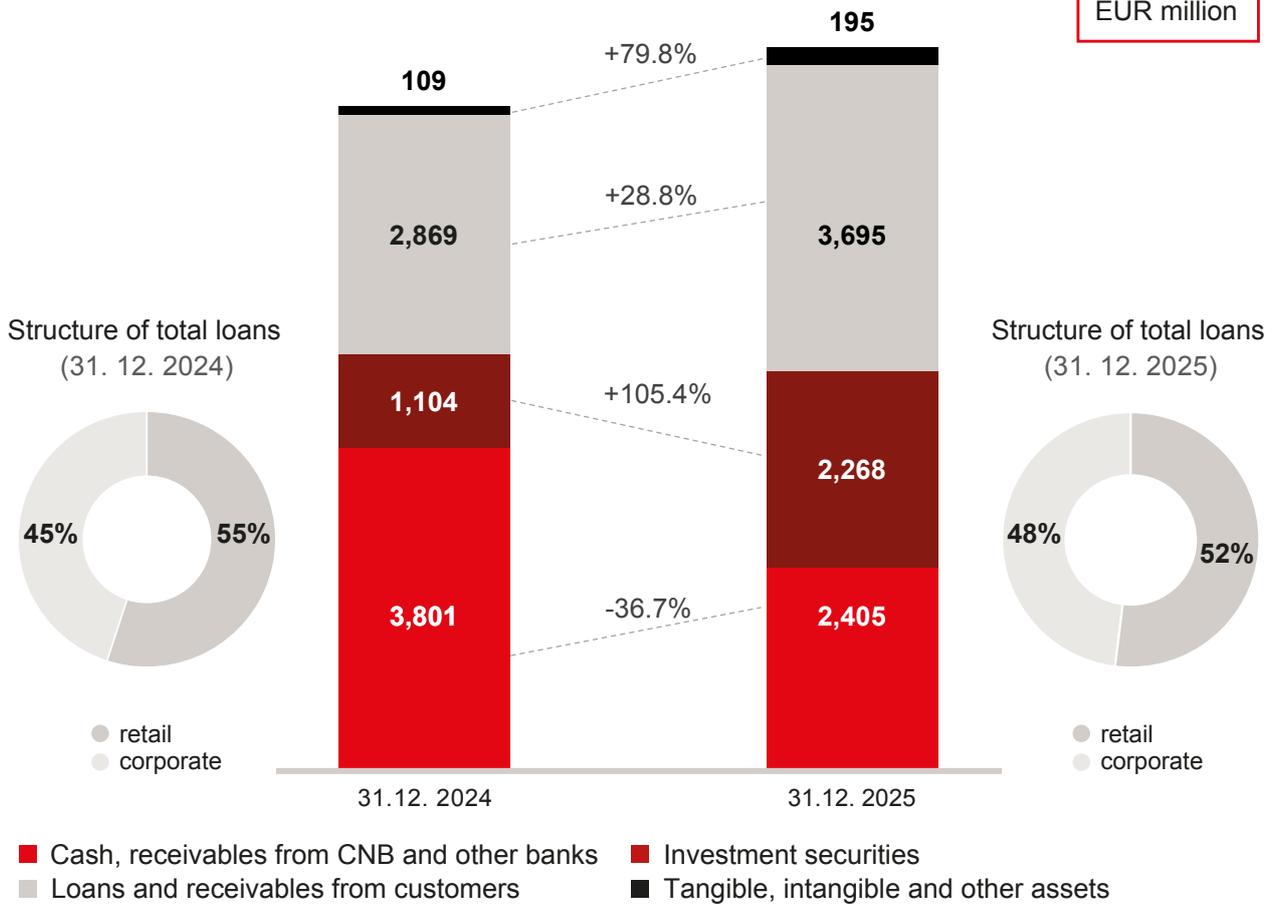


In 2025, the Bank recorded growth in total assets as well as an increase in risk-weighted assets (RWA).



Assets structure

EUR million

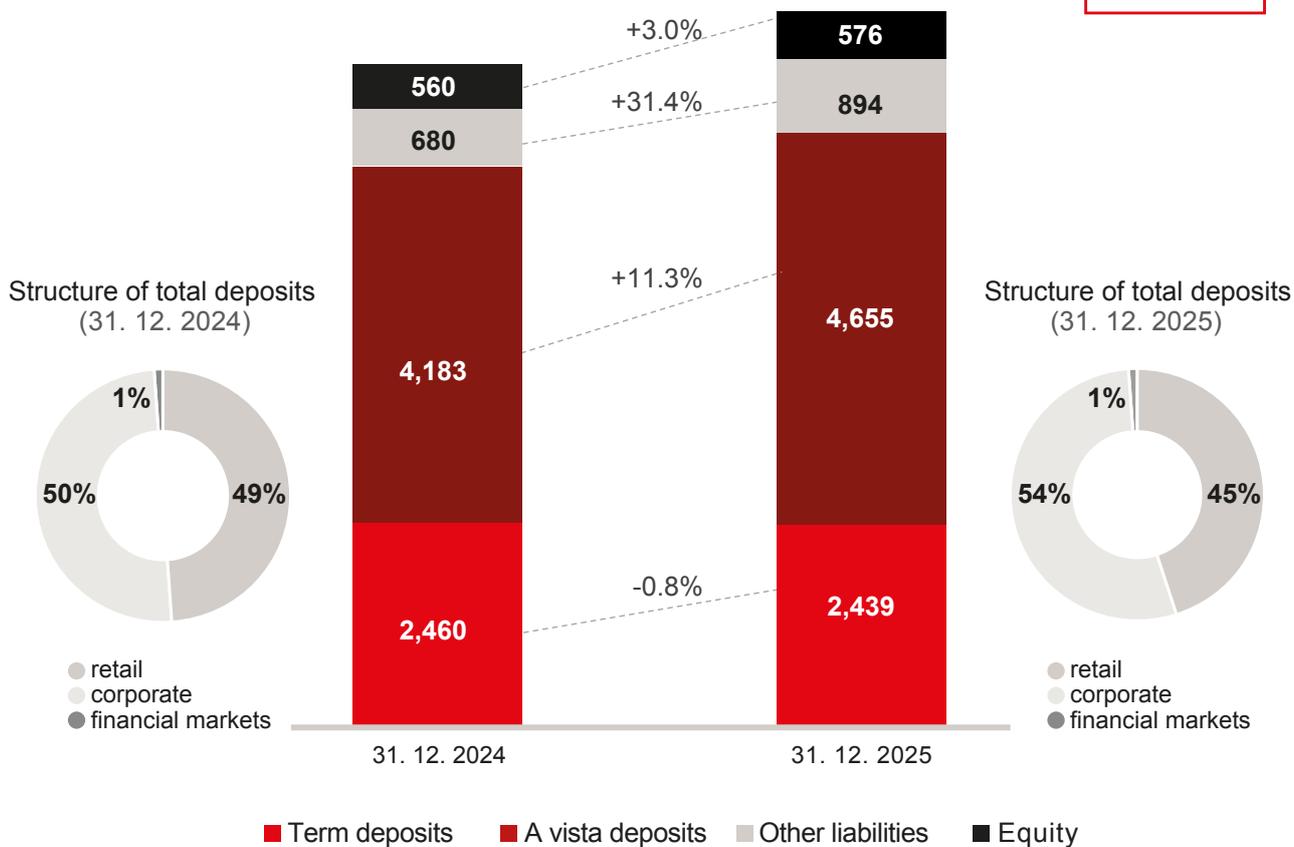


At the end of 2025, the Bank's total assets amounted to EUR 8,564 million, representing an increase of EUR 681 million (+8.6%) compared with 2024. Loans and advances to customers remained the largest component of the balance sheet, accounting for 43.1% of total assets.



Liabilities and equity structure

EUR million



Total deposits increased by 6.8% year-on-year. In 2025, demand deposits (a vista deposits) increased by EUR 473 million, while term deposits decreased by EUR 21 million.

Segment performance overview

RETAIL BANKING

527 thousand

total clients

Retail banking activities are conducted through the Bank's proprietary distribution network, which as at the end of 2025 comprised six regional centres, 62 branch offices, four outlets and one digital branch (e-branch), as well as through the distribution channel of Croatian Post across more than 1,000 post offices throughout Croatia.

Amid prevailing macroeconomic conditions in Croatia and the broader environment, characterised by cyclical effects related to changes in interest rates and the reallocation of savings towards alternative investment instruments, the Bank closed 2025 with total retail deposits of EUR 3.186 billion, representing a decrease of 2.8% compared with the previous year.

21.4 thousand

new clients

Lending activity intensified during 2025. At the beginning of the year, the Bank introduced the "Super Housing Loan" product, offering more favourable lending terms to retail clients and initiating a downward trend in interest rates within the domestic banking market. During 2025, total new lending amounted to EUR 651 million, of which EUR 449 million, or 69%, related to housing loans. As a result, the gross portfolio of housing and other retail loans increased by EUR 337.9 million, or 21.9%, during the year.

1,017

post offices for euro payment transaction and contracting Bank's products and service for retail customers

992

locations for corporate clients

141

location for retail credit operations in the financial corner of Croatian Post



Branch network



6
regional centres

62
centres

4
outlets



DIRECT CHANNELS DIVISION

Card business

538

ATM

700 thousand

valid cards in circulation

17

card products

4,655

EFT-POS terminals

In 2025, the Bank processed a total of 53.2 million transactions, representing an increase of 8.3% compared with the previous year. Total transaction volume amounted to EUR 2.9 billion, up 7.4% year-on-year. Transactions executed using the Bank's cards reached 44.8 million, marking an 11.7% increase compared with 2024.

Of the total number of issued cards, 97.1% relate to retail clients, while 2.9% were issued to corporate clients.

During 2025, the card business delivered solid operational growth, further strengthening the Bank's market position and enhancing the client payment experience. The year was characterised by accelerated technological development and a significant expansion of digital payment capabilities. Mobile payment functionality was successfully enabled across the Bank's card portfolio, allowing clients to perform secure and seamless transactions via mobile devices. This development represents an important step in the continued digitalisation of the Bank's card operations and reflects its strategic focus on modern, globally accepted payment solutions.

In parallel, the Bank initiated the development of a comprehensive five-year card strategy for the period 2026–2030. The strategy defines the future direction of the card portfolio and supporting technological infrastructure, including the enhancement of existing products, development of new services, modernisation of card processing systems, strengthening of security standards and improvement of operational efficiency. The strategy underpins sustainable growth and competitiveness in the card segment, focusing on innovation, customer experience excellence and agility in a rapidly evolving market environment.

Throughout the year, the Bank actively monitored customer behaviour patterns, leveraging data analytics to support decision-making. Transaction patterns, spending trends and segmentation dynamics were continuously analysed in order to tailor offers to client needs. Based on these insights, targeted CRM campaigns and marketing initiatives were implemented to increase card activation and usage intensity.

The Bank further expanded its EFTPOS infrastructure in 2025, reinforcing its presence in the merchant services market. Agreements with new commercial partners enhanced the scope of card acceptance, contributing to a material increase in transaction volumes, which totalled 9.5 million transactions during the year.

A strategic partnership was established with a leading payment infrastructure provider, broadening merchant access and enabling the rollout of enhanced point-of-sale functionalities, including instalment payment options.

An enhanced profitability monitoring system was introduced in 2025, providing detailed visibility into the contribution of individual merchants and POS terminals. This development improves internal control, pricing discipline and portfolio steering within the acquiring business.

The Bank retained a solid competitive position in the ATM segment, supported by extensive geographic coverage and service quality. A strategic assessment of the ATM network led to rationalisation initiatives, including selective redeployment and decommissioning, aimed at optimising network efficiency while preserving customer reach.

Security remains a strategic priority within the Bank's card operations. The Bank continuously monitors emerging fraud



typologies and threat vectors and has implemented enhanced risk mitigation mechanisms to reduce exposure to card fraud and operational misuse.

In addition, targeted system enhancements and process optimisation measures were undertaken to strengthen operational resilience, improve product performance and maintain full alignment with regulatory and industry requirements.

Digital banking

The Bank delivers digital banking services to retail and corporate clients through mobile and internet banking platforms, SMS and email notification services, and a dedicated PSD2 interface for licensed third-party providers. Digital channels represent a key pillar of the Bank's operating model, supporting process efficiency, cost optimisation and uninterrupted service availability.

During the reporting period, user adoption increased across all major digital channels, with the strongest growth recorded in corporate mobile banking (+10%). The mHPB mobile application is used by nearly 171 thousand retail clients, reflecting a 6% year-on-year increase. Retail mobile banking recorded just under five million executed payment orders, while total transaction volume increased by 10% compared with the previous year. In the corporate segment, the number of executed payment orders grew by 11%, with transaction volumes increasing by 22% to EUR 1.6 billion, indicating continued migration towards mobile channels for higher-value transactions.

Mobile banking is increasingly positioned as a primary transactional channel within the corporate segment, reflecting the mobility and convenience of handheld devices relative to fixed desktop environments. The integrated mHPB platform, serving both client segments, enhances channel consistency and operational simplicity.

At year-end 2025, internet banking penetration reached nearly 99 thousand retail users (+4%) and exceeded 16 thousand corporate users (+7%).

Retail internet banking payment orders declined by approximately 9% to 474,283, while corporate orders decreased by just under 7% to 1,831,884. Nevertheless, transaction volumes continued to grow, increasing by 3% in the retail segment (to over EUR 89 million) and by more than 22% in the corporate segment (to EUR 13.2 billion), reflecting a migration towards higher-value transactions and more concentrated usage patterns.

The Bank operates a dedicated access interface in line with PSD2, facilitating secure connectivity for licensed third-party providers under the applicable regulatory framework. Utilisation of the interface remained stable during the reporting period.

During 2025, several digital transformation initiatives were implemented or further advanced, with a focus on strengthening the security and resilience of digital channels, expanding technology-enabled product offerings and enhancing the overall customer experience.

Mid-year, the Bank successfully launched a digital wallet solution enabling clients to link their HPB Visa cards to Apple Pay, Google Pay and Garmin Pay services.

Further enhancements were undertaken to strengthen fraud prevention capabilities across digital channels. The initial phase of the Fraud Prevention programme was deployed into production during the year, reinforcing real-time transaction monitoring and advanced risk detection mechanisms.

As digital adoption continues to increase, sustained investment in digital infrastructure and controls remains a strategic priority. Focus areas include technology upgrades, innovation management and continuous compliance with evolving regulatory standards.

In the next phase of development, the Bank will continue to upgrade digital functionalities, enhance security architecture and ensure responsiveness to changing client expectations.



Overview of products and services in the retail banking segment

Product group	Products and services in 2025
Accounts	<ul style="list-style-type: none"> • TCurrent account – local currency • Basic account / basic account for vulnerable consumers – local currency • Special purpose accounts – local currency / foreign currency • Payment account switching service – local currency / foreign currency • Giro account – local currency / foreign currency • Foreign currency account • SuperSmart HPB account – local currency • Payment services – domestic, cash and non-cash; local and foreign currency • Payment services – domestic, cross-border and international payment transactions • SEPA Instant Credit Transfers (24/7/365) • SEPA direct debits • Monthly and annual account statements • Processing of foreign cheques • Standing orders
Savings	<ul style="list-style-type: none"> • Demand deposits – local currency / foreign currency • Flexy Kockica Children's Savings Account – local currency • Non-purpose term deposits – local currency / foreign currency • Purpose-specific term deposits – local currency / foreign currency • Term deposits with multiple instalments – local currency • Annuity savings – local currency / foreign currency
Loans	Housing Loans <ul style="list-style-type: none"> • Housing loan with fixed interest rate • Housing loan without mortgage with fixed interest rate • Housing loan for Croatian war veterans and family members of deceased or missing veterans – fixed interest rate • Housing loan for apartment purchase under the government-supported housing construction programme (pos programme a) – fixed interest rate
	Purpose-specific loans <ul style="list-style-type: none"> • Tourist loan with fixed interest rate • Loan for tuition fees (private secondary school, undergraduate, graduate and/or postgraduate studies) – fixed interest rate • Loan for settlement of current account overdraft in the Bank • Purpose-specific consumer loan with fixed interest rate • Loans for restructuring with fixed interest rate • Loan for settlement of overdue interest within a restructuring arrangement
	Non-purpose loans <ul style="list-style-type: none"> • Cash non-purpose loan • Cash non-purpose loan for pensioners • Lombard loan • Cash non-purpose mortgage loan with fixed interest rate • Pre-approved cash loan
Cards	<ul style="list-style-type: none"> • Debit Mastercard contactless card • VISA Electron/debit current account card • Maestro current account card • Mastercard debit giro account card • VISA reloadable prepaid card • VISA prepaid card for youth – IDEEEŠ! • Visa instalment card • Gold Mastercard card • Mastercard Pošta & HPB card • Mastercard credit card (revolving) • Mastercard charge card (deferred payment)



Overview of products and services in the retail banking segment (continued)

Product group	Products and services in 2025
Digital banking	<ul style="list-style-type: none"> • mHPB • mToken • Internet-banking • SMS and email notification services • e-Account • e-Cash • e-Citizens
HPB Invest products	<ul style="list-style-type: none"> • HPB Fokus 2026 fund • HPB short-term bond fund • HPB bond fund • HPB Plus fund • HPB Global fund • HPB Equity fund
Insurance products (in cooperation with Croatia osiguranje)	<p>Non-life insurance</p> <ul style="list-style-type: none"> • Accident insurance (Aktiv, Aktiv Plus, Klasik, Klasik Plus) • Household insurance • Building insurance • Fire and natural perils insurance • Earthquake insurance • Supplementary health insurance • Additional health insurance (Primarius, Primarius Plus) • Loan repayment insurance (consumer and housing loans – CPI) - Travel insurance
	<p>Life insurance</p> <ul style="list-style-type: none"> • PREMIUM endowment life insurance with additional accidental death cover • BASIC endowment life insurance • RIZIKO PLUS term life insurance • KRUG ŽIVOTA whole life insurance (death only) • EXCLUSIVE PLUS / EXCLUSIVE PLUS 3 single-premium endowment life insurance with additional accidental death cover and traffic accident death cover (single-life policy)
	<p>Supplementary riders to life insurance policies</p> <ul style="list-style-type: none"> • Accidental death rider attached to life insurance policies • Other supplementary personal insurance riders attached to life insurance policies • Supplementary critical illness rider attached to life insurance policies
Voluntary pension funds (Croatia osiguranje d.d.)	<ul style="list-style-type: none"> • CROATIA OSIGURANJE 1000A voluntary pension fund • CROATIA OSIGURANJE voluntary pension fund • CROATIA OSIGURANJE 1000C voluntary pension fund
Other services	<ul style="list-style-type: none"> • Credit intermediation services • Robo-advisory application services – suitability assessment of UCITS funds • Suitability assessment of UCITS funds • Execution-only services • Foreign exchange transactions • Safe deposit boxes • ORYX assistance – home assistance and Medins • ORYX assistance – roadside assistance • TRIGLAV assistance – home assistance • TRIGLAV assistance – roadside assistance

CORPORATE BANKING

Large corporates and public sector

1,610

total clients

EUR 1,401.5 mn

loan portfolio

843

local and regional government units
and related entities

The Large Corporates and Public Sector Division maintained solid business momentum in 2025, providing banking services to more than 1,600 clients, with a continued focus on service quality and product development. Following the operational merger of Nova hrvatska banka (NHB) in 2024, the reporting year was characterised by the full capture of integration synergies and sustained organic growth, resulting in the delivery of planned business objectives.

The Division's gross loan portfolio increased significantly compared with 2024 (EUR 987.2 million), underscoring the Bank's active role in financing economic activity. The portfolio composition remains predominantly concentrated in corporate clients and central government-related entities. During the year, the Bank rebalanced its lending activity from predominantly liquidity-driven financing towards longer-term investment lending, reflecting the gradual recovery of capital expenditure in both the private and public sectors.

Total deposits of legal entities within the Division increased materially in 2025. While the central government segment continues to account for a significant share of demand deposits, a growing contribution from large private-sector corporates was observed, indicating diversified funding sources and sustained confidence in the Bank's stability and liquidity profile.

Following the inflationary environment and rising interest rates that characterised 2024, 2025 was marked by monetary policy stabilisation and a gradual easing of rate pressures. Despite elevated system liquidity and intensified market competition, the Bank preserved its market position.

The large corporate segment expanded further during the year, with a structural shift towards investment financing. Whereas prior periods were largely characterised by working capital demand, 2025 saw increased demand for capital expenditure financing, particularly in the energy, tourism and residential construction sectors. Portfolio growth was underpinned by sustained client acquisition and proactive relationship management.

Local and regional government units continued to finance projects through public tender procedures. The Bank adapted to market conditions, securing participation in project financing without engaging in excessive pricing concessions. Investment activity by local authorities intensified in the areas of green transition and digital infrastructure, with the Bank maintaining its position as a key financing partner to the public sector.

The central government continues to meet a substantial portion of its financing needs through capital market issuance of bonds and treasury bills, limiting the scope for direct bank lending.

While an expansion in working capital financing was recorded across both existing and newly acquired clients, the Bank continues to maintain a strong position in long-term investment lending.

Product development and sector specialisation were further advanced during the year, particularly in the co-financing of EU-funded projects through the established EU Desk, which provides advisory expertise and structured financing solutions to public and private sector clients. The Project Finance team



executed several strategically relevant transactions in the energy, tourism and residential sectors, aligned with increased demand for long-term investment financing.

Cooperation with HBOR and HAMAG-BICRO across available programmes continued, alongside established partnerships with EIF, GGF and EFSE.

In the forthcoming period, the Division will continue to support key economic stakeholders, large corporates, central

government entities and local authorities. Strategic priorities include portfolio diversification towards financially sound privately owned corporates and local authorities, expansion of non-interest income streams and further enhancement of service delivery standards.

Small and medium-sized enterprises (SME)

15,380

total clients

EUR 483 mn*

loan portfolio

*Including sole traders

6

regional centers

The SME Division serves more than 15 thousand clients and continues to enhance its financing capabilities in support of micro, small and medium-sized enterprises. The Division's activities in 2025 were aligned with its mandate to contribute to sustainable economic development through responsible lending.

At year-end 2025, gross exposures to SME clients amounted to EUR 483 million, with total value adjustments of EUR 39 million. The increase in term deposits supported funding diversification and improved maturity structure. The SME Division recorded a notable increase in term deposits during 2025, contributing to a more stable funding structure and supporting the broader trend of deposit reallocation from demand to time-bound savings products within the banking system.

The Division continues to develop financing and transactional solutions designed to facilitate business operations for entrepreneurs, with a sustained focus on operational efficiency and service quality. Ongoing improvements to credit approval processes aim to ensure timely access to financing and enhance overall client responsiveness. The strategic objective remains to strengthen the Bank's position within the micro, small and medium-sized enterprise segment, while contributing to sustain-

able economic development. Particular emphasis is placed on prudent portfolio growth, service excellence and long-term client relationships. The Division continues to streamline and accelerate credit approval processes, thereby improving access to financing and ensuring timely capital availability for clients.

Through its strategic cooperation with Hrvatska pošta, the Bank has further enhanced the geographic accessibility of its services. Leveraging the largest distribution network in the Republic of Croatia, entrepreneurs are able to open accounts and access digital banking and lending products even in areas without a physical branch presence. In parallel, the Division remains focused on portfolio optimisation and full regulatory alignment, ensuring a resilient, active and sustainable client base prepared to meet future market challenges.

Overview of products and services in the corporate banking segment

Product group	Products and services in 2025
Payment services	<ul style="list-style-type: none"> • Transaction account • Entrepreneurial account packages • Escrow account • Payment transactions - Domestic, cross-border and international payments • Account balance and transaction reporting • Solvency information (BON2) • SEPA direct debit • SEPA credit transfers • SEPA instant credit transfers • EFTPOS acquiring • E-commerce acquiring
SME financing	Short-term financing
	<ul style="list-style-type: none"> • Authorised overdraft on transaction account • Working capital loan • Revolving loan • Refinancing loan • Margin loan • Bill of exchange discounting • Receivables purchase (factoring)
	Long-term financing
	<ul style="list-style-type: none"> • Loan for working and permanent working capital • Investment loan (fixed asset financing) • Refinancing loan • Loan for works on common parts of residential buildings
	Financial monitoring facilities
	<ul style="list-style-type: none"> • Framework for utilisation of short-term and long-term products • Factoring framework
	Posebni kreditni programi – u suradnji s HBOR-om
	<ul style="list-style-type: none"> • Lending programme Youth, women and start-up entrepreneurship programme • Lending programme Private sector investment programme • Lending programme EU projects programme • Lending programme Export preparation programme • Lending programme Working capital programme • Lending programme Financial restructuring programme • Framework facility – working capital financing • Framework facility – investment financing • Export working capital portfolio insurance programme • Loan Program for Small and Medium-Sized Enterprises (SMEs) and Mid-Cap Companies – A guarantee scheme designed to facilitate access to financing for SMEs and mid-cap enterprises under the framework of the National Recovery and Resilience Plan (NRRP)
	Special credit programmes – in cooperation with HAMAG-BICRO
	<ul style="list-style-type: none"> • HAMAG individual guarantees for rural development • “PLUS” guarantee programme with interest rate subsidy under the National Recovery and Resilience Plan • ERDF portfolio guarantee implementation programme
Other specialised programmes	
<ul style="list-style-type: none"> • Credit lines in cooperation with local and regional government units (LRGUs) • Credit lines in cooperation with the Croatian Audiovisual Centre • Long-term investment loans for energy efficiency (GGF) • Long-term loans for financing investments and working/permanent working capital (EFSE) 	



Overview of products and services in the corporate banking segment (continued)

Product group	Products and services in 2025
Large corporate financing	Short-term financing
	<ul style="list-style-type: none"> • Authorised overdraft on transaction account • Working capital loan • Revolving loan • Refinancing loan • Margin loan • Bill of exchange discounting • Receivables purchase (factoring)
	Long-term financing
	<ul style="list-style-type: none"> • Loan for working and permanent working capital • Investment loan (fixed asset financing) • Refinancing loan • Loan for works on common parts of residential buildings • Project finance
	Financial monitoring facilities
	<ul style="list-style-type: none"> • Framework for utilisation of short-term and long-term products • Factoring framework
	Special lending programmes (in cooperation with HBOR)
Guarantees and documentary business	<ul style="list-style-type: none"> • Lending programme Private sector investment programme • Public sector investment programme • Lending programme EU projects programme • Lending programme Export preparation programme • Lending programme Working capital programme • Lending programme Financial restructuring programme • Framework facility – working capital financing • Framework facility – investment financing • Export working capital portfolio insurance programme • Loan Program for Small and Medium-Sized Enterprises (SMEs) and Mid-Cap Companies – A guarantee scheme designed to facilitate access to financing for SMEs and mid-cap enterprises under the framework of the National Recovery and Resilience Plan (NRRP)
	Other specialised programmes
Cards	<ul style="list-style-type: none"> • Credit lines in cooperation with the Croatian Audiovisual Centre • Long-term investment loans for energy efficiency (GGF)
	<ul style="list-style-type: none"> • Performance guarantees • Payment guarantees • Counter-guarantees and super-guarantees • Standby letters of credit • Import letters of credit (nostro) • Export letters of credit (loro) • Documentary collections
Digital banking	<ul style="list-style-type: none"> • VISA Business debit card • VISA Business prepaid card • VISA Business card with deferred payment
	<ul style="list-style-type: none"> • mHPB • mToken • Internet-Banking • SMS notification service
Deposits	<ul style="list-style-type: none"> • Term deposits in euro and foreign currency • Demand deposits in euro and foreign currency • MREL deposit
Letters of intent	<ul style="list-style-type: none"> • Non-binding letter of intent • Binding letter of intent
Other services	<ul style="list-style-type: none"> • HPB Invest products • Services provided by HPB-nekretnine

OPERATIONS OF THE FINANCIAL MARKETS DIVISION

Amid the continued moderation of inflationary pressures during 2025, major central banks proceeded with further reductions of key policy rates. The European Central Bank (ECB) lowered its main refinancing rate from 3.15% to 2.15%, while the deposit facility rate declined from 3.00% to 2.00%. Over the course of the year, the Federal Reserve also reduced its target range for the federal funds rate from 4.25%–4.50% to 3.50%–3.75%.

Following the record levels of client deposits and associated interest income achieved in the previous year, the first half of 2025 saw a moderate contraction of the deposit base. In response, the Trading and Liquidity Department allocated a portion of surplus liquidity into Croatian government bonds. In early March, the Bank acquired a total of EUR 700 million of two-year and five-year Republic of Croatia sovereign bonds, securing yields significantly above those available on overnight placements with the ECB. In addition to standard deposit activity in the interbank and institutional markets, the Financial Markets Division further intensified its activity in the corporate deposit segment, contracting aggregate volumes of nearly EUR 15 billion during the year. Excess liquidity, which averaged approximately EUR 2 billion throughout 2025, was placed on a daily basis with the ECB via the overnight deposit facility.

Alongside participation in domestic Treasury bill issuances, the Bank continued to participate successfully in Treasury bill auctions of Eurozone member states. The remainder of the investment portfolio was predominantly allocated to fixed-income securities, which recorded a moderate price increase during 2025, thereby contributing positively to net trading income.

Despite initial volatility related to tariff announcements, global equity markets recorded strong performance in 2025, with major indices reaching new historical highs. Through investments in equity and balanced funds managed by HPB Invest, the Bank realised a significant increase in valuation, which had a favourable impact on trading income.

Given its high liquidity position, the Bank did not participate in the regular ECB refinancing (repo) operations conducted during 2025 and consistently maintained regulatory liquidity ratios above prescribed thresholds. The liquidity coverage ratio (LCR) at year-end stood at a robust 208%.

Foreign exchange turnover generated by corporate clients, as well as exchange office transaction volumes, increased compared with the previous year. Through disciplined foreign currency position management and prudent risk control, the Bank significantly exceeded planned results in this segment.

In the cash management business, the Bank remained one of the most significant participants in the domestic market. Leveraging its extensive branch and exchange office network, and in cooperation with FINA cash services, the Bank continued to provide competitive cash trading and cash supply services. Volumes in this segment remained broadly stable compared with the prior year.

Investment banking

Global capital markets reached new record levels in 2025, supported by easing inflationary pressures, successive reductions in key policy rates and solid financial performance of listed companies. Improved risk sentiment and renewed investor appetite for equities contributed to broad-based price appreciation across major markets.

On the domestic market, total turnover on the Zagreb Stock Exchange increased by 88.5% compared with 2024. Equity turnover within the order book rose by 76%, while the CROBEX index recorded annual growth of 21%, reflecting strengthened market activity and improved investor confidence.

The strategic orientation of the Ministry of Finance of the Republic of Croatia to broaden retail investor participation in sovereign bond and Treasury bill issuances continued in 2025, further deepening the domestic capital market and expanding the investor base.

During the year, the Bank continued to act as an arranger in domestic bond issuances of the Ministry of Finance, reaffirming its active role in the local debt capital market.

In the custody and depository services segment for pension and investment funds, operations were marked by ongoing enhancement of service quality and alignment with evolving regulatory requirements. Assets under custody and depository services continued to grow steadily, reflecting both favourable market developments and the Bank's strengthened service capabilities in this segment.



Overview of products and services in the Financial Markets segment

Product	Description
Trading on the domestic market	<ul style="list-style-type: none"> • Purchase and sale of financial instruments on the domestic capital market. • Clients independently determine which securities to buy and/or sell, the price levels at which transactions are executed and the allocation of their portfolios. • The broker provides execution services and informs clients of relevant investment risks, prevailing market prices, specific characteristics of the domestic market and price movements of selected securities. Clients are advised on the benefits of portfolio diversification.
Trading on regional markets	<ul style="list-style-type: none"> • Purchase and sale of financial instruments on the capital markets of Montenegro, Serbia, North Macedonia and Bosnia and Herzegovina. • Clients independently decide on investment instruments, pricing and portfolio allocation. • The broker provides execution services and informs clients of investment risks, market conditions, market-specific features and price developments, while recommending diversification where appropriate.
Trading on global markets	<ul style="list-style-type: none"> • Purchase and sale of financial instruments on leading international capital markets. • Clients independently determine investment instruments, pricing and portfolio structure. • The broker executes client orders and provides relevant market information, including risk disclosures, pricing data and market characteristics, while encouraging prudent portfolio diversification.
Portfolio management	<ul style="list-style-type: none"> • A discretionary portfolio management service whereby clients entrust funds to the Bank for professional management. • The service is intended for clients seeking to invest in securities and other financial instruments over a medium- to long-term horizon (generally exceeding one year) in accordance with predefined investment objectives and risk parameters. • Clients receive regular reports, at least monthly and more frequently if required, detailing portfolio composition, executed transactions and changes in portfolio valuation.
Investment services	<ul style="list-style-type: none"> • Investment advisory services and advisory services relating to capital structure, business strategy and related matters, as well as advisory and transaction support services in connection with mergers and acquisitions and other corporate finance activities.
Securities issuance services	<ul style="list-style-type: none"> • The Bank acts as arranger and agent in the issuance of financial instruments, including: <ol style="list-style-type: none"> (a) debt instruments – short-term (commercial paper) and long-term (bonds); and (b) equity instruments – shares. • The Bank provides comprehensive issuance services covering structuring, preparation and execution of the offering process, organisation of subscription and settlement procedures, and related advisory services to ensure the successful placement of securities.
Custody services	<ul style="list-style-type: none"> • Custody services primarily comprise the safekeeping of financial instruments, settlement of transactions and monitoring of corporate actions. • Custody clients include active capital market participants, investment and pension funds, other institutional investors, and retail and corporate clients investing in financial instruments. • Services include safekeeping and administration of assets; settlement of financial instrument transactions upon client instruction; asset valuation reporting; corporate action notifications; collection of income arising from financial instruments and related reporting; proxy voting and representation at shareholders' meetings; and regulatory update notifications.

Overview of products and services in the Financial Markets segment (continued)

Product	Description
Depository services for UCITS/AIF and pension funds	<ul style="list-style-type: none"> • The depository is a credit institution incorporated in the Republic of Croatia, or a branch of a credit institution from another Member State established in Croatia, authorised by the Croatian National Bank (or the competent authority of that Member State) to provide safekeeping and administration of financial instruments for the account of clients, including custody and related services. The depository is entrusted with: <ul style="list-style-type: none"> - oversight functions - cash flow monitoring - safekeeping of fund assets • The depository maintains segregated accounts for each fund, ensuring separation from assets of other funds, the depository's own assets and assets of the management company. It monitors compliance of fund investments with applicable laws and fund rules; reports to the regulator on asset valuation procedures and unit pricing; executes instructions of the management company relating to fund assets; monitors corporate actions; facilitates voting rights; collects income and rights due to the fund; ensures that fund income is applied in accordance with regulatory requirements; and reports material breaches of applicable regulations to the regulator.
"Moj broker" – Web Trader platform	<ul style="list-style-type: none"> • The Web Trader service enables online trading in securities and portfolio monitoring independently of broker working hours. • Functionalities include: <ul style="list-style-type: none"> - submission of buy and sell orders on the Zagreb Stock Exchange - order modification and cancellation - portfolio position overview - access to brokerage account balances and transaction history - real-time price monitoring with Level 2 order book data (top 50 bids and offers) and secure data transmission
Margin loans for the purchase of financial instruments	<ul style="list-style-type: none"> • Short-term loans granted to retail and corporate clients for the purchase of financial instruments included on the Bank's approved margin list, subject to daily determined exposure limits per instrument. • The loan maturity is up to 12 months. • Financing is available up to 100% of the value of pledged financial instruments, within a minimum amount of EUR 6,000 and a maximum amount of EUR 260,000.
Foreign exchange transactions – spot	<ul style="list-style-type: none"> • Available to: Domestic and foreign retail and corporate clients, as well as financial institutions. • Purpose: <ul style="list-style-type: none"> - purchase of foreign currency for international payments or crediting foreign currency accounts - sale of foreign currency from foreign inflows - currency conversion transactions
Foreign exchange transactions – forward	<ul style="list-style-type: none"> • Available to: Domestic and foreign retail and corporate clients, as well as financial institutions. • Purpose: <ul style="list-style-type: none"> - purchase and sale of foreign currencies at a pre-agreed exchange rate with settlement on a value date more than two business days after trade date - purchase of foreign currency for international payments or foreign currency account funding - sale of foreign currency from foreign inflows - currency conversion transactions for hedging purposes
FX swap transactions	<ul style="list-style-type: none"> • Available to: Domestic and foreign retail and corporate clients, as well as financial institutions. • Purpose: <ul style="list-style-type: none"> - an agreement involving the simultaneous purchase and sale of currencies at pre-agreed exchange rates. It consists of one spot transaction and one forward transaction of opposite direction. - the transaction enables temporary exchange of two currencies until maturity, when the currencies are re-exchanged in accordance with the agreed terms.

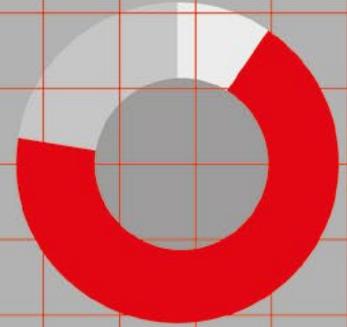
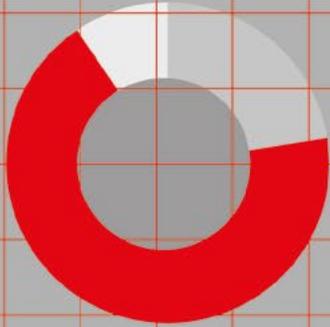


Overview of products and services in the Financial Markets segment (continued)

Product	Description
Cash trading	<ul style="list-style-type: none"> • Purpose: Management and trading of domestic and foreign currency banknotes. The activity supports optimisation of the Bank's cash position by maintaining adequate levels of domestic and foreign currency cash in line with operational and liquidity requirements.
Placed deposits	<ul style="list-style-type: none"> • Available to: Banks • Purpose: Instrument used for short-term liquidity placement • Maturities: Maturities are typically agreed for periods up to one year, although longer maturities may be negotiated. • Funds are made available on the agreed value date and remain placed until contractual maturity.
Received deposits	<ul style="list-style-type: none"> • Available to: domestic and foreign banks and financial institutions. • Purpose: Instrument used for short-term liquidity management and yield generation on surplus funds • Maturities: Money market deposits are contracted for fixed maturities, generally up to one year. Funds are not available during the agreed term; early termination is possible only where contractually agreed with the counterparty.
Repo and reverse repo transactions	<ul style="list-style-type: none"> • Available to: domestic corporate clients and financial institutions • Purpose: <ul style="list-style-type: none"> - An agreement whereby one party transfers a financial asset (typically a security) to another party in exchange for cash, with a simultaneous commitment to execute the reverse transaction at a predetermined future date. - The transaction is implemented through two linked transactions: one sale and one repurchase of the same or equivalent security at a pre-agreed price - Economically, the arrangement represents secured lending, whereby one contractual party provides securities and the other provides cash - A repo transaction is structured so that the economic benefits and risks associated with holding the security remain with the original owner throughout the term of the agreement - A reverse repo transaction represents the mirror transaction from the counterparty perspective, involving the purchase of securities with a commitment to resell them at a future date • Maturities: Repo transactions are typically contracted in line with money market deposit tenors, generally up to one year, although longer maturities may be agreed
Securities trading (bonds, Treasury bills, central bank bills, commercial paper, equities)	<ul style="list-style-type: none"> • Available to: domestic corporate clients and financial institutions • Purpose: Investment of surplus funds through the purchase and sale of fixed-income securities issued by sovereigns, local and regional government units, municipalities and corporate entities • Maturities: <ul style="list-style-type: none"> - Short-term debt securities are issued with maturities of up to one year - Long-term debt securities are issued with maturities exceeding one year



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Internal control system and control functions

Risk management

HPB manages risks through a comprehensive risk management system comprising policies, procedures and methodologies established for the purpose of identifying, measuring, assessing, monitoring, controlling and managing risks to which the Bank is or may be exposed. The objective of the risk management system is to ensure that risks are effectively mitigated and that their potential adverse impact is minimised, thereby safeguarding the stability and soundness of the Bank's operations, including the timely fulfilment of all contractual and regulatory obligations. The risk management system is subject to regular review and enhancement, encompassing both qualitative and quantitative components. It has been established in accordance with the following key principles governing risk assumption and management:

- defining acceptable levels of risk exposure through the establishment of internal risk limits, ensuring full alignment with regulatory constraints and prudential requirements,
- continuous improvement of policies and procedures for the identification, measurement, assessment, control and monitoring of risks arising from the Bank's activities,
- ongoing development of methodologies and tools for measuring and monitoring risk exposure, in line with the evolution of the risk control function, enhancement of information systems and changes in products and business activities.

By the nature of its business, the Bank assumes various risks in entering into business relationships with clients. In assuming and managing risks, the Bank pursues the following objectives:

- ensuring stable and secure growth through the application of an effective and comprehensive risk management framework,
- improving the overall risk profile of the Bank,
- ensuring the consistent application of an integrated risk management system based on harmonised policies and procedures across the Bank.

Given the scope and complexity of its operations, the Bank has identified the following risks as material risks, which are subject to enhanced monitoring and management within the risk management framework:

- Credit risk,
- Market risk,

- Liquidity risk,
- Interest rate risk in the banking book (IRRBB),
- Operational risk.

Credit risk

Credit risk represents the risk of loss arising from a counterparty's failure to meet its contractual monetary obligations towards a credit institution. Credit risk is inherent to the Bank's core business activities and constitutes the most significant risk to which HPB is exposed.

Accordingly, particular attention is devoted to credit risk management through comprehensive policies, procedures and internal regulations governing all stages of the credit process.

The objective of credit risk management is to ensure a high-quality credit portfolio, sustainable earnings and growth in lending activities, while maximising risk-adjusted returns and maintaining an appropriate balance between risk and return, taking into account the cost of funding.

Credit risk management within HPB is organisationally structured through:

- The Management Board,
- Authorised decision-making bodies (Credit Committee) and designated decision-makers,
- Operational and organisational segregation between front-office (transaction origination) and back-office functions within the credit process,
- Corporate Credit Risk Management Division,
- Retail Credit Risk Management Division,
- Strategic Risk and Risk Control Division.

The Bank's risk appetite for credit risk is defined through established exposure limits, aligned with internal policies and regulatory requirements.

For the purpose of monitoring and managing credit risk, the Bank continuously tracks a range of risk parameters, including the borrower's creditworthiness and repayment capacity, the timeliness of servicing obligations towards HPB, the quality and enforceability of collateral and other credit risk mitigation instruments, the adequacy of regulatory and internal capital, and overall portfolio quality indicators.

Credit risk is closely interrelated with concentration risk and interest rate-induced credit risk. The Bank considers these risks in an integrated manner and manages them as part of the broader credit risk framework.

Market risk

Market risk comprises position risk, foreign exchange risk and commodity risk.

- Position risk represents the risk of loss arising from changes in the price of a financial instrument or, in the case of derivative instruments, from changes in the price of the underlying variable,
- Foreign exchange risk represents the risk of loss arising from changes in foreign exchange rates and/or changes in the price of gold,
- Commodity risk represents the risk of loss arising from changes in commodity prices.

Market risk management within HPB is organisationally structured through:

- The Management Board,
- Operational and organisational segregation between front-office (transaction origination and trading) and back-office treasury functions,
- The Asset and Liability Management Committee (ALCO),
- Strategic Risk and Risk Control Division.

The Bank's risk appetite for market risk is defined through established market risk exposure limits. In order to control market risk, appropriate limits are set at the portfolio, sub-portfolio and individual instrument level, depending on the nature of the financial instrument and the relevant market risk exposure measure. In addition, warning-level limits are established for individual equity securities classified as trading book assets.

The measurement and assessment of exposure to market risk are based on methodologies including Value at Risk (VaR), basis point value (BPV) as a measure of interest rate sensitivity, and nominal exposure limits depending on the characteristics of the instrument concerned.

Liquidity risk

Liquidity risk represents the risk of loss arising from an existing or expected inability of the Bank to meet its financial obligations as they fall due. Liquidity risk is closely associated with the following two risks, which the Bank manages as a single category for risk management purposes:

- Funding liquidity risk, being the risk that the Bank may not be able to meet its current and future cash flow and collateral requirements without adversely affecting its daily operations or financial results,
- Market liquidity risk, being the risk that the Bank may be unable to close or offset positions at or near prevailing market prices due to insufficient market depth, disruptions or reduced market activity.

Liquidity risk management within HPB is organisationally structured through:

- The Management Board,
- Assets and Liabilities Office,
- Asset and Liability Management Committee (ALCO), including a dedicated Liquidity Subcommittee,

- Strategic Risk Management and Risk Control Division,
- Financial Markets Division.

The Bank measures and assesses exposure to liquidity risk through, inter alia: Calculation and ongoing monitoring of the Liquidity Coverage Ratio (LCR), assessment of structural liquidity through indicators such as the Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM).

The Bank's risk appetite for liquidity risk is defined through established liquidity risk exposure limits. In order to ensure effective liquidity risk management, appropriate internal thresholds are set for the Liquidity Coverage Ratio and for structural liquidity indicators, in alignment with regulatory requirements and the Bank's internal risk tolerance framework.

The net stable sources of financing ratio (NSFR), which is an indicator of the Bank's structural liquidity, as at 31 December 2025 is 202% (2024: 254%) At the same time, the liquidity coverage ratio (LCR) is 208% (2024: 261%)

Financial Leverage Ratio

In line with article 429 of Regulation EU 575/ 2013 calculation of financial leverage ratio between common Tier-1 equity and total exposure is mandatory for each credit institution.

Financial leverage ratio for the Bank is as follows:

	2025	2024
Financial Leverage Ratio (%)	6.02	6.31

Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book represents the risk of loss arising from potential changes in interest rates that affect positions recorded in the banking book (non-trading book).

Interest rate risk in the banking book at HPB is organisationally structured through:

- The Management Board,
- The Asset and Liability Management Committee (ALCO),
- Strategic Risk Management and Risk Control Division,
- Assets and Liabilities Office.

The Bank's risk appetite for interest rate risk in the banking book is defined through established exposure limits.

In order to manage this risk effectively, appropriate limits are set on the ratio of the change in the economic value of the banking book to regulatory capital (EVE measure), and the ratio of the change in net interest income to regulatory capital (NII measure).

In addition, the risk is measured by calculating the change in the net present value of the portfolio in the event of a one basis point shift in the reference interest rate curve, as a measure of sensitivity. Exposure is controlled through a Basis Point Value (BPV) limit.

Furthermore, the Bank monitors the Value-at-Risk (VaR) of positions sensitive to interest rate movements.



Operational risk

Operational risk represents the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk.

Operational risk management within HPB is organisationally structured through:

- The Management Board,
- Operational risk management structure (Operational Risk Manager, Operational Risk Support Officers and Liaison Officers),
- Operational Risk Management Committee,
- Corporate Security Division,
- Compliance Division,
- Strategic Risk and Risk Control Division.

The methodology for measuring and assessing exposure to operational risk is based on the collection and analysis of data on operational risk events, risk and control self-assessments (RCSA), information system risk assessments, the results of business impact analyses taking into account the implemented Business Continuity Plan (BCP), and the assessment of risks associated with outsourcing arrangements.

In order to manage operational risk effectively, HPB primarily applies risk mitigation measures through its system of internal controls, as well as risk transfer mechanisms (insurance) where appropriate. In addition, a comprehensive business continuity management system has been established.

Other risks

Although other risks are present in the Bank's operations, they are considered less significant than the previously described risks. Accordingly, the methodology and approach to their management and mitigation are less complex than those applied to material risks.

Concentration risk represents the risk arising from any single, direct or indirect exposure to one person, a group of connected persons, a central counterparty, or a group of exposures linked by common risk factors, such as the same economic sector, geographical area, type of activity or commodity, or the application of credit risk mitigation techniques. This includes, in particular, risks associated with large indirect credit exposures to a single collateral provider that could result in losses significant enough to jeopardise the Bank's ability to continue as a going concern or materially alter its risk profile.

Collateral value risk represents the risk arising from adverse market movements and reduced demand for assets serving as collateral, which may need to be realised for the purpose of claim recovery.

Sovereign risk represents the risk that a government, its agencies or central bank may be unable or unwilling to meet their obligations towards foreign creditors, which may also impair the ability of other debtors within that country to meet their external obligations.

Strategic risk represents the risk of loss resulting from inappropriate business decisions, failure to adapt to changes in the economic environment, or similar factors.

Management risk represents the risk of loss arising from limited capacity to establish sophisticated governance mechanisms, systems and controls, particularly in view of the size and organisational complexity of the institution.

Credit Valuation Adjustment (CVA) risk represents the risk of losses arising from adjustments to the market value of a portfolio of transactions with a counterparty valued at mid-market prices. This risk relates to OTC derivative instruments (excluding credit derivatives recognised for the purpose of reducing credit risk-weighted exposure amounts). The CVA reflects the current market value of the counterparty's credit risk to the institution but does not reflect the institution's own credit risk towards the counterparty. The Bank regularly calculates and reports CVA risk, which, given the scope of its activities, is not material.

Credit spread risk in the banking book (CSRBB) represents the risk of loss arising from changes in credit spreads resulting from changes in market perception of credit risk, liquidity premium and other components of instrument pricing. This risk affects the value of financial instruments in the banking book independently of movements in risk-free interest rates.

Compliance risk represents the risk of potential sanctions, financial penalties, significant financial loss or reputational damage that the Bank may incur as a result of non-compliance with laws, regulations, standards, codes and internal policies.

Business risk represents the risk of adverse and unexpected changes in business volumes and/or profit margins which may result in significant losses and consequently reduce the market value of the institution. Business risk may primarily arise from a significant deterioration in the market environment, changes in competitive conditions or shifts in customer behaviour.

Legal risk represents the risk arising from the possibility that unfulfilled contractual obligations, initiated legal proceedings against the Bank, or business decisions subsequently determined to be unenforceable may adversely affect the Bank's operations or financial position.

Regulatory risk represents the risk arising from changes in the regulatory framework governing the operations of credit institutions, which may impact the Bank's business model or profitability.

In addition, the Bank recognises the growing importance of ESG factors in its operations and is developing methodologies for their systematic integration into the risk management framework, with particular emphasis on environmental risks.

Environmental, social and governance (ESG) risks represent the risk of losses arising from the negative financial impact on the Bank resulting from current or future effects of environmental, social or governance factors on counterparties or on the Bank's invested assets.

Environmental risk represents the risk of losses arising from the negative financial impact on the Bank due to current or future effects of environmental factors on counterparties or invested assets, including factors relating to the transition towards the following environmental objectives:

- climate change mitigation,
- climate change adaptation,

- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems.

Environmental risk covers both the immediate physical risks and the broader transition risks.

Social risk represents the risk of losses arising from the negative financial impact on the Bank resulting from current or future effects of social factors on counterparties or invested assets.

Governance risk represents the risk of losses arising from the negative financial impact on the Bank resulting from current or future effects of governance factors on counterparties or invested assets.

Capital Management

In planning capital needs it is necessary to consider capital adequacy, i.e. regulatory capital requirements for exposures to credit, market and operational risk.

In following table overview of regulatory capital movements is presented:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
REGULATORY CAPITAL				
Tier-1 Capital	547,316	511,786	547,316	511,786
<i>Common Equity Tier-1 Capital</i>	<i>547,316</i>	<i>511,786</i>	<i>547,316</i>	<i>511,786</i>
Total regulatory capital	547,316	511,786	547,316	511,786
Credit Risk Exposure Using Standardized Approach	2,395,762	2,014,538	2,395,762	2,014,538
Exposure to FX and Position Risk	35,912	45,762	35,912	45,762
Exposure to Operational risk	376,586	361,570	376,586	361,570
Exposure to Credit Value Adjustment Risk	5,287	263	5,287	263
Total Risk Exposure	2,813,547	2,422,133	2,813,547	2,422,133
Total Capital Adequacy Ratio	19.45%	21.13%	19.45%	21.13%

Internal audit

The Management Board and all employees are responsible for the design, implementation and effective functioning of the internal control system. Its components are defined in internal policies and implementing documents of the respective business areas, with clearly established control activities forming a key element of its effectiveness. The prevention and timely identification of weaknesses and deficiencies are essential to ensuring the proper functioning and ongoing enhancement of the internal control framework.

Internal Audit independently evaluates the adequacy and effectiveness of internal controls within each area under review.

These controls encompass a series of processes and procedures designed to manage risk appropriately, ensure the efficiency of operations, the integrity of financial and other reporting, and adherence to both internal policies and external regulatory requirements. They provide a reasonable assurance that business goals will be met efficiently, within set timeframes, and in compliance with relevant regulations. Internal controls are embedded within the operational and management processes of the Bank, involving both leadership and staff at all levels. Key pillars of the internal control system include:

- well-defined lines of accountability,
- delimitation of powers and responsibilities,
- specific control mechanisms, and
- a robust internal audit function.



Internal audit

Internal Audit operates as an independent and self-governing entity within the organization, adhering to the professional standards of internal auditing and applicable laws. Its governance structure is based on a dual-reporting principle, with administrative accountability to the Management Board and functional accountability to the Supervisory Board or Audit Committee.

Organized into specialized teams with expertise in specific areas, Internal Audit focuses on: Information Systems, Financial Markets, Risk Management, Retail Banking, and General Audits.

The independence and organisational autonomy of the Internal Audit function are defined in the Internal Audit Charter.

Access to data, information, personnel and premises is direct and unrestricted. In accordance with generally accepted internal auditing standards and applicable legislation, audit engagements are conducted through four phases: planning, fieldwork, reporting and follow-up.

The Annual Work Plan, endorsed by the Management Board upon the Audit Committee and Supervisory Board's approval, guides these activities.

Internal Audit's scope encompasses the bank's entire operation, including retail banking, risk management, information systems, financial markets, and general audit.

Audit reports are submitted to the responsible person of the audited area, the respective member of the Management Board, the Management Board as a body, and the Audit Committee. Each report is presented at a meeting of the Management Board, thereby ensuring formal acknowledgement of the audit findings, proposed recommendations and corrective measures, together with the associated implementation deadlines. Individual audit reports are also submitted to the Audit Committee at its meetings through the Office of the Management Board as part of the regular reporting documentation.

Internal Audit compiles semi-annual and quarterly work reports, which are then submitted to the Management Board, Audit, and Supervisory Boards. Additionally, the quarterly reports are specifically provided to both the Management Board and the Audit Committee.

The activity report provides an overview of the implementation of the Annual Audit Plan, including a list of completed planned and ad hoc engagements, as well as planned engagements not performed, together with explanations for their non-execution. It further includes a summary of the most significant findings identified during completed audits, an overall assessment of the adequacy and effectiveness of the internal control and risk management systems, and a report on the implementation status of recommendations and corrective measures arising from audit engagements, including explanations where recommendations have not been implemented.

Compliance function

The Compliance Function is organised within the Compliance Division.

The Executive Director of the Compliance Division, as the Head of the Compliance Function, is responsible for the operation of the compliance control function and, in addition to the duties and responsibilities prescribed by the Bank's internal acts, in particular:

- is responsible for coordinating the management of compliance risk,
- is required to identify and assess compliance risk at least annually,
- is responsible for the annual work plan, methodology and budget of the Compliance Division,
- is required to submit a report on the activities of the Compliance Function at least semi-annually to the Management Board, the Risk Committee of the Supervisory Board and the Supervisory Board, including an overall assessment of the adequacy and effectiveness of the compliance risk management system,
- is required to submit, at least annually, a report on activities related to the provision of investment services and the performance of investment activities to the Management Board, the Risk Committee of the Supervisory Board and the Supervisory Board, including an overall assessment of the Bank's compliance with regulations governing investment services and investment activities.

The Executive Director of the Compliance Division, the Deputy Executive Director, the Director and employees of the Compliance Monitoring Department performing compliance activities (hereinafter: the Compliance Function) operate independently from the business areas, processes and activities in which compliance risk arises. They do not perform operational tasks or assume responsibilities that could compromise their objectivity or give rise to conflicts of interest.

The remuneration of the Head of the Compliance Function and employees of the Compliance Function is not directly linked to the performance of specific business activities or transactions in areas subject to compliance risk. The Bank's internal acts further prescribe restrictions relating to the acceptance of gifts and other benefits, secondary employment, membership in supervisory boards or other governing bodies of legal entities, and any other circumstances that could result in conflicts of interest.

The Head of the Compliance Function and employees of the Compliance Function are granted unrestricted access to all information, data, documentation, information systems and other resources necessary for the proper performance of their duties. All organisational units of the Bank are required to cooperate fully and provide the requested information without undue delay.

The scope of activities, methodology and reporting framework of the Compliance Function to the Management Board, the Risk Committee of the Supervisory Board and the Supervisory

Board are regulated by the following internal acts:

1. Compliance Policy
2. Compliance Rulebook
3. Compliance Methodology

The activities of the Compliance Function include, at a minimum:

1. identifying and assessing compliance risk to which the Bank is exposed or may be exposed, including compliance risks arising from environmental, social and governance (ESG) factors
2. providing guidance to management and other relevant personnel on applying applicable laws, standards, and rules, including updates on developments in these areas,
3. analyzing the impact of changes in relevant regulations on the Bank's operations,
4. reviewing the compliance of new products and new procedures with applicable laws and regulations, including regulatory amendments, in cooperation with the risk control function,
5. managing sensitive information as per capital market regulations and maintaining required records and registers,
6. monitoring and controlling the recording of telephone conversations and electronic communications related to the provision of investment services and the performance of investment activities,
7. managing the client complaint handling system relating to investment services and investment activities,
8. monitoring compliance in relation to product governance requirements for investment products,
9. monitoring and verifying the qualifications and staffing requirements of employees providing investment services and performing investment activities,
10. providing an overall assessment of the Bank's compliance with regulations governing investment services and investment activities,
11. reporting to the Management Board, Supervisory Board and Risk Committee on compliance risk, as well as informing other control functions where an assessment identifies exposure to high compliance risk,
12. cooperating and exchanging information with the Strategic Risk Management and Risk Control Division regarding compliance risk and its management,
13. advising on the preparation of training programmes relating to compliance,
14. performing compliance monitoring activities and reporting on the results of conducted reviews,
15. ensuring that Bank employees comply with legal and other regulations and uphold the high ethical and professional standards outlined in the Bank's Code of Ethics, and reporting findings to the Management Board,
16. monitoring operational compliance with Articles 80 and 81 of the Capital Market Act and the Rulebook on organisational requirements and business conduct rules for investment services and activities.

The Compliance Function continuously cooperates with managers and employees of the Bank's organisational units, particularly in advising on the application of relevant regulations to specific obligations and responsibilities within business areas and participates in regulatory alignment and implementation activities. This enables early identification and appropriate management of compliance risk, while ensuring that such cooperation does not compromise the objectivity and independence of the Compliance Function.

The Compliance Function also cooperates with the other two control functions, Internal Audit and the Strategic Risk Management and Risk Control Division, particularly in monitoring the implementation of recommendations issued by supervisory authorities. Cooperation is aimed at ensuring that the three control functions jointly establish an effective internal control system across all business areas while avoiding duplication and conflicts of responsibility.

The Compliance Function further cooperates with external auditors and competent supervisory authorities (Croatian National Bank and Croatian Financial Services Supervisory Agency) in implementing and monitoring the implementation of supervisory recommendations.

At the beginning of each financial year, and no later than 31 January, the Executive Director of the Compliance Division submits the Annual Work Plan of the Compliance Function to the Management Board, the Risk Committee of the Supervisory Board and the Supervisory Board. The Annual Work Plan is adopted by the Management Board subject to the prior approval of the Risk Committee and the Supervisory Board.

On an annual basis, within the annual activity report, the Executive Director performs identification and assessment of compliance risk in accordance with the priority categories defined in the Compliance Policy and provides an overall assessment of the Bank's compliance with applicable regulations.

The annual report of the Compliance Function is submitted to the Croatian National Bank by 31 March of the current year for the preceding year.

Furthermore, within the annual report relating to the provision of investment services and the performance of investment activities, the Executive Director provides an overall assessment of the Bank's compliance with obligations prescribed by the Capital Market Act, Regulation (EU) No 596/2014 (Market Abuse Regulation), Regulation (EU) No 600/2014 (MiFIR), and related implementing acts issued by HANFA.

The annual report concerning investment services and investment activities is submitted to the Croatian Financial Services Supervisory Agency by 31 March of the current year for the preceding year.

When reviewing the annual report, the Management Board assesses the adequacy of procedures and the effectiveness of the Compliance Function, adopts conclusions regarding its work, informs the Risk Committee and the Supervisory Board accordingly, and ensures that appropriate remedial measures are undertaken where deficiencies are identified.

Oversight of the Compliance Function is performed by the Internal Audit Office as part of its continuous and comprehensive review of the Bank's operations.



Development plan of Hrvatska poštanska banka p.l.c.

The Development Plan of Hrvatska poštanska banka p.l.c. is based on the Bank's new Strategy for the 2026–2030 period, which marks a new chapter of growth and innovation, where digital transformation and sustainable growth form the foundation for delivering exceptional client experience. The Strategy is focused on building the bank of the future - resilient, agile and innovation-driven - committed to providing clients with security and value in a rapidly changing environment. Together, we are creating the conditions for a better life in Croatia.

Our strategy is client-centric and focused on making a meaningful difference by delivering superior customer experience

and value to our clients, supported by digital and operational excellence and continuous sustainable growth.

Our customer-centric ambition is to deliver a fast, intuitive and highly personalised banking experience that anticipates and responds to the evolving needs of modern clients. We aspire to become the leading bank in the Republic of Croatia in terms of customer experience, ensuring seamless, digitally enabled interactions across all touchpoints.

Our strategic pillars provide clear direction, reinforce our competitive differentiation and create the foundation for sustainable long-term growth.



Strategic Pillars of Development

As a domestically owned institution with systemic relevance in the Croatian market, we recognise our responsibility not only to generate sustainable returns but also to contribute to long-term economic and social progress. Our integrated distribution model, combining our proprietary branch network with the “Banking in Post Offices” platform, represents the most comprehensive nationwide access point for core banking services, reinforcing financial inclusion across all regions of Croatia. The implementation of our Digital Strategy 2030 will further transform this reach into a fully omnichannel model, significantly enhancing accessibility, personalisation and service innovation through advanced digital capabilities.

In the retail segment, our ambition is to be recognised as the Croatian bank of choice across generations, building long-term relationships founded on trust, relevance and superior experience. We aim to increase the number of active clients with primary income accounts, with a particular focus on attracting younger, economically active and highly educated clients who demonstrate strong financial potential, lower risk profiles and a greater propensity for multi-product engagement. We will further accelerate digital adoption and deepen client engagement by delivering intuitive, personalised and seamlessly integrated banking experiences across all channels, reinforcing our ambition to lead the Croatian market in customer experience.

In the SME segment, we seek to act as a trusted financial partner within local communities, strengthening our market presence while focusing on sectors with strong growth dynamics and investment potential. Through tailored financing solutions, advisory support and sector-specific expertise, we aim to enable sustainable business expansion and contribute to the resilience and competitiveness of the Croatian economy.

Within the large corporate segment, we intend to increase the share of privately owned large enterprises in our portfolio, while continuing to deliver high-quality, relationship-driven corporate banking services. Our focus remains on building long-term strategic partnerships, enhancing sectoral expertise and supporting sustainable business models that align with broader economic and environmental objectives.

Our ambition extends beyond financial performance to cultivating an environment in which every employee feels empowered, respected and motivated to develop their full potential. A strong, cohesive and performance-driven organisational culture is fundamental to delivering sustainable results and maintaining long-term competitiveness.

Our strategy is anchored in two overarching priorities: Delivering superior and differentiated value to our clients and embedding sustainability at the core of our business model. These priorities are operationalised through three strategic pillars that shape our transformation, guide execution and support our long-term market positioning.

Focus on client

Banking is fundamentally built on relationships. Our ambition is to become a bank that cultivates trusted, long-term relationships, providing clients with a consistent sense of security, support and understanding, whether through digital interaction or personal engagement within our branch network. We are committed

to ensuring that at every stage of their relationship with us, clients experience simplicity, transparency and a personalised approach. Across all channels and interactions, the experience must be seamless, consistent and intuitive. Investment in customer experience represents a fundamental driver of sustainable growth and competitive differentiation. Accordingly, we will systematically design, measure and continuously refine client journeys across all touchpoints, building an organisation that not only responds to client needs but anticipates and proactively addresses them.

Digital and operational excellence

Digital transformation, structured around three core dimensions of development, will enable us to realise our digital ambition and long-term strategic objectives.

- Transformation of the client value proposition. We will redefine our value proposition by placing the client firmly at the centre of product and service design. Through the development of always-available digital channels, data-driven personalisation and fully digital end-to-end processes, we will deliver fast, intuitive and tailored banking solutions. Human interaction will remain integral, provided where it adds value or where clients prefer it, ensuring the right balance between digital efficiency and personal advisory support.
- Modern modular architecture and operational automation. Our digital transformation will also enhance efficiency, productivity and scalability, establishing the foundations for technological leadership in banking. By building a modern, modular and interconnected digital architecture, we will ensure operational stability, security and flexibility within an increasingly digital environment. This transformation will accelerate time-to-market for new products, enable faster innovation cycles, optimise operational processes and further elevate the client experience.
- Transforming our culture and ways of working. We are fostering a value-driven culture centred on client impact, continuous improvement and accountability. Our ambition is to consistently exceed client expectations and embed customer value into every decision and process. We aim to attract, develop and retain the talent and skills essential for the future. We believe our people thrive in a diverse and inclusive environment, where an outstanding employee experience unlocks time, energy and creativity, empowering them to deliver greater value to clients and society.

Sustainable growth

Sustainable growth is at the core of our strategic direction. Our objective is to build a resilient and forward-looking business model that delivers long-term value for all stakeholders.

Responsible financing and effective management of sustainability risks form an integral part of our operations. We actively



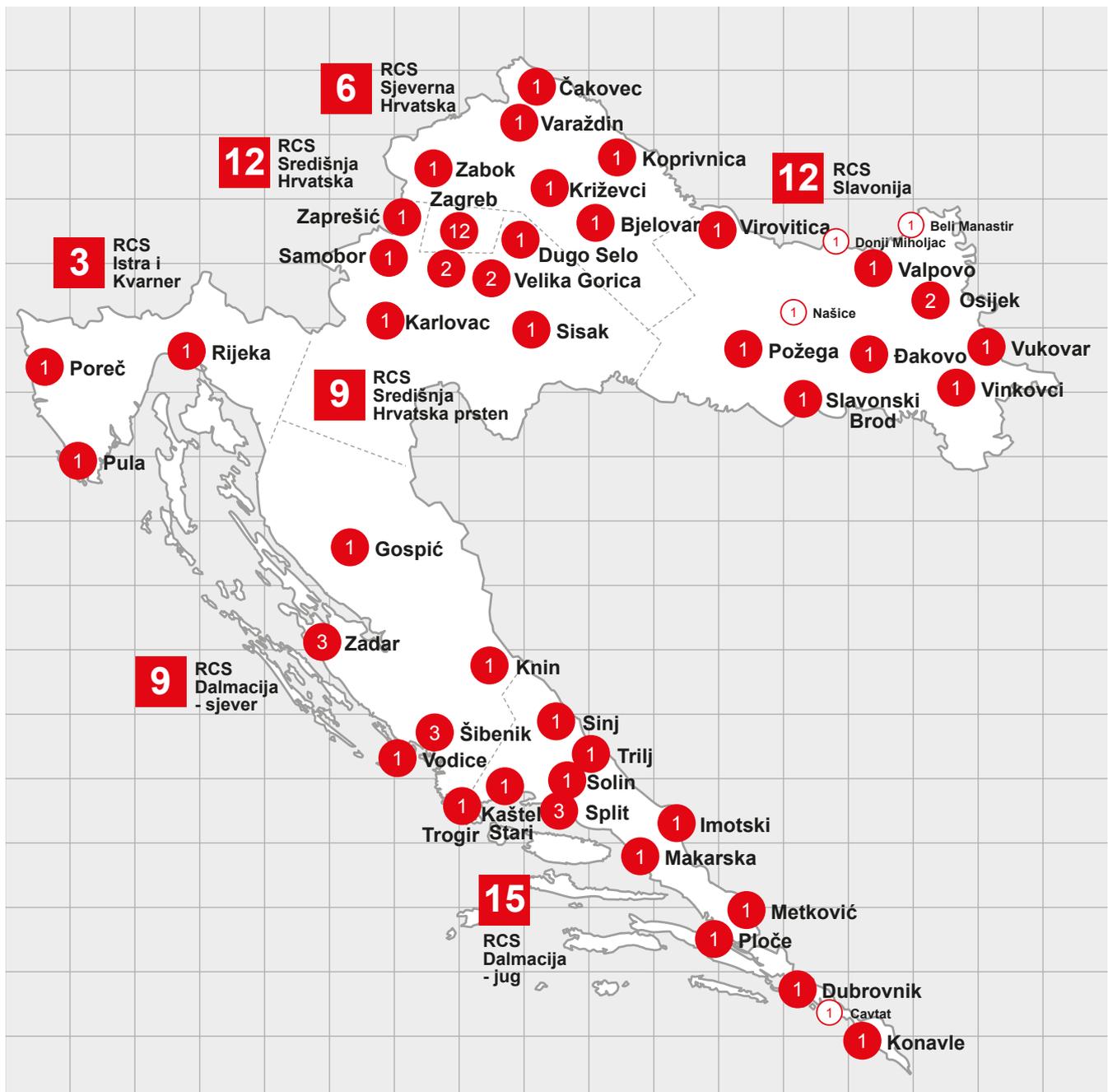
support our clients in transitioning towards more sustainable business models through dedicated financial solutions and strategic partnerships, while setting high standards for responsible financing practices. We are committed to redirecting capital flows towards sustainable initiatives and developing sustainable

products, with the objective of increasing the volume of sustainable financing. At the same time, we ensure prudent management of sustainability-related risks and continuously assess their potential impact on other prudential risk categories and on the Bank's overall operations.

Retail operations

As of 1 January 2026, organisational changes will be implemented within the Bank's retail distribution network. The existing Central Croatia Regional Centre will be restructured into two separate regions: the Central Croatia Retail Regional Centre and the Central Croatia Ring Retail Regional Centre.

The Central Croatia Retail Regional Centre will comprise 12 branch centres: Jurišičeva, Varšavska, VMD, Dubrava, Britanski trg, Sesvete, Maksimir, Špansko, Savska, Ilica, Gajnice and Vrbanj. The Central Croatia Ring Retail Regional Centre will comprise 9 branch centres: Karlovac, Velika Gorica, Velika Gorica 2, HOTO, Zaprešić, Središće, Novi Zagreb, Dugo Selo and Sisak.



In the forthcoming period, the Bank will focus on retaining and ensuring stable growth of a high-quality client base, as well as on the prudent expansion of its loan and deposit portfolios. Acquisition initiatives will continue, including cooperation with selected employers and strategic partners. New business origination will be approached with heightened caution and more conservative underwriting standards, in light of significant regulatory amendments affecting the calculation of creditworthiness and the permitted deviations from prescribed lending criteria. The new regulatory framework is expected to have a material impact on the approval of new exposures. To mitigate this impact, the Bank will introduce targeted and competitive promotional campaigns aimed at attracting a broad base of potential clients. At the same time, the existing client base will be further strengthened through the extension of unsecured consumer loans to verified and demonstrably creditworthy clients, as well as through the development of tailored product packages aligned with the needs of defined client segments. Through optimisation of targeted CRM campaigns and more effective utilisation of data analytics, the Bank will leverage the advantages of the expanded client base built over recent years.

Large corporates and public sector operations

The strategic focus of the Large Corporates and Public Sector Division (“the Division”) in 2026 is directed towards sustainable growth and the deepening of relationships within the existing portfolio, alongside agile acquisition of new clients. In an environment characterised by stabilised yet still elevated macroeconomic parameters compared to historical averages, the Bank will maintain a careful balance between commercial expansion and a prudent risk management approach. Integration processes from the previous period, including the merger of Nova hrvatska banka, now serve as a foundation for the full realisation of specialist expertise synergies and enhanced operational efficiency.

Future growth will be underpinned by expanding the base of active clients through structured investment financing, with a strategic focus on projects that advance technological modernisation and energy independence. The Division will maintain strong support for working capital and documentary business, capitalising on the Bank’s extensive distribution network and local market presence. Core target segments remain creditworthy large corporate groups and central and local government entities, to whom the Bank delivers stability, long-term partnership and tailored financing solutions in an environment of evolving capital market dynamics.

Ongoing investment in advanced financial monitoring capabilities and deep sectoral expertise across priority industries, including energy, ICT, water and utilities, sustainable residential construction and high value-added tourism, will further strengthen our competitive positioning. In the forthcoming period, enhanced oversight of sectoral concentration limits, informed by forward-looking macroeconomic and industry-spe-

cific analyses, will support disciplined portfolio allocation. This specialist approach reinforces risk resilience while elevating the quality and strategic depth of client relationships.

Targeted acquisition initiatives are directed towards creditworthy clients that maintain active accounts and stable banking relationships with other institutions, including large corporate groups and public sector entities. Through a structured segmentation framework, the Bank is able to deliver high-quality, tailored solutions to newly acquired clients while upholding a disciplined and prudent approach to risk management, a model that has consistently demonstrated its resilience and effectiveness.

The overarching objective is to further refine a specialist relationship-driven and advisory-led business model capable of addressing the evolving strategic, financing and operational needs of clients in a comprehensive and forward-looking manner.

By leveraging advanced data analytics and next-generation acquisition capabilities, the Bank will further optimise credit processes and enhance product flexibility. Continued investment in digital infrastructure will accelerate transactional execution for clients, while enabling relationship managers to focus increasingly on advisory engagement and value-added relationship management.

Sustainable development (ESG) will become an integral component of creditworthiness assessment in 2026. The Bank actively incorporates environmental, social and governance considerations not merely as a regulatory requirement, but as a strategic instrument for long-term portfolio resilience against climate and transition risks.

In pursuit of strengthened market positioning and enhanced service delivery, intensive cooperation with Hrvatska pošta d.d. will continue as a key lever for expanding the client base within the segment of local and regional government units and their affiliated entities, leveraging the largest distribution network in the country.

Partnership with FINA will remain central to maintaining leadership in the payments segment. In 2026, particular focus will be placed on innovative cash management solutions and process optimisation for large clients operating through geographically dispersed networks requiring on-site cash deposit capabilities.

In deposit operations, the Bank will aim to optimise funding costs in an environment of expected gradual interest rate reductions. The focus will remain on retaining stable demand and term deposits from the public sector and large corporates, while ensuring a high level of liquidity necessary to support quality investment projects.

The enduring ambition of the Division and the Bank is to serve as the trusted partner of choice to large corporate clients and the public sector, combining sustainable profitability with disciplined risk management and robust portfolio resilience aligned with best-in-class banking practices.



SME operations

The SME Division is primarily focused on enhancing operational efficiency and productivity, thereby directly supporting the strengthening of domestic entrepreneurship. Our development trajectory is founded on accelerated digitalisation, continuous enhancement of professional expertise, and strong internal synergies across the Bank, all with a single objective: to deliver superior service quality and create an environment in which Croatian entrepreneurs can grow and thrive.

Through the expansion of lending activity and a strategic focus on businesses that generate tangible value for the economy, the SME Division contributes directly to the advancement of Croatia and its local communities. In pursuing a leading market position and delivering a seamless client experience, we are committed to developing scalable models that enable entrepreneurs to grow faster and more sustainably. In doing so, we ensure that capital reaches those who create employment, drive innovation and reinforce the long-term economic stability of the country.

We remain dedicated to continuously elevating service standards through further process optimisation and automation. This approach enhances responsiveness, improves transparency and enables faster, more precise client feedback, making the arrangement of products and services simpler and more efficient. By aligning our support with the pace and expectations of modern entrepreneurship, we consistently fulfil our mission - creating the conditions for a better life in Croatia.

Financial market operations

In an environment of sustained high liquidity within the Eurozone banking system, the European Central Bank's monetary policy operations have continued to be predominantly reflected through the deposit facility, while other monetary instruments have remained comparatively less utilised.

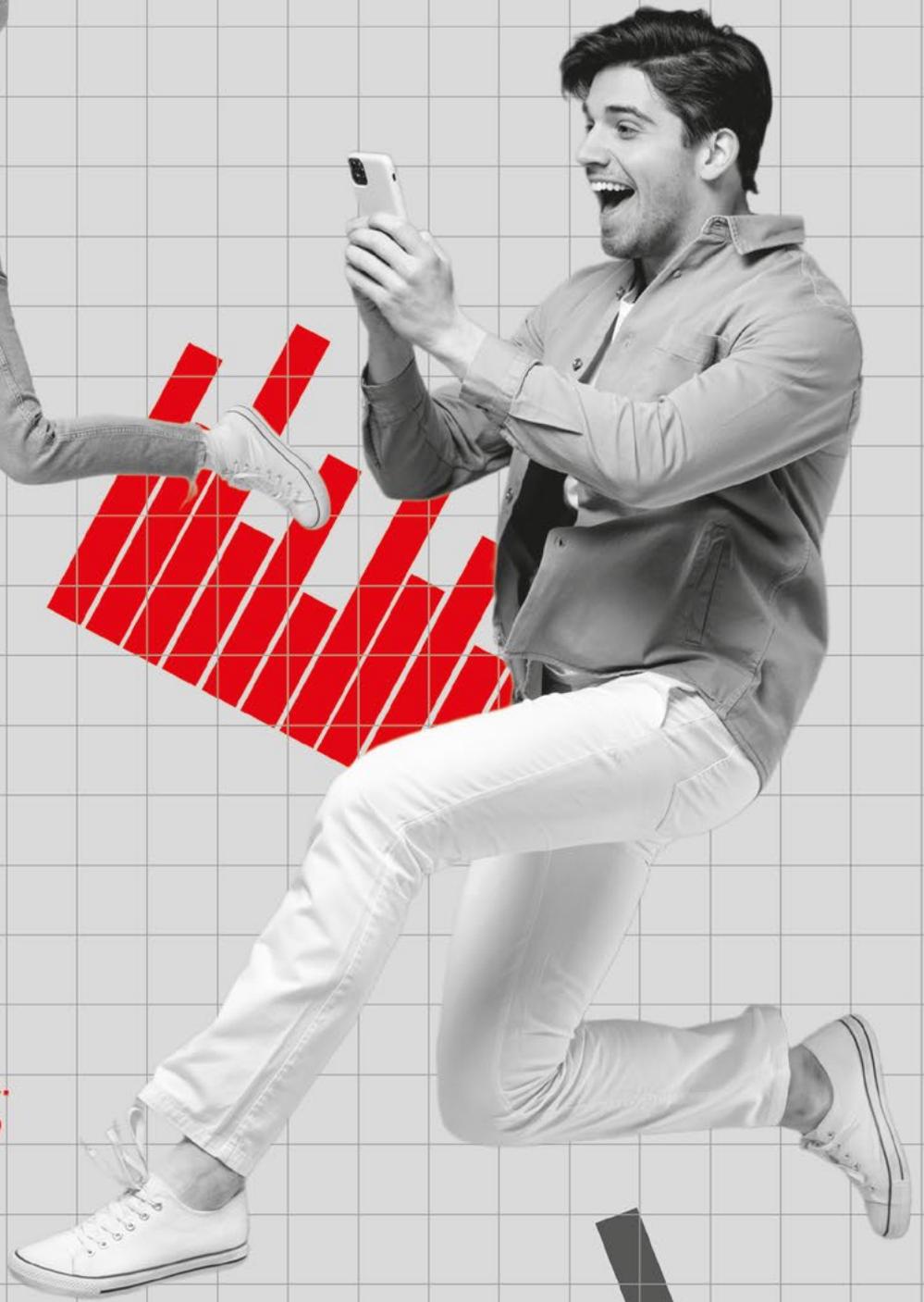
Looking ahead, we expect system liquidity to remain elevated, with continued access to the ECB's overnight deposit facility. Based on the latest inflation data in the Eurozone, we anticipate that the ECB's key policy rates will remain broadly aligned with end-2025 levels for the greater part of the year, while further gradual rate reductions by the Federal Reserve are expected to continue.

Although Eurozone member states face substantial refinancing needs and projected fiscal deficits in 2026, prevailing market liquidity conditions are expected to support the orderly absorption of sovereign issuance, enabling governments to meet their financing requirements without significant market disruption.

In line with ECB guidance and current inflation dynamics, short-term interest rates are expected to remain broadly stable, while yields in the medium and longer segments of the curve may be influenced by recent developments related to tariffs, trade agreements and their potential impact on growth prospects in major European economies. Despite elevated uncertainty, abundant system liquidity is expected to mitigate the risk of a material upward shift in yields relative to end-2025 levels.

The Republic of Croatia's A credit rating (Standard & Poor's) has contributed to a marked compression of sovereign spreads, and we expect Croatian bond spreads to remain broadly stable under current market conditions.

Within investment banking, activities will focus on expanding the client base and further developing products and services within the investment services and custody segments, thereby strengthening the Bank's positioning in capital markets and post-trade services.



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Statement on the application of the Corporate Governance Code

Application of the Corporate Governance Code

Pursuant to Article 272.p of the Companies Act and Article 22. of the Accounting Act, the Management Board and the Supervisory Board hereby declare that, as an issuer of shares listed on the regulated market of the Zagreb Stock Exchange, the Bank applies the Corporate Governance Code (the "Code") jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (ZSE). The code is available on their respective websites www.zse.hr and www.hanfa.hr.

The Bank operates to a significant extent in accordance with best corporate governance practices and the recommendations of the Code. Explanations of any departures from specific provisions of the Code — arising from the application of statutory and secondary regulations specific to credit institutions — are provided in the Annual Corporate Governance Compliance Questionnaire, approved by the Management Board and the Supervisory Board. The Questionnaire is published on the website of the Zagreb Stock Exchange (www.zse.hr), within the Official Register of Regulated Information maintained by HANFA (www.hanfa.hr) and on the Bank website (www.hpb.hr).

In addition to the recommendations of the Code and in accordance with the regulatory framework governing credit institutions, the Bank continuously enhances its corporate governance framework and business transparency as fundamental pillars for the protection of shareholders, investors, clients, employees and other stakeholders. In doing so, the Bank takes into account its organisational structure, strategy and business objectives, while ensuring effective oversight of the responsibilities of the Management Board and the Supervisory Board. Particular emphasis is placed on effective processes for identifying, measuring, monitoring and reporting risks arising from the Bank's operations, as well as on the establishment of appropriate internal control mechanisms.

The Bank has established an internal control system designed to ensure effective direct supervision through the integrated functioning of procedures and processes that monitor operational efficiency, the reliability of financial reporting and compliance with statutory and regulatory requirements, as well as with sound business practices. The internal control system operates through the coordinated and independent functioning of three control functions: the risk control function, the compliance function and the internal audit function. The key characteristics of this system include the independence of the control function holders responsible for identifying, assessing and managing risks, including the risk control and compliance

functions, while the Internal Audit Office oversees the Bank's and the Group's overall operations with the objective of assessing the adequacy of the established internal control framework.

For the purpose of mitigating risks in the financial reporting process, the Bank has implemented an appropriate internal control and risk management system, supported by a clear segregation of responsibilities among the relevant organisational units in accordance with internal acts. Effective and adequate internal controls have been embedded into business processes and activities. At the same time, the Bank engages an external auditor and has established continuous financial oversight mechanisms to support financial reporting and decision-making processes in this area. A description of the principal features of the Bank's internal supervision and risk management framework in relation to financial reporting forms an integral and essential part of the Bank's operations and is presented in Note 2. to the financial statements.

Significant shareholders and restrictions on share rights

The Republic of Croatia is the Bank's largest individual shareholder, holding 44.90% of the Bank's shares. Together with HP – Hrvatska pošta d.d., the Croatian Deposit Insurance Agency, the Croatian Pension Insurance Institute and the NEK Fund, these shareholders collectively hold approximately 77% of the Bank's share capital and voting rights at the General Meeting.

Shareholders exercise their rights at the Bank's General Meeting, which resolves on matters prescribed by applicable legislation and the Bank's Articles of Association. The General Meeting is ordinarily convened by the Management Board and must also be convened at the request of the Supervisory Board or shareholders in accordance with the relevant provisions of the Companies Act. The right to participate in the General Meeting and exercise voting rights may be exercised by each shareholder either in person or by proxy, provided that the shareholder registers participation no later than six days prior to the date of the General Meeting and is registered in the depository of the Central Depository & Clearing Company Inc. as a holder of shares on the last day for submitting applications to participate in the General Meeting.

In accordance with the Bank's Articles of Association, each share confers one vote. Voting rights are not subject to limitations, nor are there restrictions on their exercise, except in the case of treasury shares, in respect of which the associated rights are suspended.

Pursuant to the Articles of Association, the Management Board is authorised to adopt a decision enabling shareholders to exercise some or all of their rights, in whole or in part, by means of electronic communication, even if they neither attend the General Meeting in person nor participate through a proxy at the venue where it is held. In such cases, the notice convening the General Meeting shall specify the technical prerequisites and detailed conditions for exercising rights via electronic communication. The Articles of Association also authorise the Management Board to permit audio and video transmission of the General Meeting, in which case such authorisation will be explicitly stated in the notice convening the meeting.

The conduct of the General Meeting is governed by the Companies Act and by the Rules of Procedure of the General Meeting, which are published on the Bank's website (www.hpb.hr).

Rules on the appointment and removal of the Management Board, amendments to the Articles of Association and special powers of the Management Board

As a legal entity of special interest to the Republic of Croatia, as determined by the Decision on Legal Entities of Special Interest to the Republic of Croatia ("Official Gazette", Nos. 147/2021 and 78/2023), the procedures for the selection and appointment of candidates to the Management Board of the Bank, as well as the requirements to be met by candidates for the positions of President and members of the Management Board, are governed by the Act on Legal Entities Owned by the Republic of Croatia ("Official Gazette", No. 102/2025).

In accordance with the Bank's Articles of Association, the Management Board consists of no fewer than two and no more than five members, with the exact number determined by the Supervisory Board. The President and members of the Management Board are appointed by decision of the Supervisory Board for a term of up to five years and may be reappointed without limitation.

In addition to the requirements prescribed by the above Act, a member of the Management Board may be appointed only if he or she meets the conditions set out in the Companies Act, the Credit Institutions Act, and the Decision on the Assessment of the Suitability of the Chairperson of the Management Board, Member of the Management Board, Member of the Supervisory Board and Key Function Holder in a Credit Institution ("Official Gazette", Nos. 20/2021 and 104/2022), and has obtained the prior approval of the Croatian National Bank for the respective appointment.

The suitability of each Management Board member represents the extent to which the individual possesses the attributes and meets the prescribed requirements necessary to ensure the professional, lawful, secure and stable performance of the duties within his or her remit.

Collectively, the members of the Management Board must possess the knowledge, skills and experience required for the independent and autonomous management of the Bank, in particular for understanding the Bank's operations and its significant risks.

Members of the Management Board perform their management duties on a full-time basis and are employed by the Bank.

The Supervisory Board may dismiss the President or any member of the Management Board if a valid reason exists. The President and members of the Management Board may submit their resignation in writing.

The Articles of Association may be amended solely by a resolution of the General Meeting. Such resolution shall be deemed adopted if supported by at least three-quarters of the share capital represented at the General Meeting. The Management Board prepares the proposal for amendments to the Articles of Association and submits it to the Supervisory Board for approval. Upon obtaining the Supervisory Board's consent, the proposal is submitted to the General Meeting for adoption.

By resolution of the General Meeting of 30 August 2023, the Management Board was authorised to acquire the Bank's own shares on the regulated securities market for the period from the date of adoption of the resolution until the end of 2026. The total nominal amount of treasury shares acquired, together with treasury shares already held by the Bank, may not exceed 1% of the Bank's share capital at the time of acquisition. The same resolution authorised the Management Board to dispose of treasury shares outside the regulated market for the purposes of, and in accordance with, regulatory requirements relating to variable remuneration under the Bank's and HPB Group's Remuneration Policy, subject to all applicable regulatory limitations.

Pursuant to the above authorisation, the Management Board launched a Treasury Share Buyback Programme commencing on 8 November 2023, with a duration of two years. The Programme envisaged the acquisition of up to 300 treasury shares, with a maximum allocated amount of EUR 65,000.00, for the purpose of variable remuneration in accordance with the Bank's and HPB Group's Remuneration Policy.

During 2025, in accordance with the Buyback Programme, the Bank repurchased a total of 65 treasury shares on the regulated market of the Zagreb Stock Exchange in the period from 7 October to 4 November 2025. As the Bank did not hold any treasury shares prior to this acquisition, following the transaction it held 65 treasury shares without voting rights, representing 0.003210% of the Bank's share capital. The total consideration paid for the acquired shares amounted to EUR 19,540.00. The Buyback Programme was completed on 8 November 2025.

In accordance with regulatory requirements relating to variable remuneration, on 10 December 2025 the Bank disposed of 30 treasury shares outside the regulated market of the Zagreb Stock Exchange pursuant to concluded Share Transfer Agreements. Following this transfer, as at 31 December 2025 the Bank held 35 treasury shares in its treasury account, representing 0.001728% of the Bank's share capital (equity).

Information on the above acquisitions and disposals of treasury shares was published in accordance with applicable legal requirements and is available on the website of the Zagreb



Stock Exchange (www.zse.hr), within the Official Register of Regulated Information maintained by HANFA (www.hanfa.hr) and the Bank website (www.hpb.hr),

Supervisory Board: composition and activities

The procedures for the selection and appointment of candidates for membership of the Bank's Supervisory Board, as well as the requirements to be met by candidates, are governed by the Act on Legal Entities Owned by the Republic of Croatia ("Official Gazette", No. 102/2025).

Pursuant to the Bank's Articles of Association, the Supervisory Board may comprise up to seven members, who are elected and removed by the General Meeting.

In addition to the requirements under the above Act, only a person who meets the conditions prescribed by the Companies Act, the Credit Institutions Act and the Decision on the Assessment of the Suitability of the Chairperson of the Management Board, Member of the Management Board, Member of the Supervisory Board and Key Function Holder in a Credit Institution ("Official Gazette", Nos. 20/2021 and 104/2022), and who has obtained the prior approval of the Croatian National Bank to perform the function of a Supervisory Board member, may be elected to the Supervisory Board.

The members of the Supervisory Board must collectively possess the professional knowledge, skills and experience necessary for the independent and autonomous supervision of the Bank's operations, in particular for understanding the Bank's activities and its significant risks.

The suitability of each Supervisory Board member represents the extent to which the individual possesses the attributes and meets the prescribed requirements ensuring the professional, lawful, secure and stable performance of duties within his or her remit.

The powers of the Supervisory Board are governed by the Companies Act, the Credit Institutions Act, the Decision on the management system and the Bank's Articles of Association.

During 2025, the Supervisory Board operated in two compositions.

From 1 January to 13 August 2025, the Supervisory Board comprised three members:

- Marijana Miličević, M.Sc. (Econ.), Chair,
- Prof. Mislav Ante Omazić, PhD, Deputy Chair,
- Marijana Vuraić Kudeljan, MSc, Member.

Following the expiry of the term of office of the three-member Supervisory Board, the General Meeting held on 9 May 2025 appointed a new five-member Supervisory Board for a four-year term. In accordance with the requirements of the Credit Institutions Act, the term of office of the newly elected members commenced on 14 August 2025, upon obtaining the prior approval of the Croatian National Bank.

From 14 August to 31 December 2025, the Supervisory Board comprised five members:

- Prof. Alen Stojanović, PhD, Chair,
- Prof. Mislav Ante Omazić, PhD, Deputy Chair,
- Marijana Vuraić Kudeljan, MSc, Member,
- Marija Cvrlije, LLB, Member,
- Assoc. Prof. Dajana Barbić, PhD, Member.

Members of the Supervisory Board do not hold shares in the Bank.

In 2025, within the three-member composition of the Supervisory Board, the independence criterion was met by one member, Mr Mislav Ante Omazić. Within the five-member composition, three members met the independence criterion in accordance with Article 255(6) of the Companies Act and Article 10 of the Decision on suitability assessment ("Official Gazette", Nos. 20/2021 and 104/2022), namely Mr Alen Stojanović, Mr Mislav Ante Omazić and Ms Dajana Barbić, thereby ensuring the functioning of the Supervisory Board and its committees in compliance with applicable regulations.

Meetings of the Supervisory Board are ordinarily held quarterly and, where necessary, more frequently, and in any event at least semi-annually. The Supervisory Board may also adopt decisions on important and urgent matters without holding a meeting, in which case members vote in writing, by telephone or via email.

In 2025, the Supervisory Board held 11 meetings, of which one was a constitutive meeting held at the commencement of the new Supervisory Board's term of office, at which the Chair and Deputy Chair were elected. The remaining 10 regular meetings addressed matters relating to the Bank's operations. Attendance in 2025 is presented in the tables below.

Member of the Supervisory Board From 1. 1. 2025 to 13. 8. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Miličević	4	4/4	100.00
Mislav Ante Omazić		4/4	100.00
Marijana Vuraić Kudeljan		4/4	100.00

Member of the Supervisory Board From 14. 8. 2025 to 31. 12. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Alen Stojanović		7/7	100.00
Mislav Ante Omazić		7/7	100.00
Marijana Vuraić Kudeljan	7	5/7	71.43
Marija Cvrlje		6/7	85.71
Dajana Barbić		6/7	85.71

In addition to regular meetings, the Supervisory Board adopted 84 decisions outside meetings via email in situations requiring decisions within a short timeframe. The majority of such decisions related to granting Supervisory Board approvals for the Bank's exposures to individual clients in accordance with statutory requirements, as well as other matters requiring the Supervisory Board's consent.

The Supervisory Board has established the following committees: the Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee and ESG Committee, established for the purpose of enabling competent assessments of matters within their respective remits. The Management Board ensured access to information and data necessary for the effective functioning of the Supervisory Board and its committees, as well as the availability of relevant expert services, control functions and, where necessary, external expert advice for areas within the remit of individual committees.

Throughout 2025, the Supervisory Board and its committees regularly held meetings, with all members continuously cooperating. The bodies maintained a balanced composition and the expertise required for a credit institution, and each member contributed to the work of the respective bodies in an appropriate and effective manner.

In accordance with the regulations applicable to credit institutions, the Suitability Assessment Committee established within the Bank conducted suitability assessments of all Supervisory Board members on both an individual and collective basis.

With respect to the three-member Supervisory Board composition, the Committee performed the regular annual suitability assessment and concluded, on both an individual and collective basis, that an appropriate balance had been achieved in terms of skills, experience, competencies, age and gender. It also confirmed that the members meet high ethical standards and possess diverse knowledge and professional and practical experience necessary for the proper performance of their duties, including the specific requirement that at least one Supervisory Board member have expertise in accounting and/or the audit of financial statements. In the composition in office from 1 January to 13 August 2025, the representation of women amounted to 66.7%, exceeding the defined target level. This was also confirmed by the General Meeting on 9 May 2025, which assessed each member as suitable for the function and confirmed that the Supervisory Board, as a whole, possessed the required expertise and that the target for representation of the underrepresented gender had been met.

As the current five-member Supervisory Board was appointed in August 2025, the Suitability Assessment Committee, prior to appointment, conducted individual suitability assessments for each candidate and assessed their collective suitability as a body. Based on the results, the General Meeting on 9 May 2025 assessed each candidate as suitable and confirmed that the Supervisory Board in the composition of Alen Stojanović, Mislav Ante Omazić, Marijana Vuraić Kudeljan, Marija Cvrlje and Dajana Barbić is collectively suitable, i.e., that the Supervisory Board as a whole has the necessary knowledge, skills and experience to independently and autonomously supervise the operations of a credit institution, with an understanding of its activities and significant risks, and that balanced representation of both genders across the Management Board and Supervisory Board has been achieved in accordance with Article 272.s(2) of the Companies Act. 272.s(2) of the Companies Act.

The Management Board and the Supervisory Board maintained effective and constructive cooperation and shared relevant information necessary for the performance of their duties, thereby supporting the supervisory function. The Supervisory Board supervised the management of the Bank's operations, guided business policy and actively contributed to its implementation in accordance with the law, the Bank's Articles of Association and the Supervisory Board's Rules of Procedure, based on the Management Board's reports on matters significant for the Bank's operations and position. The Supervisory Board had continuous access to request and obtain information from the Management Board regarding aspects of the Bank's operations that had or could have a material impact on its position, particularly information related to risk profile, for which the Management Board ensured appropriate access.

Throughout 2025, successful and transparent cooperation was reflected in open discussions between the Management Board and the Supervisory Board. Members of the Management Board attended Supervisory Board meetings and, within their respective areas of responsibility, reported on relevant matters and provided supplementary explanations upon request, enabling the Supervisory Board to thoroughly consider all agenda items and adopt informed positions and necessary decisions. Accordingly, the Supervisory Board assesses its cooperation with the Management Board as highly effective.



Audit Committee

During 2025, the Audit Committee operated in two compositions.

During the period from 1 January to 13 August 2025, the Audit Committee comprised three members:

- Prof. Mislav Ante Omazić, PhD, Chair,
- Željko Lovrinčević, PhD, Deputy Chair,
- Ivana Radeljak Novaković, MSc, Member.

By its resolution of 10 May 2021, the Bank's General Meeting appointed external experts Ms Ivana Radeljak Novaković and Mr Željko Lovrinčević as members of the Bank's Audit Committee, with the latter also meeting the independence requirement in accordance with applicable regulations. In order to meet the statutory minimum number of Audit Committee members pursuant to Article 65(3) of the Audit Act ("Official Gazette", Nos. 127/2017, 27/2024, 85/2024 and 145/2024), the Bank's Supervisory Board, by its resolution of 13 August 2021, appointed from among its members Mr Mislav Ante Omazić, an independent member of the Supervisory Board, to the Audit Committee. In that composition, two members - Mr Mislav Ante Omazić and Mr Željko Lovrinčević - met the independence requirement in relation to the Bank, thereby ensuring the Audit Committee's operation in accordance with applicable regulations.

Following the expiry of the terms of office of the above Audit Committee members, and pursuant to Article 65(2) of the

Audit Act, the General Meeting, by its resolution of 9 May 2025, appointed Ms Ivana Radeljak Novaković and Ms Sanja Sever Mališ as members of the Bank's Audit Committee, with the term of office commencing on 14 August 2025. By its resolution of 14 August 2025, the Supervisory Board appointed from among its members Mr Alen Stojanović, Mr Mislav Ante Omazić and Ms Marijana Vuraić Kudeljan to the Audit Committee, also with effect from 14 August 2025, and, by the same resolution, appointed the Chair and Deputy Chair of the Audit Committee.

During the period from 14 August to 31 December 2025, the Audit Committee comprised five members:

- Prof. Sanja Sever Mališ, PhD, Chair,
- Prof. Mislav Ante Omazić, PhD, Deputy Chair,
- Prof. Alen Stojanović, PhD, Member,
- Ivana Radeljak Novaković, MSc, Member,
- Marijana Vuraić Kudeljan, MSc, Member.

In the current composition of the Audit Committee, three members, Ms Sanja Sever Mališ, Mr Mislav Ante Omazić and Mr Alen Stojanović, meet the independence requirement in relation to the Bank, thereby ensuring the Audit Committee's operation in accordance with applicable regulations.

In 2025, the Audit Committee held 10 regular meetings. Attendance in 2025 is presented in the tables below.

Member of the Audit Committee From 1. 1. 2025 to 13. 8. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Mislav Ante Omazić	7	7/7	100.00
Željko Lovrinčević		7/7	100.00
Ivana Radeljak Novaković		7/7	100.00

Member of the Audit Committee From 14. 8. 2025 to 31. 12. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Sanja Sever Mališ	3	3/3	100.00
Mislav Ante Omazić		3/3	100.00
Alen Stojanović		3/3	100.00
Ivana Radeljak Novaković		3/3	100.00
Marijana Vuraić Kudeljan		2/3	66.67

In addition to its regular meetings, the Audit Committee adopted 12 decisions outside of meetings via email, in situations where it was necessary to adopt decisions and/or conclusions within a short timeframe on matters within its remit.

At its meetings, the Audit Committee discussed matters falling within its competence in accordance with the Credit Institutions Act, the Audit Act, the Act on the Public Sector Internal Financial Control System and Regulation (EU) No 537/2014.

2025 Audit Committee report

During the reporting period, the Audit Committee operated in two compositions.

From the beginning of 2025 until the expiry of the mandate on 13 August 2025, the Audit Committee operated in a three-member composition, with Mr Mislav Ante Omazić serving as Chair, Mr Željko Lovrinčević as Deputy Chair and Ms Ivana Radeljak Novaković as Member.

From 14 August 2025 until the end of the 2025 financial year, the Audit Committee operated in its new five-member composition. Ms Sanja Sever Mališ served as Chair, Mr Mislav Ante Omazić as Deputy Chair, and the members were Mr Alen Stojanović, Ms Ivana Radeljak Novaković and Ms Marijana Vuraić Kudeljan.

During 2025, the Audit Committee held 10 regular meetings, at which matters within its competence and responsibility were discussed and decided upon in accordance with the Decision on Establishment and the Rules of Procedure of the Audit Committee. In addition to regular meetings, the Audit Committee adopted 12 decisions outside meetings via email.

Within the scope of its mandate, the Audit Committee assisted the Supervisory Board in the performance of its duties by monitoring the effectiveness of the internal quality control system and the risk management system in relation to financial reporting and sustainability reporting. In this context, it oversaw the financial reporting process by analysing and reviewing quarterly and annual financial statements, monitoring the integrity of the Bank's financial information and the appropriateness and consistency of the accounting policies applied by the Bank, including the criteria used for the consolidation of the

financial statements of the HPB Group. On an annual basis, in cooperation with the ESG Committee, the Audit Committee also monitored the sustainability reporting process of the Bank and the HPB Group.

At the level of the Bank and the HPB Group, the Audit Committee oversaw the statutory audit of the annual financial statements and the assurance engagement on the sustainability report performed by the external auditor. It monitored the audit process and the status of implementation of the external audit plan and reported to the Supervisory Board on the outcome of the statutory audit and the outcome of the sustainability report assurance engagement. This reporting was based on prior discussions and analyses of the independent auditor's reports and included a review of identified key audit matters and the cooperation between the Bank's Management Board and the external auditor.

Representatives of the external auditor appointed to perform the statutory audit of the financial statements and the assurance engagement on the sustainability report of the Bank and the HPB Group attended three meetings of the Audit Committee.

During 2025, the Audit Committee also conducted the selection process for the external auditor to perform the statutory audit of the annual financial statements and the assurance engagement on the sustainability report of the Bank and the HPB Group for the years 2025, 2026 and 2027, in accordance with legal requirements. In doing so, the Audit Committee fulfilled its duty to provide a recommendation to the Supervisory Board regarding the appointment of the external auditor, having previously reviewed and assessed the auditor's independence and objectivity, the proposed terms of engagement and the remuneration for the audit services.

In fulfilling its responsibility to supervise and monitor the effectiveness of the internal audit system, the Audit Committee reviewed internal acts governing the work of internal audit, discussed the annual internal audit plan and periodic internal audit reports, and considered all significant matters relating to this area.

The Chair of the Audit Committee regularly reported to the Supervisory Board on the committee's activities, key issues discussed, and conclusions reached, ensuring the committee's continued independence and autonomy in executing its duties.

Risk Committee

During 2025, the Risk Committee operated in two compositions.

During the period from 1 January to 13 August 2025, the Risk Committee comprised three members:

- Marijana Vuraić Kudeljan, MSc, Chair,
- Marijana Miličević, MSc (Econ.), Member,
- Prof. Mislav Ante Omazić, PhD, Member.

Following the expiry of the mandate of the above members, from 14 August to 31 December 2025 the Risk Committee operated in a new three-member composition:

- Assoc. Prof. Dajana Barbić, PhD, Chair,
- Prof. Alen Stojanović, PhD, Member,
- Marija Cvrilje, LLB, Member.

In 2025, the Risk Committee held 7 regular meetings. Attendance is presented below.



Member of the Risk Committee From 1. 1. 2025 to 13. 8. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Vuraić Kudeljan	3	3/3	100.00
Marijana Miličević		3/3	100.00
Mislav Ante Omazić		3/3	100.00

Member of the Risk Committee From 14. 8. 2025 to 31. 12. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Dajana Barbić	4	3/4	75.00
Alen Stojanović		4/4	100.00
Marija Cvrnje		4/4	100.00

In addition to regular meetings, the Risk Committee adopted 5 decisions outside meetings via email in situations requiring the adoption of decisions and/or conclusions within a short timeframe.

At its meetings, the Risk Committee considered matters within its remit in accordance with the Credit Institutions Act and its implementing regulations.

2025 Risk Committee report

During the reporting period, the Bank's Risk Committee operated in two three-member compositions, appointed by the Supervisory Board of the Bank.

From the beginning of 2025 until the expiry of the mandate on 13 August 2025, Ms Marijana Vuraić Kudeljan served as Chair of the Risk Committee, while Ms Marijana Miličević and Mr Mislav Ante Omazić served as members.

From 14 August 2025 until the end of the 2025 financial year, in the new composition of the Risk Committee, Ms Dajana Barbić served as Chair, while Mr Alen Stojanović and Ms Marija Cvrnje served as members.

During 2025, the Risk Committee held 7 regular meetings, at which matters within its competence and responsibility were discussed in accordance with applicable legislation, the internal decision on its establishment and its Rules of Procedure. In addition to regular meetings, the Risk Committee adopted 5 decisions outside meetings via email.

Throughout 2025, the Risk Committee supported the Supervisory Board in the execution of its strategic oversight duties and activities relating to the establishment of an effective risk appetite framework aligned with the Bank's business strategy, risk management policies, objectives, corporate culture and values, with particular emphasis on effective risk monitoring and the overall risk management framework of the Bank.

Within the scope of its duties, the Risk Committee reviewed regular reports from the areas of risk management and risk control, analysing the implementation of strategies for capital management and all material risks, in particular liquidity risk, market risks, credit risk, operational risk and reputational risk. It assessed their adequacy in relation to the approved risk appetite and risk management strategy. The Committee also considered the general assessment of environmental risks as one of the mechanisms through which the Bank seeks to define sustainability objectives within the environmental segment, in line with its strategic orientation. In doing so, it took into account environmental factors, their linkage to the Bank's business model and interdependencies, the risks that may arise therefrom, as well as the identification of topics that may be classified as material in future activities.

The Risk Committee reviewed and granted its consent to the 2025 work plans of the Risk Control Function, the Compliance Function and the Anti-Money Laundering and Counter-Terrorist Financing Unit. It also considered their regular activity reports and internal acts within their respective areas of responsibility. The individuals responsible for the work of the respective control functions, as well as the authorised person responsible for anti-money laundering, are invited to attend the meetings at which annual plans, activity reports and internal acts relating to their respective functions are discussed.

Remuneration Committee

During 2025, the Remuneration Committee operated in two different compositions.

In the period from 1 January to 13 August 2025, the Remuneration Committee consisted of three members:

- Marijana Miličević, M.Sc. (Econ.), Chair,
- Marijana Vuraić Kudeljan, MSc, Member,
- Prof. Mislav Ante Omazić, PhD, Member.

Following the expiry of the mandate of the above members, from 14 August to 31 December 2025, the Remuneration

Committee operated in a new three-member composition:

- Mr Alen Stojanović, PhD, Chair,
- Prof. Mislav Ante Omazić, PhD, Member,
- Marijana Vuraić Kudeljan, MSc, Member.

In 2025, the Remuneration Committee held 8 regular meetings. In the period from 1 January to 13 August 2025, five meetings were held. Attendance was as follows:

Member of the Remuneration Committee From 1. 1. 2025 to 13. 8. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Miličević	5	4/5	80.00
Marijana Vuraić Kudeljan		5/5	100.00
Mislav Ante Omazić		5/5	100.00

Member of the Remuneration Committee From 14. 8. 2025 to 31. 12. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Alen Stojanović	3	3/3	100.00
Mislav Ante Omazić		3/3	100.00
Marijana Vuraić Kudeljan		1/3	33.33

In addition to regular meetings, the Remuneration Committee adopted 10 decisions outside meetings via email in situations requiring timely decisions within its remit.

At its meetings, the Committee considered matters within its competence in accordance with the Credit Institutions Act and the related secondary legislation.

2025 Remuneration Committee report

During the reporting period, the Bank's Remuneration Committee operated in two three-member compositions appointed by the Supervisory Board.

From the beginning of 2025 until the expiry of the mandate on 13 August 2025, Ms Marijana Miličević served as Chair of the Remuneration Committee, while Ms Marijana Vuraić Kudeljan and Mr Mislav Ante Omazić served as members.

From 14 August 2025 until the end of the 2025 financial year, in the new composition, Mr Alen Stojanović served as Chair, while Ms Marijana Vuraić Kudeljan and Mr Mislav Ante Omazić served as members.

During 2025, the Remuneration Committee held 8 regular meetings, at which matters within its competence and responsibility were discussed in accordance with applicable legislation, the decision on its establishment and its Rules of Procedure. In

addition, the Committee adopted 10 decisions outside meetings via email.

Within the scope of its responsibilities, the Remuneration Committee assessed the principles governing remuneration and supported the Supervisory Board in the regular review and analysis of the general principles of the Remuneration Policy of the Bank and the HPB Group. It oversaw the implementation of remuneration rules by reviewing procedures and practices relating to remuneration within the Bank and its subsidiaries, as well as the alignment of the Remuneration Policy and implementing acts governing performance management.

In performing its duties, the Committee reviewed during the year the report on the implementation status of the Remuneration Policy, the achievement of objectives, key performance indicators (KPIs), target values and KPI weightings for 2024, as well as the allocation of KPIs for 2025. It also reviewed the identification of staff whose professional activities have a material impact on the risk profile of the Bank and the HPB Group, the Remuneration Report of the members of the Management Board and the Supervisory Board, amendments to the Collective Agreement, the individual objectives of key function holders within the Bank's control functions, and other proposals and matters relating to remuneration falling within the competence of the Supervisory Board.



Nomination Committee

During 2025, the Nomination Committee operated in two different compositions.

In the period from 1 January to 13 August 2025, the Nomination Committee consisted of three members:

- Marijana Miličević, M.Sc. (Econ.), Chair,
- Marijana Vuraić Kudeljan, MSc, Member,
- Prof. Mislav Ante Omazić, PhD, Member.

Following the expiry of the mandate of the above members, from 14 August to 31 December 2025, the Nomination Committee operated in a new three-member composition:

- Prof. Alen Stojanović, PhD, Chair,
- Assoc. Prof. Dajana Barbić, PhD, Member,
- Marijana Vuraić Kudeljan, MSc, Member.

In 2025, the Nomination Committee held 2 regular meetings. Attendance was as follows:

Member of the Nomination Committee From 1. 1. 2025 to 13. 8. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Miličević	1	1/1	100.00
Marijana Vuraić Kudeljan		1/1	100.00
Mislav Ante Omazić		1/1	100.00

Member of the Nomination Committee From 14. 8. 2025 to 31. 12. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Alen Stojanović	1	1/1	100.00
Dajana Barbić		1/1	100.00
Marijana Vuraić Kudeljan		1/1	100.00

In addition to regular meetings, the Nomination Committee adopted 3 decisions outside meetings via email in situations requiring timely decisions within its competence.

At its meetings, the Nomination Committee considered matters falling within its remit in accordance with the Credit Institutions Act and the related secondary legislation.

2025 Nomination Committee report

During the reporting period, the Bank's Nomination Committee operated in two three-member compositions appointed by the Supervisory Board.

From the beginning of 2025 until the expiry of the mandate on 13 August 2025, Ms Marijana Miličević served as Chair of the Nomination Committee, while Ms Marijana Vuraić Kudeljan and Mr Mislav Ante Omazić served as members.

From 14 August 2025 until the end of the 2025 financial year, in the new composition of the Nomination Committee, Mr Alen Stojanović served as Chair, while Ms Dajana Barbić and Ms Marijana Vuraić Kudeljan served as members.

During 2025, the Nomination Committee held 2 regular meetings, at which matters within its competence and responsibility were discussed in accordance with applicable legislation, the internal decision on its establishment and its Rules of Procedure. In addition, the Committee adopted 3 decisions outside meetings via email, in situations requiring timely decision-making within its remit.

Within the scope of its responsibilities, the Nomination Committee reviewed the regular annual suitability assessments of the members of the Supervisory Board, the Management Board and these bodies collectively, as well as the key function holders of the Bank, in accordance with applicable laws, secondary legislation and the Bank's internal acts governing suitability assessments.

In order to ensure regulatory alignment with key amendments to the Companies Act and the relevant provisions of the new Corporate Governance Code applied by the Bank, the Nomination Committee, in performing its duties, recommended that the Supervisory Board propose to the General Assembly the adoption of a new internal act – the Policy on the Promotion of Diversity of the Management Board and the Supervisory Board of Hrvatska poštanska banka, p.l.c. Acting upon the proposal of the Supervisory Board, the General Assembly adopted the said Policy on 9 May 2025.

Furthermore, following the expiry of the mandate of the previous composition of the Supervisory Board, and prior to submitting to the General Assembly the proposal for the election of new Supervisory Board members, the Nomination Committee reviewed and assessed the suitability evaluations of the candidates for members of the Supervisory Board of the Bank.

ESG Committee

During 2025, the ESG Committee operated in two different compositions.

In the period from 1 January to 13 August 2025, the ESG Committee consisted of three members:

- Prof. Mislav Ante Omazić, PhD, Chair,
- Marijana Miličević, MSc (Econ.), Member,
- Marijana Vuraić Kudeljan, MSc, Member.

Following the expiry of the mandate of the above members, from 14 August to 31 December 2025, the ESG

Committee operated in a new three-member composition:

- Prof. Mislav Ante Omazić, PhD, Chair,
- Assoc. Prof. Dajana Barbić, PhD, Member,
- Marijana Vuraić Kudeljan, MSc, Member.

In 2025, the ESG Committee held 7 regular meetings. In the period from 1 January to 13 August 2025, three meetings were held. Attendance was as follows:

Member of the ESG Committee From 1. 1. 2025 to 13. 8. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Mislav Ante Omazić	3	3/3	100.00
Marijana Miličević		2/3	66.67
Marijana Vuraić Kudeljan		3/3	100.00

Member of the ESG Committee From 14. 8. 2025 to 31. 12. 2025	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Mislav Ante Omazić	4	4/4	100.00
Dajana Barbić		3/4	75.00
Marijana Vuraić Kudeljan		2/4	50.00

At its meetings, the ESG Committee considered matters within its remit relating to the management of environmental, social and governance factors, as well as the standardisation of processes and criteria associated with the integration of ESG risks into business processes, in alignment with the Bank's overall corporate governance framework.

2025 ESG Committee report

During the reporting period, the Bank's ESG Committee operated in two three-member compositions appointed by the Supervisory Board of the Bank.

From the beginning of 2025 until the expiry of the mandate on 13 August 2025, Mr Mislav Ante Omazić served as Chair of the ESG Committee, while Ms Marijana Miličević and Ms Marijana Vuraić Kudeljan served as members.

From 14 August 2025 until the end of the 2025 financial year, in the new composition of the ESG Committee, Mr Mislav Ante Omazić continued to serve as Chair, while Ms Dajana Barbić and Ms Marijana Vuraić Kudeljan served as members.

During 2025, the ESG Committee held 7 regular meetings, at which matters within its competence and responsibility were discussed in accordance with applicable legislation, the internal decision on its establishment and its Rules of Procedure.

In the course of 2025, the ESG Committee reviewed and granted its consent to the HPB Group Sustainability Report for 2024, prepared in accordance with the adopted Global Reporting Initiative (GRI) guidelines.

Furthermore, within the scope of its mandate and with the aim of aligning the Bank with the objectives of the European and national legislative and regulatory framework for achieving carbon neutrality by 2050, the ESG Committee reviewed and approved the amendments to the Bank's Climate Strategy to 2050, together with the Transition Plan for the shift to a low-carbon economy to 2035. The Transition Plan defines short-, medium- and long-term KPIs, specific activities and steps required for their achievement, the necessary resources, as well as the roles and responsibilities in the implementation of the Climate Strategy objectives.

In light of evolving regulatory expectations, the ESG Committee also reviewed the results of monitoring and assessment of environmental risks and their impact on the Bank's business environment, the non-financial objectives of the HPB Group based on sustainability-related regulatory requirements, and updated versions of the HPB Group Code of Ethics, the Conflict of Interest Management Policy, as well as other internal acts within the ESG domain.



Management Board: composition and role

The powers, duties and responsibilities of the Management Board in managing the Bank's operations and representing the Bank are defined by the Companies Act, the Credit Institutions Act, the Decision on the Management System, the Bank's Articles of Association and the Rules of Procedure of the Management Board.

In line with the requirements of its business processes, the Management Board establishes standing and ad hoc committees and commissions. The Bank's standing committees include the Credit Committee, the Asset and Liability Management Committee, the Operational Risk Management Committee and the Change and Project Management Committee.

In the period from 1 January to 31 January to 31 December 2025, the Management Board operated in a five-member composition:

- Mr Marko Badurina, M.Sc., President of the Management Board,
- Mr Ivan Soldo, Member of the Management Board,
- Mr Anto Mihaljević, Member of the Management Board,
- Mr Tadija Vrdoljak, Ph.D., Member of the Management Board,
- Mr Josip Majher, Member of the Management Board.

Members of the Management Board are employed by the Bank on a full-time basis and do not hold shares in the Bank.

Diversity Policy for members of the Management Board and Supervisory Board

The Diversity Policy for members of the Management Board and Supervisory Board, adopted by the General Assembly of the Bank, aims to establish the necessary standards that ensure diversity and gender representation within the Bank's governing and supervisory bodies.

The Policy constitutes an integral element of the Bank's corporate governance framework, regulating the process of selection and suitability assessment of candidates for membership of the Management Board and the Supervisory Board. Through this Policy, the Bank aligns its operations with applicable regulatory requirements and internationally recognised best practices, thereby reinforcing its commitment to ethical leadership, social responsibility and sustainable development.

The Policy defines targeted diversity across the following dimensions: education, professional experience, gender, age and geographical background. At the same time, it sets objectives aimed at increasing the representation of the underrepresented gender, thereby contributing to compliance with the principle of balanced gender representation within the Bank's governing bodies.

The defined diversity criteria ensure that, in the appointment of members of the Management Board and the Supervisory Board, a broad range of knowledge, skills and professional experience is represented. This facilitates the inclusion of diverse perspectives and backgrounds, strengthening the independence of judgement required of members in the performance of their duties.

The Bank has established a quantitative target for gender balance within the Management Board and the Supervisory Board, in line with the Corporate Governance Code, which prescribes a minimum of 40% representation of the underrepresented gender on the Supervisory Board, or 40% representation of the underrepresented gender within the Supervisory Board and the Management Board taken together.

Balanced representation is calculated based on the total number of elected and appointed members of the Supervisory Board, or of the Supervisory Board and the Management Board collectively, rather than on the maximum number of members as determined by the Bank's Articles of Association. This target is reviewed as necessary, and at least once within each two-year period.

As at the reporting date, the Management Board consists of a President and four members, while the Supervisory Board consists of three female members and two male members. The composition of the Supervisory Board therefore meets the gender diversity threshold set by the Corporate Governance Code and the Policy.

During 2025, the composition of both the Supervisory Board and the Management Board reflected an appropriate balance in terms of skills, experience, competencies and age, as evidenced by the curricula vitae of their members, published on the Bank's website (www.hpb.hr). This is further supported by the fact that, in granting prior approvals for the performance of the respective functions, the Croatian National Bank took into account the positive results of the individual and collective suitability assessments of the members of both bodies.

Acknowledging the significance of fostering diversity and preventing discrimination within the workplace and recruitment processes, the Bank boasts a commendably high proportion of women in key management roles (as elaborated in the section on Human Resources Management in Hrvatska poštanska banka). This demonstrates an ongoing commitment to enhancing inclusiveness and ensuring a discrimination-free environment across all levels of Bank management.

Overview of Diversity Policy

In accordance with its Code of Ethics, the Bank values and respects natural and cultural differences among individuals. All employees are treated equally, irrespective of gender, age, nationality, ethnic origin, religion, language, social or economic status, or any other personal characteristic that could constitute grounds for discrimination. In line with this commitment, the General Assembly of the Bank adopted in 2025 the Policy on the Promotion of Diversity of the Management Board and the Supervisory Board, thereby further strengthening the institutional framework for diversity at the highest governance levels. The selection and appointment of members of the Management Board, the Supervisory Board and other key management positions are conducted without discrimination on the basis of gender, age or any other personal attribute. The Bank maintains a relatively high representation of women within key management positions, alongside individuals from diverse age groups, educational backgrounds, areas of expertise and professional experience. Through this approach, the Bank implements

its diversity strategy, which is grounded in fostering inclusiveness in governance and promoting equal opportunities for career advancement at all levels, irrespective of gender or other personal characteristics.

With regard to remuneration and working conditions, the Bank's management promotes equal opportunities for both genders and emphasises the importance of maintaining a healthy work-life balance. This contributes to the creation of a supportive and constructive working environment in which professional development is based exclusively on individual performance, competencies and results.

The collective experience of the Bank's key management reflects a well-balanced combination of knowledge, skills and professional backgrounds, ensuring that all functions are effectively managed and that the Bank's strategic objectives are pursued in a responsible, sustainable and forward-looking manner.

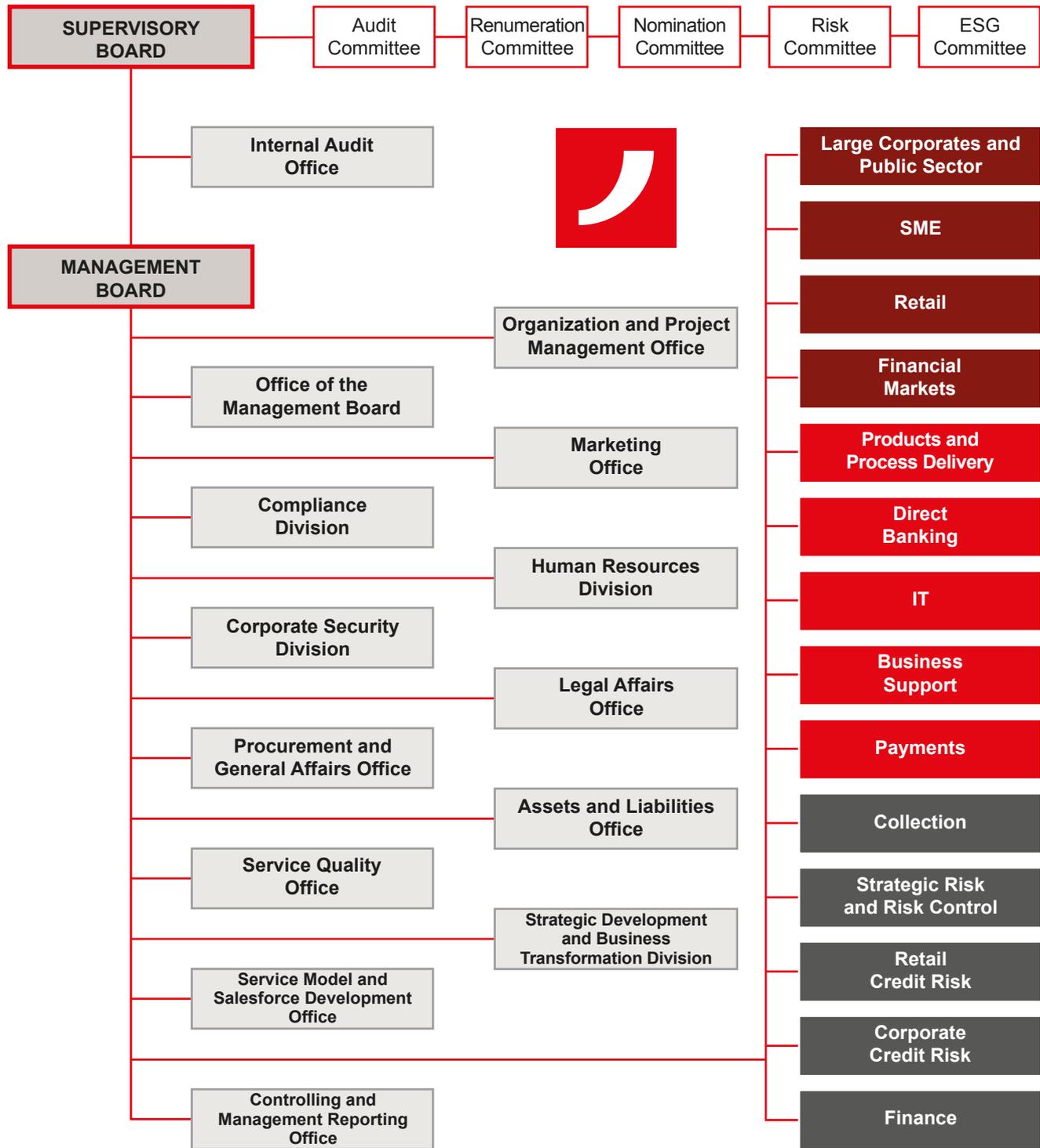
Gender Structure of the Bank's Key Management (2020– 2025)

	Number in 2020	Share in 2020	Number in 2021	Share in 2021	Number in 2022	Share in 2022	Number in 2023	Share in 2023	Number in 2024	Share in 2024	Number in 2025	Share in 2025
Men	20	57.15%	17	54.83%	14	53.85%	20	55.55%	17	44.74%	21	47.73%
Women	15	42.85%	14	45.17%	12	46.15%	16	44.45%	21	55.26%	23	52.27%



Organisational structure of Hrvatska poštanska banka

The Bank's operations are organisationally structured through 28 organisational units - 18 divisions and 10 offices, as presented below



The Bank's organisational units are grouped into four core business areas:

1. **Management Support Area,**
2. **Revenue Area,**
3. **Business Support Area,**
4. **Risk Management, Collections and Finance Area**

Each business area (pillar) functionally and technologically integrates specific organisational units in order to ensure more efficient management and coordination of the Bank's operations.

1. Management Support Area encompasses functions designed to provide professional and strategic support to the Management Board in achieving business objectives and in the overall governance and management of the Bank.

This area comprises:

- Internal Audit Office,
- Office of the Management Board,
- Compliance Division,
- Organisation and Project Management Office,
- Human Resources Division,
- Marketing Office,
- Corporate Security Division,
- Service Quality Office,
- Legal Affairs Office,
- Procurement and General Affairs Office,
- Assets and Liabilities Office,
- Strategic Development and Business Transformation Division,
- Service Model and Sales Force Development Office.

Internal Audit Office evaluates the effectiveness of the internal control system, risk management processes, the compliance function and conducts audits of the information system.

Office of the Management Board provides support in corporate governance matters, the work of standing bodies and committees of the Bank, and ensures professional support in managing corporate communications of the Bank and HPB Group members.

Compliance Division ensures the Bank's compliance with applicable regulations, manages the personal data protection and privacy framework, and oversees the anti-money laundering and counter-terrorist financing system.

Organisation and Project Management Office analyses and enhances the organisational structure and business processes and manages project implementation.

Human Resources Division is responsible for recruitment, employee development and organisational capacity building, performance management and remuneration policies, employment relations, and the rights and obligations arising from employment.

Marketing Office prepares and implements the Bank's marketing and promotional activities.

Corporate Security Division safeguards the security of the Bank's information systems, manages business continuity and oversees the fraud prevention system.

Service Quality Office manages service quality through continuous measurement and customer satisfaction research and proposes improvements aimed at enhancing the client experience.

Legal Affairs Office provides legal support to all organisational units of the Bank.

Procurement and General Affairs Office manages the procurement of goods and services, tangible assets, investment and maintenance activities, general administrative affairs, and ensures the protection of persons and property.

Assets and Liabilities Office performs asset and liability management activities, manages open foreign exchange positions, market risk exposures and liquidity risk positions.

Strategic Development and Business Transformation Division is responsible for the development of the Bank's business and digital strategy, management of the strategic planning process and strategic business intelligence of the Bank and the HPB Group, as well as business transformation processes.

Service Model and Sales Force Development Office supports organisational units engaged in establishing and managing business relationships with retail clients and SMEs by developing and enhancing the service model and sales force capabilities.

2. Revenue area comprises interconnected groups of activities organised within dedicated organisational units responsible for the sale and delivery of the Bank's full range of products and services.

The Revenue Area includes:

- Retail Banking Division,
- Small and Medium-Sized Enterprises Division,
- Large Corporates and Public Sector Division,
- Financial Markets Division

Retail Banking Division is the organisational unit operating on market principles and providing banking and financial services to retail clients. It coordinates the activities of the regional retail centres and the Bank's branch network, as well as the network of HP – Hrvatska pošta d.d. (hereinafter: HP) as a key distribution channel. The Division centrally manages and oversees the Bank's cooperation with HP.



Small and Medium-Sized Enterprises Division operates on market principles and establishes and manages business relationships with clients in the SME segment. It provides tailored banking and financial solutions designed to support the development and growth of small and medium-sized enterprises.

Large Corporates and Public Sector Division operates on market principles and develops and maintains business relationships with clients in the large corporate and public sector segments. It delivers structured and customised financial solutions aligned with the specific requirements of major corporate systems and governmental entities.

Financial Markets Division conducts trading activities in financial instruments on behalf and for the account of the Bank, manages the Bank's liquidity and foreign exchange position, and provides investment services, investment activities and related ancillary services within the scope of the Bank's licensed operations, on behalf and for the account of clients.

3. Business Support Area comprises interconnected groups of activities organised within dedicated organisational units that provide support to product and service sales as well as to the Bank's overall operations.

The Business Support Area includes:

- Product Management and Delivery Processes Division,
- Direct Channels Division,
- Business Support Division,
- Payments Division,
- Information Technology Division.

Product Management and Delivery Processes Division ensures the development and continuous optimisation of products, services and delivery processes in order to meet client needs while supporting the Bank's business and sales objectives. It focuses on efficiency, standardisation and quality across the product lifecycle.

Direct Channels Division is responsible for the stable operation, security and ongoing development of all direct distribution channels (web, mobile banking and online banking) for the Bank and members of the HPB Group. The Division also manages card operations, including ATM and POS networks.

Business Support Division provides operational support to the organisational units within the Revenue Area and manages the Bank's registry and archival records. It ensures the efficient execution of back-office processes supporting client service and sales activities.

Payments Division is an organisational unit of the Bank that ensures efficient payment transactions and cash management processes and services, and performs operational payment transactions, cash management and cash supply activities within the Bank's and HP's branch networks.

Information Technology Division provides comprehensive IT support to all organisational units of the Bank. It ensures the reliability, security and continuous development of the Bank's technological infrastructure and information systems.

4. Risk Management, Collection and Finance Area comprises groups of activities organised within dedicated organisational units responsible for risk management, the collection of the Bank's receivables and overall financial management.

This Area includes:

- Retail Credit Risk Management Division,
- Corporate Credit Risk Management Division,
- Strategic Risk Management and Risk Control Division,
- Collections Management Division,
- Finance Division,
- Controlling and Management Reporting Office.

Retail Credit Risk Management Division performs the risk-taking function in the retail segment and manages the process of assessing the creditworthiness of individual clients, as well as the evaluation of credit risk exposures in the approval process for retail lending.

Corporate Credit Risk Management Division performs the risk-taking function in the corporate segment and manages the process of assessing the creditworthiness of business clients, as well as the evaluation of credit risk exposures in the approval process for corporate lending.

Strategic Risk and Risk Control Division manages strategic risks and conducts the analysis and control of all risk types to which the Bank is or may be exposed. Its objective is to reduce potential exposure to risks and to ensure the stability, resilience and effectiveness of the Bank's operations.

Collections Management Division is responsible for receivables restructuring, as well as early-stage and legal (enforced) collection processes, with the aim of preserving asset quality and mitigating credit losses.

Finance Division manages the Bank's accounting system, recovery and resolution planning, statutory and regulatory reporting, payroll and tax calculation, and fixed asset accounting.

Controlling and Managing Reporting Office provides relevant financial and operational information to support effective planning and budgeting, performance monitoring, cost optimisation and informed strategic decision-making.



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Subsidiary operations overview

HPB Invest Ltd.

HPB Invest Ltd. (hereinafter: the Company) is a management company established for the purpose of setting up and managing UCITS (Undertakings for Collective Investment in Transferable Securities) funds. As at 31 December 2025, the Company manages six open-ended investment funds with a public offering: HPB Short-Term Bond Fund, HPB Bond Fund, HPB Plus Fund, HPB Global Fund, HPB Equity Fund and HPB Fokus 2026 Fund.

Total assets under management in the open-ended public investment funds amounted to EUR 67.1 million as at 31 December 2025 (2024: EUR 57.2 million). The average month-end assets during 2025 amounted to EUR 62.0 million, compared to EUR 47.6 million in the previous year.

Following the generally positive trends recorded in the preceding two years, 2025 was also characterised by stable and overall positive returns in global capital markets. Consequently, assets under management in UCITS funds, both at market level

and within the Company, increased steadily throughout most of the year. Interest rates continued their anticipated downward trajectory in line with easing inflationary pressures, which, together with strong corporate financial results, had a favourable impact on asset valuations across all asset classes and, accordingly, on fund performance. Despite the overall positive environment, it should be noted that certain periods during the year were marked by heightened volatility, driven by geopolitical risks in equity markets and uncertainty regarding macroeconomic developments and future interest rate movements in bond markets. However, these fluctuations did not materially affect the positive performance achieved for the year as a whole.

During the year, the Company implemented a name change of the HPB Bond Plus Fund, which now operates under the name HPB Plus Fund. No other status changes were recorded for the funds under management.

As at 31 December 2025, net assets under management by fund were as follows:

Fund	Net Assets under Management EUR '000	Annual Return as at 31 Dec 2025
HPB Equity fund	11,671	20.66%
HPB Global fund	17,585	14.15%
HPB short-term bond fund	9,900	3.10%
HPB bond fund	21,491	2.59%
HPB Fokus 2026 fund	1,125	3.12%
HPB Plus fund	5,342	4.78%
Total	67,114	---

The Company received awards from the Association of Investment and Pension Funds of the Croatian Chamber of Economy for the HPB Bond Fund, recognised as the best-performing bond fund in the Republic of Croatia in 2024, and for the HPB Global Fund, recognised as the best-performing moderate mixed fund in the Republic of Croatia in 2024.

As at 31 December 2025, the Company's market share in the total assets of UCITS funds in the Republic of Croatia amounted to 1.66%, representing a slight decrease compared to 1.77% at the end of the previous year.

At the end of 2025, the Company employed nine staff members.

Development strategy

HPB Invest d.o.o., a UCITS management company, will continue to focus on professional asset management and maintaining a high standard of service quality, with the objective of preserving and achieving sustainable growth in the financial assets of its investors. Alongside ongoing investment in the Company's development, encompassing continuous professional, human resources, organisational and technological enhancements, as well as increasingly demanding legal and regulatory compliance, the Company will continue to coordinate its product offering with its shareholder, HPB d.d., in order to ensure a competitive and attractive range of funds and investment products. Through professional management and the pursuit of appropriate, market-competitive returns, the Company aims to meet the diverse needs of investors, taking into account their individual investment objectives, investment horizons and risk appetites.

Risk management overview

The Company continuously monitors and measures the following key risks: credit risk, liquidity risk, operational risk, conflict-of-interest risk and reputational risk. These risks collectively form the overall risk profile of the Company.

The Company adopts a conservative approach in managing its own assets, investing exclusively in bank deposits, debt securities, money market instruments and money market funds. As a result, the Company's overall risk profile is assessed as very low (1/5).

As at the reporting date, the Company was not exposed to significant market or liquidity risk. The majority of the Company's exposure to credit risk as at the reporting date arises from the fair value of financial instruments with a positive value recognised in the statement of financial position.

The Company encounters operational risk as an inherent aspect of its day-to-day activities. Operational risk is managed through a structured framework, including quarterly reporting to the Management Board on events that may qualify as operational risk incidents.

Risks that may affect the Company's regular operations include the risk of a decrease in assets under management due to investor redemptions, as well as the risk of a decline in assets under management resulting from adverse market movements.

The Company places particular emphasis on maintaining a robust internal control system in order to ensure operational efficiency, regulatory compliance, and the identification, monitoring and management of risks to which it is exposed.

HPB-nekretnine Ltd.

HPB-nekretnine Ltd. (hereinafter: the Company) is a real estate services company established in August 2005 and wholly owned by HPB p.l.c. The Company's share capital amounts to EUR 631,860 and has been fully paid in.

The Company's core business activities include: (1) real estate valuation and related engineering services, including financial supervision, (2) advisory and brokerage services in real estate transactions, (3) energy performance certification; and (4) real estate operations and property management.

At the end of 2025, the Company employed 14 staff members.

Development strategy

In the forthcoming period, the focus will be on enhancing operational efficiency and service quality for clients of Hrvatska poštanska banka d.d., as well as for other clients, primarily entities owned by the Republic of Croatia. -. Through further digitalisation of its operations, the Company aims to increase efficiency and transparency, thereby improving overall organisational effectiveness and employee productivity. In parallel, through a proactive approach towards external clients, the Company intends to continue increasing the share of revenues generated from third-party clients. During 2026, the Company will continue to develop its real estate brokerage segment, supported by the implementation of appropriate application-based and digital solutions.

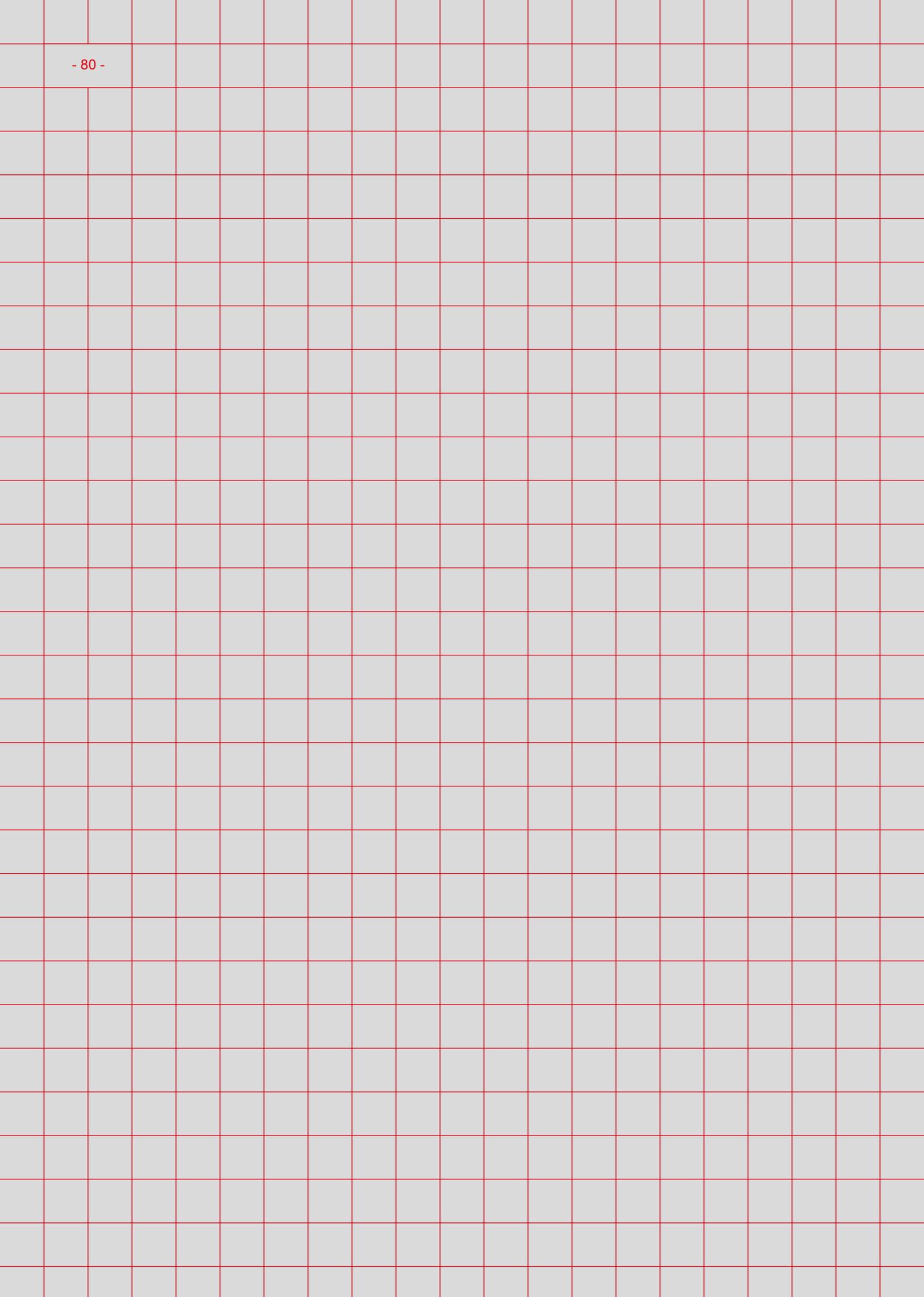
Risk management overview

The most significant financial risks to which the Company is exposed are market risk and liquidity risk. Market risk primarily relates to the unpredictability of demand for the Company's specialised services, reflecting uncertainty in the real estate market driven by inflationary pressures, rising energy prices, higher lending rates and an unfavourable international and geopolitical environment. Market risk also includes the potential inability of tenants to meet rental payment obligations, as well as the possibility of reduced demand for real estate valuation services. Given the high proportion of service-based revenues, these factors are closely linked to liquidity risk. The Company adheres to risk management practices defined by Hrvatska poštanska banka plc. to navigate these uncertainties.

The Company holds a co-ownership interest (250/900) in a commercial building in Vinkovci, comprising multiple business premises within a property of approximately 10,000 m² in total. This ownership interest represents an operational risk, as the building is in relatively poor structural condition. Public tenders for lease and sale of the business premises are published several times a year with the objective of maximising the commercial utilisation of the property owned by the Company.



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Sustainability Report



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GENERAL DISCLOSURES

BP – Basis for preparation

BP-1 GENERAL BASIS FOR PREPARING THE SUSTAINABILITY STATEMENT

Hrvatska poštanska banka, public limited company (hereinafter: HPB, the Bank), i.e., HPB Group (hereinafter: the Group), has integrated its 2025 Sustainability Report into the Management Report. As in the previous year, the Report has been prepared in accordance with the European Sustainability Reporting Standards (hereinafter: ESRS). Given that the HPB Group's exposure to activities covered by Regulation (EU) 2020/852 (hereinafter: the EU Taxonomy) is below the relevant threshold, the opt-out option is applied and, accordingly, a detailed assessment of compliance with the technical screening criteria is not performed. No activities are claimed as being associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 (Taxonomy Regulation).

The scope of consolidation of the Sustainability Report follows the scope of consolidation applied in the financial statements. Consolidation includes the parent bank — Hrvatska poštanska banka p.l.c. — and its subsidiaries HPB Invest Ltd. and HPB-nekretnine Ltd., ensuring that the Report covers all relevant business activities of the Group. Where certain segments are not included, this is disclosed transparently.

In order to capture all key sustainability aspects, HPB Group conducted a value chain analysis as part of its double materiality assessment. This analysis enabled the systematic identification and assessment of impacts, risks and opportunities (hereinafter: IROs) arising through the Group's direct and indirect business relationships across the upstream and downstream value chain, including relationships with clients, suppliers, investors and the community.

The IROs identified in connection with the value chain constitute core elements of the Sustainability Report. A more detailed description of the value chain and the assessment performed is provided in chapter SBM-1 Strategy, business model and value chain.

The content of the Sustainability Report is based on the Corporate Sustainability Reporting Directive (CSRD), transposed into the national legal framework through the Accounting Act (OG 85/2024, 145/24 and 151/25), amendments to the Audit Act (OG 127/2017, 27/2024, 85/2024, 145/24 and 151/25), and amendments to the Capital Market Act (OG 65/18, 17/20, 83/21, 151/22, 85/24 and 126/25). All ESRS-required information and disclosures have been integrated directly into this document, ensuring transparency and accessibility without reliance on other reports.

HPB Group has not used the option to omit information related to intellectual property, know-how, or the results of innovation.

BP-2 DISCLOSURES IN SPECIAL CIRCUMSTANCES

Sources of estimation and uncertainty of outcome

Certain indicators presented in this Report are based on estimates and assumed values. Details on indicators subject to measurement uncertainty, the sources of measurement uncertainty, and the related assumptions and expert judgements are presented in the table below.

Table: Sources of estimation and uncertainty of outcomes

Metric with high measurement uncertainty	Sources of measurement uncertainty	Assumptions and professional judgments
Scope 1 and Scope 2 greenhouse gas emissions	Quality of data received from suppliers and metering systems (meters, invoices) Variability of emission factors due to the use of different databases and factor publication years Use of estimates where consumption data are not available at the time of reporting	Assumption that suppliers provide accurate, complete and consistent data, although such data have not been independently verified Assumption that emission factors did not change materially over the reporting period and that representative emission factors were applied Estimation of consumption based on the annual average, or the average consumption across two billing periods
Scope 3 greenhouse gas emissions (Category 15)	Limited availability and/or low quality of client emissions data Variability of emission factors due to the use of different databases and factor publication years Lack of updated data on clients' financial indicators	Use of PCAF estimation methodologies Assumption that emission factors did not change materially over the reporting period and that representative emission factors were applied Use of the most recently available data on clients' financial indicators
Setting climate target values	Dependence on regulatory developments and climate scenarios Selected methodologies and scenarios used for setting climate targets Limited availability of client data Improvements in the quality of client data over time	Ongoing monitoring of regulatory developments and climate policy Assumption that the selected methodology is appropriate to the business model Assumption that the data currently used (estimation methods, sector averages) are sufficiently representative for the purpose of setting climate targets Regular review and updating of targets in line with data quality improvements

Certain value-chain information was collected directly from other counterparties or from publicly available information, while other information was indirectly derived using sector averages and estimates, depending on the availability and relevance of the sources.

The disclosure of Scope 3 greenhouse gas emissions data, in particular category 15, is subject to a degree of measurement uncertainty arising from limited data sources and methodological approaches. Detailed descriptions of the data sources used and the methodologies applied are disclosed in sections E1-4 Greenhouse gas emissions reduction targets and E1-6 Gross Scope 1, 2, 3 and total greenhouse gas emissions.

Climate targets are based on assumptions, projections and estimates and are therefore subject to uncertainty. This uncertainty is further affected by methodological developments, market and technological changes, constraints in data availability and quality, and potential changes in the regulatory framework. As a result, the estimates may be revised and should not be relied upon as indicators of future performance.

Transitional provisions and phase-in options

In accordance with Annex C to Commission Delegated Regulation (EU) 2023/2772, the HPB Group applies phase-in reliefs for certain disclosure requirements in this Report.

HPB Group omits the following information:

- information required under ESRS 2 SBM-1, paragraph 40(b) the breakdown of total revenue by significant ESRS sector, and 40(c) the list of additional significant ESRS sectors,
- information required under ESRS 2 SBM-3, paragraph 48(e) anticipated financial effects. The Group will meet the requirements of ESRS 2 SBM-3 by disclosing qualitative information only in its Sustainability Statement,
- information required under ESRS E1-9 - anticipated financial effects from material physical and transition risks and potential climate-related opportunities. HPB Group will meet these requirements by disclosing qualitative information only in its Sustainability Statement,
- in accordance with the so-called “quick fix” to the ESRS Delegated Act adopted by the European Commission on 11 July 2025, to supplement and amend the phase-in provisions from December 2025, the HPB Group applies the available transitional exemptions for first-wave undertakings with more than 750 employees and, in this period, does not report on the requirements of ESRS E4 (E4-1 to E4-6), with an obligation to disclose only the elements prescribed in ESRS 2 SBM-3 and ESRS 2 IRO-1.

Comparative information

Compared to the prior reporting period, there were no significant changes in the presentation of sustainability indicators. Where changes were made, they are disclosed. As HPB Group also reported in accordance with ESRS in the prior period, comparative figures are provided for quantitative information where applicable. No prior-period errors were identified and no restatements were made.

Reporting time horizons

HPB Group defines reporting time horizons in line with ESRS: short-term up to 1 year, medium-term from 1 to 5 years, and long-term more than 5 years.

HPB Group applies time horizons different from those defined by ESRS when assessing the impacts of physical environmental risks. For the assessment of physical risks, the Group uses climate scenarios of Network for Greening the Financial System, as they represent an internationally recognised, regulatorily relevant and methodologically consistent framework specifically developed for the financial sector. NGFS scenarios include their own time horizons and projection structure, which differ from the standard short-, medium- and long-term periods defined in ESRS 1.

The rationale for applying these definitions is that NGFS scenarios enable climate risk assessment in a manner aligned with supervisory practices, European Central Bank expectations and the specificities of the financial sector. The NGFS approach provides more granular projections of physical risks, including the intensity and frequency of extreme weather events, and enables consistent comparability with other financial institutions.

Accordingly, the HPB Group applies the time horizons (up to 2030, 2030–2050, and beyond 2050) aligned with the NGFS methodology and reflecting the nature of climate risks relevant to the financial sector.

GOV – Governance

GOV-1 ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Organisational structure for sustainability governance

In accordance with the Bank's Articles of Association, the Bank's corporate governance is based on a two-tier system comprising the Management Board and the Supervisory Board, with the General Meeting as the third key body. The composition of the Management Board and the Supervisory Board complies with regulatory requirements and reflects the principles of diversity, expertise and independence. Rules of procedure have been established for each body to support sound corporate governance. While the Management Board and the Supervisory Board have distinct responsibilities, both share accountability for the long-term success of the HPB Group and for ensuring that the strategy supports sustainable growth and stakeholder interests.

Role and responsibilities of the Management Board

The Management Board is responsible for the management of the Bank's operations, the achievement of business and strategic objectives, and safeguarding the reputation of the Bank as a responsible and credible institution. It represents the Bank and is authorised to act on its behalf in business matters and before courts and other public authorities. Within its remit, the Management Board sets and implements the strategy and business plans, maintains effective risk management and internal control systems, and fosters constructive relationships with shareholders and other key stakeholders. Through the business plan for the forthcoming period, it defines business segments and activities in line with the Bank's strategic objectives, with a continued focus on strengthening risk management and internal controls.

The Management Board holds overall accountability for the governance of the Bank and for defining the sustainability strategy, framework, objectives and priorities. It oversees implementation of the sustainability strategy, including resource allocation and the establishment of appropriate control mechanisms, and it ensures the preparation of the consolidated Sustainability Report. The Management Board integrates sustainability factors into strategic planning, oversees the identification and assessment of sustainability-related impacts, risks and opportunities (IROs), and maintains transparent communication with stakeholders.

Specific responsibilities are delegated to relevant organisational units (sustainability, risk management, compliance,

internal audit) and designated management functions. The Management Board monitors their activities through periodic reporting, the internal control system and regular meetings, and reports to the Supervisory Board. It oversees the setting of sustainability targets and monitors progress, including climate and environmental targets, social responsibility targets and corporate governance targets. At least annually, it receives updates from the competent organisational units on the status of the process for identifying and assessing sustainability-related IROs.

The Management Board approves the Code of Ethics, the conflict-of-interest management framework, the anti-corruption and anti-bribery framework, and whistleblower protection mechanisms. It also reviews reports prepared by the competent organisational units on incidents, risks and trends in these areas. Through the approval and oversight of policies relating to ethical conduct, anti-corruption standards, conflict-of-interest management and consumer protection, the Management Board ensures that business conduct matters are integrated into strategic planning and the business model.

The Management Board regularly reports to the Supervisory Board on progress against targets, key risks and opportunities, the implementation of the sustainability strategy, and regulatory requirements and compliance across HPB Group.

Composition and diversity of the Management Board

The Management Board of HPB consists of five members: the President of the Management Board and four Members of the Management Board. As at the reporting date, the Management Board comprised exclusively male members, with no female representation. This composition was unchanged compared with the previous reporting period. The Bank acknowledges the importance of gender diversity at the highest level of management and intends, in the coming period, to implement measures including programmes to support the career progression of women, transparent appointment procedures, and the monitoring of progress against defined targets.

HPB employees do not have formal representatives within the administrative, management or supervisory bodies. Their interests are represented through the Banking and Financial Services Union of Croatia, Trade Union Branch of Hrvatska poštanska banka.

Marko Badurina, President of the Management Board: a distinguished leader with extensive experience in the banking sector. During his 2019–2023 term of office, he led the Management Board of HPB through a period of record financial performance, significant business achievements and recognition for corporate governance, while the Bank exceeded its targets despite major challenges, including the COVID-19 pandemic and earthquakes. During that period, HPB also successfully completed the acquisition of Sberbank and the subsequent merger of Nova hrvatska banka. In his second term of office, HPB ranked among the five largest banks in Croatia by total assets at year-end 2023. He continues to oversee large corporate and public sector business, financial markets operations, internal audit, compliance monitoring, Management Board Office affairs, strategic development and business transformation, sustainability, human resources management and legal affairs. He is also responsible for representing the Bank in relations with shareholders, the Supervisory Board, public authorities and the wider public, and for the strategic management of the Bank and chairing meetings of the Management Board. He also served as Chair of the Supervisory Board of Nova hrvatska banka d.d. until its merger with HPB. He graduated in 2005 from the Faculty of Economics and Business, University of Zagreb, with a degree in Finance, and in 2012 completed postgraduate studies in banking at the same faculty. He also obtained an Executive Certificate in Management and Leadership from MIT Sloan School of Management and completed the joint Global CEO Program delivered by IESE Business School and MIT Sloan School of Management.

Anto Mihaljevic, Member of the Management Board: an accomplished banking executive with particular expertise in retail banking, client franchise development and product innovation. Since 2023, he has continued his term of office as a Member of the Management Board of HPB with responsibility for retail banking, during which the Bank further reinforced its client base, particularly through significant support for the housing needs of young families. In his second term of office, he is responsible for retail banking, small and medium-sized enterprises, product development and delivery processes, service quality management, service model development, sales force development and marketing. He graduated from the Faculty of Economics and Business, University of Zagreb, in 1999. He brings more than 22 years of experience in banking, including positions within the UniCredit Group, Zagrebačka banka, UniCredit Leasing and Allianz.

Ivan Soldo, Member of the Management Board: in 2023, he continued his term of office as a Member of the Management Board with responsibility for risk management. Since the commencement of his mandate in 2019, significant progress has been achieved in the areas under his remit, and the Bank has recorded its strongest asset quality indicators since establishment, reflected in a historically low non-performing loan ratio. In his second term of office, he is responsible for the management of credit risk relating to individuals and business entities, strategic risk management and risk control, as well as workout and collection management. He has delivered notable improve-

ments in asset quality indicators, including in the context of the ECB assessment conducted in 2020. He graduated from the Faculty of Economics and Business, University of Zagreb, in 2005. His professional background includes roles at KPMG and Raiffeisen Bank International in Vienna, and he has been with HPB since 2019.

Tadija Vrdoljak, Member of the Management Board: his remit includes financial management, asset and liability management, procurement and general affairs, corporate security, and controlling and management reporting. He has built extensive executive experience in the banking sector, including positions at Slavenska banka, Hypo Alpe-Adria-Bank and Croatia banka, and also led Nova hrvatska banka until its merger with HPB. He graduated from the Faculty of Economics in Osijek in 1996, completed postgraduate scientific studies at the Faculty of Economics and Business, University of Zagreb, in 2001, and obtained a doctorate from the Faculty of Economics in Osijek in 2010. He brings longstanding experience in management and strategic planning within the banking industry.

Josip Majher, Member of the Management Board: his remit includes business support, information technology, organisational and project management, payments, and direct channels. He brings professional experience from the insurance sector, public administration, and the design of strategies and processes within those areas, including positions at Croatia osiguranje and the Ministry of Labour. He graduated from the Faculty of Economics and Business, University of Zagreb, in 2008, completed postgraduate studies at the same faculty in 2012, and in 2023 completed the joint Global Executive MBA programme of Columbia Business School and London Business School. Before joining HPB, he served as a special adviser in a ministry and was responsible for leading strategic projects.

All members of the Management Board exercise their responsibilities within the Croatian financial market in which HPB Group operates.

Expertise of the Management Board in sustainability matters

The members of the Management Board bring extensive experience in the financial sector, risk management, strategic planning and corporate governance, including competencies relevant to the oversight and management of sustainability matters. The Management Board receives ongoing training on regulatory requirements, climate and environmental risks, and the social dimensions of sustainability, in line with obligations arising from the European regulatory framework and the Bank's strategic objectives. HPB ensures access to additional expertise through internal and external ESG training programmes (including mandatory annual training on ethical conduct, anti-corruption, whistleblower protection and regulatory developments), cooperation with regulators and professional associations, the involvement of specialist organisational units (risk management,

compliance and sustainability), and the monitoring of best practices and international standards. Records of participation in training are maintained in the Bank's internal human resources management systems and within the Compliance function.

Role and responsibilities of the Supervisory Board

Within its remit, the Supervisory Board exercises oversight of the Bank's operations. Its role includes supervising the conduct of the Bank's business, monitoring the Management Board's performance in the delivery of strategic objectives, and assessing the manner in which the Management Board fulfils its duties and engages with shareholders and other stakeholders. The Supervisory Board also oversees the effectiveness of the internal control system and the risk management system.

The committees established by the Supervisory Board are the Audit Committee, the Remuneration Committee, the Risk Committee, the Nomination Committee and the ESG Committee.

Composition and diversity of the Supervisory Board

The Supervisory Board comprises five members appointed by the General Meeting, thereby supporting a framework of accountable governance.

Within the composition of the Supervisory Board, of the five members, three are women (Dajana Barbić, Member; Marijana Vuraić Kudeljan, Member; and Marija Cvrilje, Member) and two are men (Alen Stojanović, Chair; and Mislav Ante Omazić, Deputy Chair), representing a ratio of 60% women to 40% men. The proportion of independent members is 60%.

Prof. Alen Stojanović, PhD, Chair of the Supervisory Board, independent member: he obtained his master's degree and doctorate from the Faculty of Economics and Business, University of Zagreb, where he is employed as a Full Professor with tenure at the Department of Finance. He initiated the establishment of, and leads, the Institute for Financial Markets Research at the Faculty of Economics and Business, University of Zagreb. In the current term of office, from 14 August 2025, he serves as Chair of the Remuneration Committee and the Nomination Committee, and as a member of the Audit Committee and the Risk Committee of the Bank's Supervisory Board.

Prof. Mislav Ante Omazić, PhD, Deputy Chair of the Supervisory Board, independent member: he obtained his doctorate in 2007 from the Faculty of Economics and Business, University of Zagreb. Since 2024, he has been employed as a Full Professor with tenure at the Department of Organisation and Management at the same faculty. He serves as President of the Management Board of IEDC – Bled School of Management, is a member of the Supervisory Board of Čakovečki mlinovi d.d., and a member of the Executive Board of GNK Dinamo. He has been a member of the Bank's Supervisory Board since 2021 and, in the current term of office from 14 August 2025, serves as Deputy Chair

of the Audit Committee, Chair of the ESG Committee, and a member of the Remuneration Committee.

Assoc. Prof. Dajana Barbić, PhD, independent member of the Supervisory Board: she obtained her doctorate in 2014 from the Faculty of Economics and Business, University of Zagreb. She has been employed at the Faculty of Economics and Business, University of Zagreb, since 2008 and, since 2021, has held the position of Associate Professor at the Department of Finance. She is a member of the Supervisory Board of Croatian Radiotelevision (HRT); previously, she served as a member of the Supervisory Board of Nova hrvatska banka d.d. and as Chair of the Supervisory Board of Hrvatsko mirovinsko investicijsko društvo (HMID) d.o.o. She is a member of the Scientific Society of Economists, of the Operational Working Group for Financial Literacy at the Ministry of Finance, and participated as a member of the Working Group for the Draft Proposal of the Pension Insurance Act at the Ministry of Labour, Pension System, Family and Social Policy. In the current term of office from 14 August 2025, she serves as Chair of the Risk Committee and as a member of the Nomination Committee and the ESG Committee of the Bank's Supervisory Board.

Marijana Vuraić Kudeljan, MSc, Member of the Supervisory Board: she graduated in 1996 from the Faculty of Economics and Business, University of Zagreb, and obtained her master's degree in 2004 from the Faculty of Law, University of Zagreb. Following positions as Assistant Director in the Central Office, the Personal Identification Number Service, the Tax System Sector, and the Legislative Activities and Self-Assessment Sector, she has served since 2015 as Deputy Director of the Central Office of the Tax Administration within the Ministry of Finance. She is a member of the working group for the implementation of tax reform, actively participated in the work of the High-Level Working Party on Tax Questions at the Council of the European Union during the Croatian Presidency of the Council of the EU, and is a member of the Supervisory Board of the Croatian Chamber of Tax Advisors. She has been a member of the Supervisory Board of Hrvatska poštanska banka since 2017 and, in the current term of office from 14 August 2025, serves as a member of the Audit Committee, the Nomination Committee, the Remuneration Committee, and the ESG Committee.

Marija Cvrilje, LLB, Member of the Supervisory Board: she graduated from the Faculty of Law, University of Split, in 1987. Since 2017, she has held the position of Assistant Director in the Administrative Support Sector at the Central Registry of Insured Persons in Zagreb. Previously, she served as a member of the Management Board of Hrvatske autoceste – održavanje i naplata cestarine d.o.o., as a member of the Public Procurement Directorate at Zagrebački holding d.o.o., as Deputy Chair of the State Commission for the Supervision of Public Procurement Procedures, and as Head of the Department for Public Procurement Supervision within the Public Procurement System Directorate of the Ministry of Finance of the Republic of Croatia. In the current term of office from 14 August 2025, she serves as a member of the Risk Committee of the Bank's Supervisory Board.

Expertise of the Supervisory Board in sustainability matters

Prior to appointment, all candidates for membership of the Supervisory Board undergo a rigorous assessment in accordance with the regulations applicable to credit institutions. In appointing members of the Supervisory Board, due regard is given to ensuring that the Supervisory Board, as a collective body, possesses the comprehensive knowledge, skills and professional experience necessary for the proper discharge of its duties. This includes an understanding of banking operations, risk management, regulatory requirements, as well as sustainability matters and ESG factors. The assessment of candidates' suitability is conducted in accordance with the regulations applicable to credit institutions and includes the ability of members to oversee the management of environmental, social and governance risks and to contribute to the development of the Group's sustainability policies. Through this approach, HPB ensures that the Supervisory Board is able to discharge its oversight role effectively and support the Group's sustainability objectives.

The Supervisory Board ensures that it maintains the breadth of knowledge and experience essential for the oversight of sustainability matters and ESG governance. In accordance with the Policy on the Target Structure and Suitability Assessment of Members, particular consideration in the appointment process is given to expertise in sustainable investment, the sustainability regulatory framework, employee-related matters, corporate governance and non-financial reporting.

The Supervisory Board continuously enhances its competencies through training, workshops and exchanges with external experts, thereby ensuring an appropriate level of expertise for the effective oversight of ESG-related obligations.

During 2025, the Supervisory Board attended training on the following sustainability-related topics: corporate governance, employee remuneration, consumer protection, anti-money laundering, supervision of credit institutions, information security, and the sustainable business of the HPB Group. Records of participation in training are maintained by the organisational units responsible for human resources management and by the Compliance function.

Three lines of defence model

All organisational units and employees of the HPB Group, within the scope of their respective responsibilities, and managers in particular, are required to monitor on an ongoing basis and ensure that operations remain compliant with applicable laws and regulations. Accordingly, the organisational unit responsible for financial management is primarily responsible for compliance with financial and tax regulations, the organisational unit responsible for human resources management for compliance with employment, labour and remuneration regulations, and the organisational unit responsible for sustainable business for compliance with sustainability-related regulations. In the context of compliance risk management and corporate governance, these business and support functions are regarded as the

first line of defence.

In order to provide additional assurance of compliance with laws and other regulations, and to enable an independent assessment of compliance risk, the Bank has established, within the second line of defence, the compliance monitoring control function within the Compliance Division, as well as the risk management control function.

The Compliance Division performs an additional oversight role with a view to ensuring the HPB Group's compliance with applicable regulations, overseeing the personal data protection framework, and managing the anti-money laundering and counter-terrorist financing framework. In doing so, it contributes to safeguarding clients, shareholders, employees, business partners and the wider community in which the HPB Group operates. To this end, the Compliance Division cooperates closely with all organisational units, the Management Board and the Supervisory Board, as well as with regulators and supervisory authorities. The Compliance Division is organised into three departments: the Compliance Monitoring Department, the Personal Data Protection Department, and the Anti-Money Laundering, Counter-Terrorist Financing and International Restrictive Measures Department.

As part of the second line of defence, the risk management control function ensures the independent monitoring, assessment and management of all material risks to which the HPB Group is exposed, including operational, credit, market, reputational and other relevant risks, thereby further strengthening the effectiveness of the internal control system and the integrity of operations.

In accordance with the corporate principle of the three lines of defence and the applicable regulatory framework, HPB has also established, within the third line of defence, the internal audit function, which, as an independent function, contributes to ensuring that the Bank and the Group operate in compliance with laws and regulations. Internal audit is responsible for implementing measures to safeguard independence and objectivity, defining authorities and responsibilities, and establishing measures to ensure and monitor the professional qualifications, expertise and experience of persons performing internal audit activities. It supports other organisational units in achieving their objectives through a systematic and disciplined approach to evaluating the effectiveness of the organisation's risk management, control and corporate governance processes. Where the Internal Audit Office identifies unlawful conduct or breaches of risk management rules that may jeopardise the liquidity, solvency or operational soundness of the HPB Group, it is required to notify the Management Board and the Supervisory Board accordingly. The Audit Committee is required to assess, at least annually, the effectiveness of the procedure and its implementation, and to report its findings to the Supervisory Board.

Sustainability team

During the reporting period, the organisation of sustainability governance within the HPB Group was revised. Until 1 June 2025, activities related to sustainable business were organ-

ised through the Sustainable Business Office. From that date onwards, and with a view to strengthening the strategic approach and further integrating sustainability into the business model, the Office was transformed into the Sustainable Business Department, operating within the Strategic Development and Business Transformation Division, which also comprises the Strategic Development Department and the Digital Transformation Department. This change enabled a stronger linkage between sustainability and the HPB Group's long-term development objectives, improved coordination of sustainability initiatives, and more effective implementation of the sustainability strategy across the HPB Group. The Strategic Development and Business Transformation Division works closely with other relevant organisational units, in particular those responsible for strategic and credit risks, human resources, compliance, procurement, corporate security and finance, in order to ensure the comprehensive and consistent implementation of sustainability requirements. This cooperation is carried out through joint processes for the identification and assessment of IROs, the definition of targets, measures and activities, as well as through the development of internal policies, procedures and control mechanisms in line with the ESRs.

This integrated approach enables sustainability to be systematically embedded across all key business processes of the HPB Group, including risk management, strategic planning, procurement processes, security policies and stakeholder relationship management, thereby ensuring alignment with regulatory requirements and contributing to the long-term resilience and sustainability of the Group's operations.

Gender diversity objectives of the management body

In determining the most appropriate composition of its management body, HPB Group seeks to ensure balanced representation across different dimensions of diversity, taking into account education, professional experience, gender and age and, where relevant, geographical origin. In doing so, it also takes into consideration the nature and scope of the activities it performs and the risks to which it is or may be exposed.

The Bank has adopted the Policy on Promoting Diversity within the Management Board and Supervisory Board of Hrvatska poštanska banka, p.l.c., which entered into force on 9 May 2025 and constitutes an important component of the Bank's corporate governance framework and its approach to promoting diversity in terms of education, professional experience, age structure and geographical origin. The Policy sets out the key objectives and principles of diversity, including balanced gender representation within the management body and across the management and supervisory functions. It further defines the Bank's understanding of gender diversity, the diversity principles applicable to the Management Board and the Supervisory Board, and the target representation of the underrepresented gender within those bodies.

The Policy on Promoting Diversity within the Management Board and Supervisory Board of Hrvatska poštanska banka, p.l.c. has been published and is publicly available to stakeholders on the [Bank's website](#).

The Bank has established a quantitative target for balanced gender representation on the Management Board and the Supervisory Board, in line with the threshold set by the Corporate Governance Code, namely 40% representation of the underrepresented gender on the Supervisory Board or, alternatively, 40% representation of the underrepresented gender across the Supervisory Board and the Management Board taken together.

Balanced representation is calculated on the basis of the total number of elected and appointed members of the Supervisory Board, or of the Supervisory Board and the Management Board taken together, rather than on the basis of the number of members prescribed for the Supervisory Board, or for the Supervisory Board and the Management Board taken together, under the Bank's Articles of Association. The target is reviewed as necessary and at least once in every two-year period.

At 31 December 2025, HPB had met the quantitative diversity target set out in the Policy. The proportion of women on the Supervisory Board stood at 60%.

GOV-2 INFORMATION PROVIDED TO AND SUSTAINABILITY MATTERS ADDRESSED BY THE UNDERTAKING'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Reporting to the bodies on impacts, risks and opportunities

During the reporting period, the administrative, management and supervisory bodies of the HPB Group were regularly informed of sustainability matters, including material impacts, risks and opportunities relating to environmental, social and governance topics. The Management Board and the Supervisory Board were continuously engaged in the consideration of sustainability matters, including regulatory requirements, the outcomes of the process for identifying and assessing impacts, risks and opportunities, and progress in implementing the sustainability strategy and related targets. Information was submitted to these bodies through formalised reporting processes, internal committees and regular meetings, enabling them to discharge their oversight and management responsibilities effectively and in a timely manner. Such information is provided by the relevant organisational units and the specialist sustainability team, most commonly on a monthly or quarterly basis, depending on the subject matter and the nature of the reporting requirement.

The administrative, management and supervisory bodies take sustainability matters into account when overseeing the implementation of the strategy, deciding on key business initiatives, assessing and overseeing the risk management system, considering the alignment between financial objectives and sustainability objectives, and approving policies and measures relating to ESG topics. Sustainable growth constitutes one of the Bank's strategic pillars, thereby ensuring that ESG objectives are embedded in both strategic planning and operational management.

The Management Board ensures that sustainability matters are duly embedded across key business processes, including the risk management system. It also adopts sustainability targets, oversees their implementation, and approves policies and action plans in the area of sustainable business. Progress towards those targets is monitored through regular reports submitted by the competent organisational units, in particular the Strategic Development and Business Transformation Division, within which the Sustainable Business Department operates.

In the course of its decision-making, the Management Board systematically considers the implications of sustainability matters for capital expenditure, the development of new products and business initiatives, and other strategic activities. In doing so, it takes into account the recommendations and expert assessments of the competent organisational units, as well as internally adopted sustainability policies and principles, thereby ensuring that sustainability matters are duly reflected in decision-making and risk management processes.

When taking strategic and operational decisions, the Management Board, in cooperation with the competent organisational units, in particular the Strategic Development and Business Transformation Division, considers the interdependencies between financial and sustainability objectives in order to assess potential competing priorities and adopt decisions that best reconcile the two over the long term. During the reporting period, no situations arose that required trade-offs between financial and sustainability objectives; accordingly, no decisions were taken in circumstances where those objectives were in conflict.

The Supervisory Board and its committees oversee the effectiveness of the Management Board's decision-making framework and ensure that sustainability matters are duly taken into account in strategic planning and decision-making.

Material impacts, risks and opportunities addressed by the bodies during the reporting period

During 2025, the Management Board and the Supervisory Board of the HPB Group continuously considered key sustainability matters through monthly, quarterly and ad hoc reporting and adopted decisions affecting the portfolio, working conditions, risk management and business integrity. The material IROs addressed, and the actions taken are summarised below.

Table: Material IROs addressed by the competent bodies during the reporting period

ESRS sub-topic	IRO name	IRO type	Activities undertaken	Body informed / responsible
Climate change adaptation	Sustainable finance	Opportunity	Adoption of the Climate Strategy Introduction of new metrics within the environmental risk management segment (reduction of the share of low-income individuals in unsecured cash loans to retail customers and reduction of exposures with elevated environmental risk within the corporate segment) Adoption of a revised version of the Sectoral Policies	Management Board; ESG Committee; Supervisory Board
	ESG transparency	Opportunity	Adoption of a new Rulebook for the preparation of the Sustainability Report, aligned with the new regulatory framework and the ESRS standards Adoption of a revised Policy on the Management of Environmental, Social and Governance Matters Adoption of the Annual Sustainability Report within the HPB Group Annual Report	Management Board; ESG Committee; Supervisory Board
Climate change mitigation	Reduction of the Bank's portfolio carbon footprint	Positive impact	Adoption of non-financial targets (reduction of Scope 1 and Scope 2 greenhouse gas emissions and Scope 3 financed emissions – Category 15) Noting of the implementation status of the non-financial targets	Management Board; ESG Committee; Supervisory Board
Working conditions	Inadequate/adequate wages	Negative impact / Risk	Regular monthly reporting on key HR indicators via the HR dashboard (delivery of the employee cost plan, turnover, satisfaction with remuneration and benefits as captured through entry and exit surveys and the ORVI survey, etc.) Analysis of performance ratings (employee productivity indicator) Report on the status of implementation of the Remuneration Policy for 2024 and 2025 Presentation of organisational vitality survey results Conclusion of the Collective Agreement	Management Board; Supervisory Board
	Work-life balance	Positive impact	Adoption of revised versions of the Remote Work Rulebook Adoption of the Working Time Calendar and the Annual Leave Utilisation Plan Regular monthly reporting on key HR indicators via the HR dashboard (annual leave utilisation, sick leave rate, number of employees citing work-life balance as the main reason for leaving in exit surveys, satisfaction with work-life balance and emotional exhaustion indicators in the ORVI survey) Presentation of organisational vitality survey results (including, inter alia, satisfaction with work-life balance and emotional exhaustion indicators)	Management Board; Supervisory Board
Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value	Negative impact	Adoption of non-financial targets (reduction of the gender pay gap) Report on the status of implementation of the Remuneration Policy for 2024 and 2025 Regular monthly reporting on key HR indicators via the HR dashboard (including, inter alia, the representation of men and women at B-1 and other managerial positions) Presentation of organisational vitality survey results (perceived presence of discrimination within the organisation) Public disclosure of amendments to the Remuneration Policy introducing an obligation to provide the data required to determine reference values relating to the gender pay gap to the competent supervisory authority (Croatian National Bank – CNB) Adoption of the new Policy on Promoting Diversity within the Management Board and Supervisory Board	Management Board; ESG Committee; Supervisory Board; General Meeting

ESRS sub-topic	IRO name	IRO type	Activities undertaken	Body informed / responsible
Equal treatment and opportunities for all	Training and skills development	Positive impact/ Opportunity	<p>Decision to implement a communications campaign to support organisational culture change, and presentation of organisational culture change activities in 2025, including a training programme for B-1 and B-2 level managers and culture ambassadors</p> <p>Decision on the funding/co-funding of employee education under the Call for Applications for education financing/ co-financing</p> <p>Decision approving the mentoring programme</p> <p>Presentation of organisational vitality survey results</p> <p>Regular monthly reporting on key HR indicators via the HR dashboard (implementation of the training plan)</p> <p>Annual continuous training of Management Board members, key functions and the Supervisory Board</p> <p>Adoption of a revised Rulebook on Employee Professional Development</p> <p>Decision to allocate an additional budget for employees involved in the digitalisation project</p> <p>Information provided to the Management Board on the 2025 training cost plan</p> <p>Approval of the DigiBank Academy programme, including approval of an additional budget and engagement of an external provider for programme delivery</p>	Management Board
Information-related impacts on consumers and/or end-users	Information system security	Negative impact / Risk	Quarterly reporting on significant and security events which, in 2025, did not result in any breach of client data privacy or security, nor affect service availability	Risk Committee
	Privacy	Negative impact	<p>Adoption of updated internal acts within the Data Protection Officer (DPO) remit (Personal Data Protection Policy, Rulebook on the tasks and position of the DPO, and the Data Protection Impact Assessment methodology)</p> <p>Semi-annual reports on compliance controls performed under the General Data Protection Regulation (GDPR)</p> <p>DPO work plan for 2025</p> <p>DPO annual activity report for 2025</p>	Management Board
Social inclusion of consumers and/or end-users	Access to products and services	Positive impact	<p>Opening of new centres – Ploče and Križevci, and HP Krapina</p> <p>Implementation of Google Pay, Apple Pay and Garmin Pay</p> <p>Implementation of enhancements within the mHPB mobile application to improve accessibility for blind and partially sighted users</p>	Management Board
Corporate culture	Business ethics	Opportunity	<p>Adoption of a revised Code of Ethics</p> <p>Decision to implement a communications campaign to support organisational culture change, and presentation of organisational culture change activities in 2025, including a training programme for B-1 and B-2 level managers and culture ambassadors</p>	Management Board; ESG Committee; Supervisory Board
	Conflict of interest management	Risk	Adoption of the revised Conflict of Interest Management Policy	Management Board; Supervisory Board
Whistle-blower protection	Participation in the handling of reports	Positive impact	<p>Adoption of the new Code of Ethics</p> <p>Adoption of the new Anti-Corruption Policy</p>	Management Board; ESG Committee; Supervisory Board
Anti-corruption and anti-bribery	Prevention and detection, including training	Risk	Adoption of the new Anti-Corruption Policy	Management Board; ESG Committee; Supervisory Board

These matters were the subject of regular discussion at meetings of the Management Board and the Supervisory Board, including the adoption of decisions and the monitoring of progress.

GOV-3 INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

HPB Group applies a Remuneration Policy that is aligned with the principles of sound corporate governance, applicable regulatory requirements and the long-term objectives of sustainable business. The Policy sets out the remuneration structure and the relevant criteria for members of the Management Board and the Supervisory Board, while ensuring transparency, accountability and alignment with the long-term interests of HPB Group. The Bank's Supervisory Board ensures that appropriate and transparent policies and procedures are in place for determining the remuneration of members of the Management Board and, for that purpose, has established a Remuneration Committee,

which advises both the Management Board and the Supervisory Board and regularly reviews the underlying principles of the Remuneration Policy.

The Remuneration Policy of the HPB Group is adopted by decision of the Management Board, subject to the approval of the Supervisory Board, and is applied across HPB Group.

Sustainability-related matters, including climate-related matters, are not currently incorporated as distinct components of the remuneration of members of the administrative, management and supervisory bodies.

GOV-4 STATEMENT ON SUSTAINABILITY DUE DILIGENCE

Within HPB Group, due diligence does not operate as a separate formalised process, but is instead fully embedded in the strategic framework, business model and risk management system. This approach ensures that due diligence forms an integral part of regular business activities, particularly in the identification, assessment and management of negative and positive impacts, as well as sustainability-related risks and opportunities.

Due diligence is implemented through existing governance mechanisms, including the risk management system, strategic planning processes, compliance policies and procedures, and reporting and oversight processes.

The ESG specialist team coordinates the implementation of due diligence and ensures that it is effectively embedded across the HPB Group's business processes.

Table: Core elements of due diligence

Core elements of the due diligence process	Related sections in the Sustainability report
Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and the business model
Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2 GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies ESRS 2 SBM-2 – Interests and views of stakeholders ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities E1-2 – Policies related to climate change mitigation and adaptation S1-1 – Policies related to the own workforce S1-2 – Processes for engaging with own workers and workers' representatives about impacts S4-1 – Policies related to consumers and end-users S4-2 – Processes for engaging with consumers and end-users about impacts G1-1 – Business conduct policies and corporate culture
Identifying and assessing adverse impacts	ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities
Taking actions to address those adverse impacts	E1-3 – Actions and resources in relation to climate change policies S1-4 – Taking action on material impacts and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions and approaches
Tracking the effectiveness of these efforts and communicating	E1-4 – Targets related to climate change mitigation and adaptation S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

GOV-5 RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

In order to ensure the accuracy and relevance of sustainability reporting, HPB Group applies a system of internal controls comprising control functions, data verification procedures, corporate governance mechanisms designed to ensure transparency and compliance with regulatory requirements, automated and manual controls, and second-person review procedures (the “four-eyes” principle).

The sustainability reporting process is integrated into the existing financial reporting framework, thereby ensuring consistency, reliability and controlled data processing.

For quantitative data, the HPB Group applies programmed and manual controls during data processing, automated and manual checks in the course of consolidation at Group level, and formalised procedures for data entry, verification and approval. For qualitative data, the “four-eyes” principle is applied, together with internal feedback and management review processes, as well as the documentation of supporting evidence, including internal records and decisions.

HPB Group recognises key risks associated with sustainability reporting, including inaccuracies in quantitative and qualitative data, the disclosure of information that is not material to stakeholders, and the omission of material information relevant to decision-making. These risks encompass value-chain data, as well as all information contained in the Sustainability Report that, individually or in aggregate, could influence the decisions of its users.

To address these risks, HPB Group applies automated and manual controls, validation through multiple levels of review, documentation of data sources and key assumptions, and the analysis of data points to ensure the completeness of disclo-

tures. The double materiality assessment is also carried out in cooperation with the relevant organisational units to ensure that the information presented is both relevant and material. Although the Bank does not currently have a separate formalised procedure governing the collection and processing of data for the Sustainability Report, the process is conducted in accordance with existing internal rules and through designated process owners within the competent organisational units. Automated data are extracted from IT systems, while manually collected data are subject to dual control and additional verification by the relevant units. The adoption of a formal procedure governing this process in greater detail is planned for the forthcoming period.

Looking ahead, the Bank will continue to enhance its sustainability reporting processes, drawing on the outcomes of risk management activities to support continuous improvement. This includes strengthening internal controls, refining data validation procedures, and conducting regular assessments to ensure the relevance and accuracy of the information disclosed. Furthermore, feedback from internal audits, external consultants and auditors will be incorporated into future reporting cycles in order to address identified deficiencies and areas requiring further enhancement.

On an annual basis, the Management Board and the Audit Committee are informed of identified risks relating to sustainability reporting. The consolidated Sustainability Report is reviewed by the Audit Committee and subsequently submitted to the Supervisory Board for approval.

SBM – Strategy

SBM-1 STRATEGY, BUSINESS MODEL AND VALUE CHAIN

Business model of HPB Group

HPB Group maintains a strong presence in the domestic market of the Republic of Croatia, where it operates as one of the country's leading financial institutions, with a long-standing tradition and a significant role in the banking sector. Through its extensive network and well-developed digital banking channels, the HPB Group serves a broad client base of 566,000 clients - retail customers, entrepreneurs and the public sector - offering tailored financial products and services. During the reporting period, HPB Group neither introduced nor discontinued any significant products or services. The structure of its offering remained stable and continued to be based on the existing groups of products and services across the retail, small and medium-sized enterprises, and large corporates and public sector segments.

HPB Group's products and services are available through 66 centres (branches), 6 regional centres and 14 entrepreneurial centres. Through its own branch network and the "Bank at the Post Office" project, HPB Group continues to enhance accessibility and, together with Hrvatska pošta, constitutes the largest distribution channel for basic banking products and services, available even in the smallest communities across Croatia. During the reporting period, there were no changes in HPB Group's significant markets or client groups.

The business model is founded on the stable growth of the loan portfolio, the development of digital channels, risk management in line with regulatory requirements, and an increasing share of sustainable finance (in the context of the HPB Group, sustainable finance refers to the financing of sustainable purposes in accordance with regulatory and internal criteria). It is centred on banking services for retail customers and entrepreneurs and encompasses a broad range of services, from current accounts and card issuance, through savings and deposits, to lending and investment banking. At the same time, HPB Group plays an active role in supporting the Croatian economy through the financing of small and medium-sized enterprises, large corporates and the public sector.

HPB Group does not operate in any of the sectors referred to in SBM-1, paragraph 40(d) and does not engage in activities related to fossil fuels, including the exploration, extraction, processing, storage, transport or trade of coal, oil or gas. Nor does it operate in the field of chemicals production under NACE 20.2, or participate in the manufacture of, or financing of the manufacture of, controversial weapons, including anti-personnel mines, cluster munitions and chemical and biological weapons. Accordingly, HPB Group does not generate revenue from

such activities, nor are such activities considered to form part of its business model.

Further information on the individual business segments of HPB Group is available in the chapter Description of the Operations of Business Segments in the Management Board Report on the Status of the Hrvatska poštanska banka Group, p.l.c. The cost and revenue structure of HPB Group is also presented in detail in the chapter Financial Statements.

HPB Group operates exclusively within the geographical territory of the Republic of Croatia, where, as at the end of the 2025 reporting period, it employed a total of 1,792 employees (compared with 1,720 employees in the previous reporting period). Detailed information on employee characteristics is provided in chapter S1-6 Characteristics of the undertaking's employees.

HPB Group strategy

The foundation of HPB Group's business lies in its purpose of being a trusted partner to retail customers, entrepreneurs and the public sector, while making an active contribution to the development of the Croatian economy. HPB Group bases its long-term success on maintaining a balance between financial growth, digital transformation and sustainable business.

HPB Group's new strategy for the period 2026–2030 marks a new chapter of growth and innovation, in which digital transformation and sustainable growth form the basis for delivering an exceptional client experience. Over the forthcoming five-year period, HPB Group is focused on building the bank of the future – resilient, agile and committed to innovation – in order to provide its clients with security and value in a constantly changing world, while helping to create the conditions for a better quality of life in Croatia.

The strategy of HPB Group is built on three strategic pillars:

- A client-centric approach
- Digital and operational excellence
- Sustainable growth.

Sustainable growth represents one of the key pillars of the strategy and the foundation for achieving HPB Group's long-term vision. It is the connecting principle that underpins stability, resilience and competitiveness in a dynamic market environment. By directing capital towards sustainable projects, that is, projects with a sustainable purpose, and by developing innovative financial solutions, HPB Group creates the preconditions for organic growth while opening up scope for inorganic

opportunities that further strengthen its market position. At the same time, the systematic management of sustainability risks ensures that growth remains responsible and sustainable over the long term.

Through the adoption of its Climate Strategy, the setting of clear greenhouse gas (GHG) emissions reduction targets, the development of methodologies for monitoring impacts, risks and opportunities, and transparent reporting, HPB Group reaffirms its commitment to global climate objectives and strengthens client confidence. In doing so, it not only reduces its own environmental impact, but also encourages the market's transition towards a more sustainable economy.

The Climate Strategy defines HPB Group's orientation towards:

- redirecting capital towards sustainable projects,
- embedding sustainability risks within the risk management system,
- reducing greenhouse gas emissions in its own operations and across the portfolio,
- enhancing sustainability awareness among stakeholders through engagement and partnership.

Products promoting quality of life and financial well-being a

The Group's mission is clear and centred on helping to create the conditions for a better quality of life in Croatia, which includes an active contribution to the development of a sustainable and stable economy. One of the ways in which HPB Group gives effect to its mission and sustainability strategy is through one of the most favourable housing loan offers available on the market, made available to citizens in 2025, thereby contributing to more affordable housing in the Republic of Croatia. It is precisely this business model, which combines accessible financial products with social responsibility, that enables HPB Group to provide direct support to Croatia's economic development and to contribute actively to improving the quality of life of all citizens.

Alongside the HPB Super Housing Loan, the first product of its kind on the market to offer the most favourable terms, designed to contribute directly to the long-term financial stability of families and to facilitate more affordable housing solutions, HPB Group was also the first on the domestic market to significantly increase savings interest rates. Through attractive interest rates on HPB Super Savings, HPB Group encourages citizens to manage their personal finances responsibly and preserve the value of their assets. In doing so, it contributes to strengthening the stability of the financial system while at the same time easing pressure on consumption that could otherwise further intensify inflationary pressures. In this way, the HPB Group contributes to preserving the purchasing power of households, while also providing a secure and reliable savings option.

Sustainability in corporate banking

HPB Group has adopted sector-specific policies, with a particular focus on sectors associated with significant adverse environmental impacts on air, water and waste. These policies set out criteria and guidelines for credit risk management that incorporate environmental considerations, supported by an internal methodology for assessing the ESG ratings of industries and business activities.

Moreover, for several years HPB Group has included the growth of sustainable lending volumes among its key annual strategic performance indicators, reflecting its strategic commitment to advancing a more sustainable economy. By directing capital flows towards sustainable purposes, HPB Group supports the transition to a low-carbon economy, with a particular emphasis on renewable energy and energy efficiency, thereby helping to mitigate adverse environmental impacts.

In pursuing its sustainability objectives, HPB Group continuously reviews its portfolio, including key products, services and client segments, to identify areas that already make a meaningful contribution to sustainability objectives, such as financing for energy efficiency, renewable energy and affordable housing, as well as areas where sustainability outcomes can be further strengthened. This approach enables HPB Group to direct product development and market segment priorities towards the continued growth of its sustainable portfolio, consistent with its strategic orientation.

Incentive financing and advisory programmes for business entities

HPB Group offers a range of incentive-based financing and advisory programmes designed to support sustainable development and enhance the competitiveness of the Croatian economy. Through its EU Desk, clients are supported in accessing funding available under European and national programmes, including timely information on calls for proposals, advisory assistance and project financing.

The Group maintains longstanding partnerships with development institutions such as the Croatian Bank for Reconstruction and Development (HBOR) and the Croatian Agency for SMEs, Innovation and Investments (HAMAG-BICRO), enabling clients to secure more favourable financing terms for investments in innovation, energy efficiency, environmental protection and the development of small and medium-sized enterprises. In addition, the Group cooperates with international funds, including the Green for Growth Fund (GGF) and the European Fund for Southeast Europe (EFSE), which facilitate financing for green transition projects, renewable energy and emissions reduction initiatives.

At national level, HPB Group cooperates with regional self-government units through interest rate subsidy programmes, thereby supporting local economic development. The Group has also been selected to implement the financial instrument "Loans for the Energy Efficiency of Entrepreneurs" and, in cooperation

with the European Investment Fund (EIF), provides clients with improved access to financing for projects relating to energy efficiency, renewable energy and sustainable construction.

Key challenges of the sustainable transition

HPB Group recognises that one of the most material challenges of the transition lies in shifting the economy from high-emissions activities towards more sustainable models of operation, while preserving financial stability. This transformation entails pronounced transition risks—ranging from regulatory requirements and changes in the legislative framework to the adjustments required of clients who may face additional costs in the course of the transition.

For business entities, the central challenge is the adaptation of business models and investment in emissions-reducing technologies, which requires additional resources and a long-term strategic perspective. For households, the greatest potential is associated with improving the energy efficiency of residential properties through enhanced insulation, the installation of energy-efficient heating and cooling systems, and the increased use of renewable energy sources.

To support households and the economy in this process, HPB Group directs clients towards investment in sustainable purposes that can strengthen resilience to climate change, and provides tailored financing solutions aligned with those objectives.

Measures and initiatives

A key element in strengthening HPB Group's sustainable business is the development of internal tools that enable a more structured and consistent assessment of projects with environmental impacts. In this context, HPB Group is in the process of implementing a project sustainability assessment model, supported by a methodological framework for identifying sustainable lending purposes. The tool is intended to assist banking teams in identifying projects that contribute to the climate transition, in accordance with applicable regulatory criteria.

In its advisory capacity, HPB Group supports clients in understanding sustainable finance requirements and directs them towards solutions that may lower operating costs, improve energy efficiency and, over the longer term, enhance the value of their assets.

Transparency and systematic reporting on progress constitute central elements of HPB Group's sustainability approach. Through annual reports and publicly available disclosures, the Group provides stakeholders with insight into progress towards climate-related objectives, including emissions reductions and the expansion of sustainable financing. In this way, the HPB Group seeks to promote stability for its clients and to foster broader awareness of the climate transition across the financial sector.

Business model impacts and expected outcomes

For the purposes of managing its business model and assessing sustainability, HPB Group relies on a combination of internal and external data, including, inter alia:

- data on the loan portfolio, ESG risks and sector exposures,
- data on energy consumption, greenhouse gas (GHG) emissions and resource use in operations,
- data on clients and their ESG practices,
- data on client satisfaction and service quality,
- regulatory and market data.

In addition to the above, HPB Group's business model is underpinned by key input resources such as adequate regulatory capital and a stable funding structure, human resources and employee expertise, IT infrastructure and digital platforms, as well as operational processes and functions that enable the performance of business activities.

Data are collected through internal systems, digital channels, portfolio analysis processes and cooperation with external data providers. Data quality is ensured through internal controls, compliance with regulatory requirements, methodological checks and internal audit processes.

HPB Group's business model generates benefits for key stakeholders, including:

- Clients: access to financing, digital services, financing for sustainable purposes, and initiatives aimed at strengthening financial literacy,
- Investors: stable returns and portfolio resilience,
- Society and the community: the promotion of sustainable development, financial inclusion, and support for local projects and the public sector.

Expected outcomes include a further increase in the share of sustainable financing, a reduction of emissions from the Group's own operations and across the portfolio, the continued strengthening of digital transformation, and an enhanced customer experience.

Value chain overview and HPB Group's position

HPB Group's value chain comprises:

- Upstream: suppliers of IT infrastructure, software solutions, energy services, external services, and partners in the area of payments and digital solutions,
- Downstream: clients in the retail, small and medium-sized enterprises, large corporates and public sector segments, as well as distribution channels (branches, digital platforms, ATMs and partner networks).



HPB Group operates as a financial intermediary, connecting sources of capital with the needs of the economy and households. Relationships with key suppliers and partners are based on long-term cooperation, compliance with regulatory requirements and the principles of sustainable business. In its client relationships, HPB Group provides financial products and advisory services that support stability and growth and facilitate the transition towards a more sustainable economy.

SBM-2 INTERESTS AND VIEWS OF STAKEHOLDERS

HPB Group fosters long-term, responsible and fair relationships with its stakeholders, grounded in trust, reliability and open, transparent communication. Mindful of the impact its activities may have on a broad range of stakeholders, the HPB Group systematically encourages dialogue, close cooperation and the exchange of views in order to identify stakeholders' needs and expectations in a timely manner and to respond within its remit and capabilities.

Engagement with stakeholders is conducted on an ongoing and structured basis through a variety of formal and informal communication channels. Stakeholder feedback is embedded across key processes, including the management of sustainability matters, product and service enhancement, human resources development, risk management, and strategic priority-setting.

Key stakeholders of HPB Group

HPB Group has identified the following as its key stakeholders:

- clients,
- shareholders and investors ,
- supervisory and regulatory authorities (supervisory authorities: CNB, ECB, HANFA; public authorities and legislative bodies),
- employees,
- local community and society (including non-governmental organisations, professional organisations and associations, the academic community, the media, and nature as a "silent" stakeholder).

Consideration of stakeholder interests

Stakeholder interests and views are considered within the materiality assessment, in accordance with ESRS requirements. Stakeholder feedback is given particular consideration in the following areas:

- the development and adaptation of products and services,
- digital transformation and the enhancement of customer experience,
- employee development and organisational culture,
- compliance with regulatory requirements,
- the management of sustainability matters.

The outcomes of stakeholder engagement inform HPB Group's strategic processes, including business planning, risk management, the definition of sustainability targets and the further development of the business model.

On the basis of stakeholder feedback, HPB Group undertakes continuous enhancements to its operations, including through:

- the expansion of sustainable finance and the development of products supporting the transition,
- strengthened transparency and accountability in the management of sustainability risks,
- the enhancement of digital channels and the customer experience,
- reinforced employee training and development,
- closer cooperation with local communities and professional organisations,
- the systematic integration of ESG factors into decision-making.

Table: Engagement of key stakeholders

Key stakeholders	Why HPB Group engages them	How HPB Group engages them	Key topics	Activities / outcomes of engagement
Clients (retail and corporate)	Ensuring satisfaction and loyalty; product and service development; alignment with ESG requirements; monitoring market trends	Corporate website; contact centre; CRM campaigns; social media; educational events; branch network	Digitalisation; ESG requirements; financial security; transparency; service quality	Educational workshops on ESG requirements; product development and adaptation; enhancement of customer experience; increased digital accessibility; regular communication of updates
Shareholders and investors	Ensuring transparency, stability and long-term returns; strategic oversight; capital stability	General Meeting; reporting; investor meetings; website	Financial performance; ESG targets; risk management; growth strategy	Regular reporting; disclosure of sustainability targets; enhanced transparency and availability of information
Supervisory and regulatory authorities (CNB, ECB, HANFA, public authorities, legislative bodies)	Regulatory compliance; financial system stability; risk oversight; implementation of ESG regulation	Meetings; regulatory reporting; consultations; participation in forums	ESG regulation; risk management; consumer protection; transparency	Timely fulfilment of regulatory requirements; implementation of new ESG standards; continuous dialogue; participation in regulatory consultations
Employees	Competence development; motivation and talent retention; organisational culture; ESG transformation	Internal portal; training; workshops; internal events; regular communication	Competencies; employee well-being; career development; innovation	Training programmes; well-being programmes; strengthened internal communication; increased employee engagement
Local community and society (NGOs, professional bodies and associations, academia, media, nature as a "silent stakeholder")	Contribution to social development; sustainability; climate responsibility; financial literacy	Volunteering; donations; partnerships; social media; conferences; educational programmes; sustainability reporting	Financial literacy; social inclusion; climate change; community development; transparency	Volunteering programmes; support for local projects; financial literacy programmes; reporting on climate targets; cooperation with academia; media communication on ESG topics

HPB Group systematically fosters partnership-based relationships with its key stakeholders, recognising that their expectations, interests and feedback influence strategic decisions, the business model and sustainability priorities. Stakeholder engagement is grounded in the principles of transparency, accountability and open dialogue, and is conducted through a range of communication channels tailored to the specific needs of each stakeholder group.

Clients remain at the centre of HPB Group's operations, and their experiences and needs are a key driver of the development of products, services and digital solutions. Clients constitute a core stakeholder group whose interests, expectations and rights directly shape the manner in which HPB Group develops its business model and strategic priorities. Their views influence product design, the security of digital channels, the quality of the customer experience and the level of transparency in

communication. The trust of consumers and end-users rests on data security, ease of use, the availability of information and fair treatment; accordingly, HPB Group systematically monitors client needs through multiple feedback channels, complaint analysis, satisfaction surveys and interactions across branches and digital environments.

The interests of clients, namely consumers and end-users, are particularly focused on information system security, personal data protection and access to financial services. Clients expect HPB Group to ensure reliable and secure digital channels, to communicate transparently about the processing of personal data, and to provide access to services regardless of location, age or level of digital literacy. These expectations are directly reflected in HPB Group's strategic decisions, as it continues to invest in the development of digital solutions, the strengthening of security standards, and the adaptation of services to



different client segments, including vulnerable groups. Through this approach, HPB Group ensures that the interests of consumers and end-users are not only recognised, but also embedded across key management and decision-making processes.

Employees constitute the foundation of organisational resilience and culture, and their development, well-being and engagement are essential to the effective delivery of strategic objectives, including those related to sustainability. Through internal communication channels and active involvement, employees contribute to the transformation of HPB Group. The interests, views and rights of HPB Group employees have a significant influence on HPB Group's strategy and business model. In its strategic planning, HPB Group takes into consideration issues such as job security and stability, professional development, respect for human rights, ethical conduct, transparent communication and a supportive working environment. Through regular internal surveys, organisational climate assessments, dialogue with trade unions and feedback mechanisms, HPB Group gathers employee perspectives and integrates them into the ongoing development of the business model. Employee interests are reflected in HPB Group's strategic priorities, including investment in training and competence development, thereby ensuring that the business model remains aligned with workforce needs.

Shareholders and investors are engaged on a regular basis in strategic discussions through transparent reporting and structured communication, supporting long-term stability and sustainable growth. Supervisory and regulatory authorities represent an important pillar in ensuring compliance, risk management and the implementation of an increasingly demanding ESG regulatory framework; accordingly, HPB Group maintains ongoing and constructive dialogue with them.

HPB Group also recognises its role within society and local communities and actively contributes to their development through partnerships, volunteering, sponsorships, educational initiatives and support for projects of public interest. In this context, nature is regarded as a "silent stakeholder", whose interests are reflected through HPB Group's climate and environmental objectives, including the implementation of the Climate Strategy and the reduction of the environmental footprint.

These stakeholder interests were systematically taken into account in the double materiality assessment process, ensuring that stakeholder expectations and potential impacts on stakeholders are embedded in HPB Group's strategy and business model.

Through this structured and comprehensive approach to stakeholder engagement, HPB Group ensures that stakeholder perspectives inform decision-making, risk management and the articulation of long-term strategy.

HPB Group's new strategy was not adopted directly as a consequence of stakeholder feedback; however, as an institution that exists for its stakeholders, first and foremost clients, HPB Group systematically takes their expectations and experiences into account. These inputs have meaningfully informed the development of the strategic framework. Accordingly, HPB Group's strategy for the period 2026–2030 is oriented towards growth, innovation, digital transformation and sustainable devel-

opment, with the objective of building a resilient and agile bank of the future that responds effectively to stakeholder needs.

Although stakeholder feedback did not lead to revisions of the strategic objectives, it is reflected in the implementation of the strategy through the refinement of priorities and initiatives intended to enhance customer experience, digital accessibility and sustainability. In the coming period, HPB Group will continue to monitor stakeholder expectations on a systematic basis; no changes in stakeholder relationships are anticipated, but engagement is expected to be further strengthened through continued dialogue and transparency.

Information provided to the administrative, management and supervisory bodies on stakeholder views

The administrative, management and supervisory bodies are regularly informed of the views and interests of key stakeholders as they relate to the HPB Group's sustainability-related impacts. Information is gathered through structured engagement with key stakeholder groups and consolidated in the form of the Sustainability Report, risk management reports, the results of the double materiality assessment, and other internal analytical materials. These findings are subsequently presented to the Management Board and the Supervisory Board through regular meetings and dedicated agenda items.

This ensures that the administrative, management and supervisory bodies are informed in a timely manner of key stakeholder interests and perspectives, which are taken into account in strategic decision-making, the approval of sustainability targets and the oversight of the implementation of relevant policies.

SBM-3 MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

In accordance with the disclosure requirement SBM-3, HPB Group provides a tabular overview of material impacts, risks and opportunities identified through the double materiality assessment process. The table below lists all material IROs, their type, their position within the value chain, and the time horizon for which materiality has been identified. Information on the interaction between the material IROs and HPB Group's strategy and business model is provided following the table.

Table: List of material impacts, risks and opportunities (IROs)

ESRS topic	ESRS sub-topic	IRO name	IRO type	IRO description	Actual or potential IRO	Value chain	Time horizon
ESRS E1	Climate change adaptation	Financing of sustainable projects and enterprises	Positive impact	Redirecting financing towards renewable energy projects and sustainable enterprises with low adverse environmental impacts contributes to strengthening the resilience of clients and society	Potential	Own operations	Medium term (1–5 years)
		Sustainable finance	Opportunity	The development of new products increases revenues		Value chain – down-stream	Long term (>5 years)
		ESG transparency	Opportunity	Differentiation through a high level of ESG transparency further strengthens the Bank's market position and supports the attraction of new clients		Own operations	Medium term (1–5 years)
		Increased costs due to regulatory requirements	Risk	Higher operating costs arising from regulatory requirements related to environmental risks (e.g., reporting, ESG compliance)		Own operations	Medium term (1–5 years)
	Climate change mitigation	Reduction of the Bank's portfolio carbon footprint	Positive impact	Through the systematic transformation of the portfolio structure (redirecting financing towards lower-emission sectors) in line with net-zero objectives, the Bank may have a positive effect on the portfolio carbon footprint and on global climate objectives	Potential	Value chain – down-stream	Long term (>5 years)
			Negative impact	If banks continue to finance unsustainable sectors, this may, over the long term, contribute to climate change and environmental degradation and slow the transition	Potential	Value chain – down-stream	Long term (>5 years)
	The Bank's portfolio carbon footprint	Risk	Increased investment costs related to systems for measuring and managing portfolio emissions		Value chain – down-stream	Medium term (1–5 years)	
ESRS E4 Biodiversity and ecosystems	Direct drivers of biodiversity loss	Investment in sectors with adverse impacts on biodiversity	Negative impact	Investments in sectors with adverse impacts on biodiversity and climate change represent a material negative impact by contributing to biodiversity loss	Potential	Value chain – down-stream	Medium term (1–5 years)
	Impacts on the extent and condition of ecosystems	Soil degradation	Negative impact	Investments in real estate and public infrastructure projects may adversely affect biodiversity due to soil sealing and land degradation, which in turn negatively affects biodiversity	Potential	Value chain – down-stream	Medium term (1–5 years)



ESRS topic	ESRS sub-topic	IRO name	IRO type	IRO description	Actual or potential IRO	Value chain	Time horizon	
ESRS S1	Working conditions	Inadequate wages	Negative impact	Inadequate wages may contribute to rising inequality and poverty among employees in society and may lead to increased dissatisfaction, higher turnover and reduced employee productivity	Potential	Own operations	Medium term (1–5 years)	
		Adequate wages	Risk	Higher costs due to undesired turnover and recruitment needs; weaker business performance due to reduced productivity and increased turnover; loss of key high-performing employees		Own operations	Medium term (1–5 years)	
		Work–life balance	Positive impact	Remote work and other benefits that promote employee well-being and health, and support compatibility between private and professional life, increase productivity and motivation, reduce stress and improve employee satisfaction	Actual	Own operations	Medium term (1–5 years)	
	Own workforce	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value	Negative impact	Failure to implement relevant policies may result in gender-based discrimination and workforce dissatisfaction	Potential	Own operations	Medium term (1–5 years)
			Training and skills development	Positive impact	Strengthening employee professional competencies; ensuring ethics, compliance and resilience through regulatory training; enhancing employee satisfaction and engagement; strengthening general competencies of employees and managers; positive effects on teams	Actual	Own operations	Medium term (1–5 years)
			Training and skills development	Opportunity	By enhancing employee knowledge and skills through continuous training, the Bank increases operational efficiency and service reliability, strengthens competitiveness and may positively affect business performance		Own operations	Medium term (1–5 years)
ESRS S4	Information-related impacts on consumers and/or end-users	Information system security	Negative impact	In the event of a cyber-attack that the Bank is unable to prevent, a negative impact may arise on the privacy and security of clients' data	Potential	Own operations	Short term (<1 year)	
			Risk	Cyber-attacks may affect or jeopardise the Bank's operations (impact on client data, business data, inside information, service availability)		Own operations	Short term (<1 year)	
	Consumers and end-users	Information-related impacts on consumers and/or end-users	Privacy	Negative impact	If personal data are not protected consistently, this may result in a data breach and a loss of client trust	Potential	Value chain – down-stream	Short term (<1 year)
		Social inclusion of consumers and/or end-users	Access to products and services	Positive impact	Availability of a branch and ATM network in less densely populated areas; development of digital services that do not require branch visits for everyday banking; service adaptation to different client segments	Actual	Value chain – down-stream	Long term (>5 years)

ESRS topic	ESRS sub-topic	IRO name	IRO type	IRO description	Actual or potential IRO	Value chain	Time horizon
ESRS G1 Business conduct	Corporate culture	Business ethics	Opportunity	Where the Bank is fully compliant in this area, reputation and client and investor trust are strengthened and access to capital on more favourable terms is facilitated		Own operations	Short term (<1 year)
		Conflict of interest management	Risk	If the Bank is not compliant in this area, consequences may include fines for breaches of laws or regulatory requirements; reputational risk may also lead to reduced revenues due to client loss. Achieving compliance may entail additional operating costs due to the need for enhanced controls, audits and other activities to strengthen the governance framework		Own operations	Medium term (1–5 years)
	Whistleblower protection		Positive impact	Effective handling of reports contributes to a transparent and ethical organisational culture, strengthens employee trust in the system, and enables continuous improvement of processes and controls	Actual	Own operations	Medium term (1–5 years)
		Participation in the handling of reports	Risk	Improper or untimely handling of reports may lead to legal and other proceedings resulting in fines or compensation; potential revenue loss due to reputational risk; and increased operating costs due to additional reviews of the whistleblower protection system		Own operations	Medium term (1–5 years)
	Anti-corruption and anti-bribery	Incidents	Negative impact	If incidents are tolerated, they may undermine workplace relations and contribute to increased corruption in society and persistent distrust in banks	Potential	Own operations	Medium term (1–5 years)
		Prevention and detection, including training	Risk	Potential fines and legal costs due to breaches of anti-corruption laws; loss of clients due to reputational risk; operating costs due to additional controls		Own operations	Short term (<1 year)

E1 Climate change

For HPB Group, climate change represents one of the most material sustainability topics, with a direct bearing on the strategic management of the portfolio and the long-term resilience of the business model. The double materiality assessment identified the following material IROs within the scope of ESRS E1:

- **climate change adaptation:** sustainable finance, ESG transparency, costs arising from regulatory requirements,
- **climate change mitigation:** portfolio carbon footprint.

The identified climate-related risks relate primarily to transition risks, while physical climate risks were not identified as material in the current reporting period. Transition risks arise from regulatory requirements and the structure of the loan portfolio and include increased compliance costs associated with environmental regulation, the potential for an increased portfolio carbon footprint should financing of high-emissions sectors continue, and the need for investment in systems to measure

and manage portfolio emissions. These risks may affect the ability to achieve targets for reducing financed emissions and may increase exposure to regulatory and market pressures during the climate transition.

The transition risks identified through the double materiality assessment affect the business model through the need to reallocate financing towards more sustainable activities, adjust credit policies and strengthen ESG risk management processes. They are also reflected in operational processes and across the value chain, particularly in relation to clients whose adaptation to climate-related requirements progresses more slowly. Potential financial effects include an increase in costs arising from additional investment in ESG systems and data infrastructure.

In addition to risks, climate-related opportunities were identified that have a positive strategic effect on the business model, including the financing of sustainable projects and undertakings, the development of new products, and enhanced competitiveness through a high level of ESG transparency. These opportunities support HPB Group's long-term positioning within the

financial sector and contribute to portfolio resilience and market reputation.

The resilience of HPB Group's strategy and business model is considered through an assessment of the potential effects of transition climate risks and the identified opportunities on its own operations and downstream value chain. This assessment takes into account key exposure factors, including the characteristics of the loan portfolio in sectors that are emissions-intensive or sensitive to regulatory change, as well as requirements arising from European climate policies. At this stage, the assessment is based on available regulatory guidance, market developments and internal insights on environmental and climate risks by industry. This approach enables a preliminary view of HPB Group's capacity to respond to anticipated changes, to shift lending activity towards more sustainable sectors, and to strengthen ESG transparency, thereby contributing to an overall understanding of business model resilience in the context of the climate transition.

The resilience analysis is informed by available climate pathways and scenarios, regulatory projections and assumptions regarding a gradual transition towards a lower-emissions economy, including expected changes in the energy mix, technological solutions and the legislative framework.

In conducting the resilience analysis, HPB bases its approach on the assumption that the transition to a low-carbon and resilient economy will lead to structural macroeconomic changes, including slower growth, sectoral volatility and rising inflationary pressures, changes in energy consumption and an accelerated shift to renewable sources, as well as the intensified deployment of technologies required for the transition. It is further assumed that regulatory requirements will gradually tighten and that the economy's investment needs will increase, which will affect the demand for financing, risk costs and the shaping of the Bank's business model.

The resilience analysis includes a general assessment of the impact of physical and transition risks in the geographic area in which the HPB Group operates, as well as an assessment of the materiality of these risks for other types of prudential risks—credit, market, liquidity and operational. These assessments were carried out for the 2025 reporting year in accordance with the methodology described in the Rulebook for the Identification, Determination and General Assessment of Environmental Risks and the Methodology for Assessing the Materiality of Environmental Risks, documents that are described in more detail in section E1-2 Policies Related to Climate Change Mitigation and Adaptation.

The scope of the analysis covers own operations, credit portfolios, key sectoral exposures and collateral serving as security instruments. All physical and transition climate risks relevant to the banking system were analysed, based on a combination of geospatial mapping, expert assessments, sectoral vulnerability and short-, medium- and long-term time horizons. The analysis covers physical risks such as wildfire, drought, flood, windstorm and heatwave, as well as transition risks including regulatory changes, increased energy costs, changes in market preferences, technological requirements of the transition, supply-chain dependencies and other risks depending on the

economic activity analysed.

For the assessment of physical risks, the Group uses NGFS climate scenarios, as they represent an internationally recognised, regulatorily relevant and methodologically consistent framework specifically developed for the financial sector. NGFS scenarios include their own time horizons and projection structure, which differ from the standard short-, medium- and long-term periods defined in ESRS 1. For this assessment, the Group applies time horizons (up to 2030, 2030–2050, and beyond 2050) aligned with the NGFS methodology and reflecting the nature of climate risks relevant to the financial sector. The assessment considers three main climate scenarios: a 'hot world' with high physical risks, a disorderly transition with the gradual tightening of policies, and an orderly scenario with ambitious measures aimed at limiting global warming to below 1.5 °C.

The assessment of transition risks is based on the European Central Bank's climate scenario models, which simulate three different transition pathways through 2030, each with varying levels of emissions-reduction ambition, required investments, and macroeconomic and sectoral impacts. The analysis uses the following ECB scenarios: an accelerated transition, in which decarbonisation measures are implemented immediately, enabling emissions reductions consistent with the 1.5 °C warming limit; a late transition, which begins one to two years later but is implemented with sufficient intensity to achieve similar emissions reductions by 2030, albeit at higher costs; and a delayed transition, which starts with the same time lag but with lower ambition, resulting in lower short-term costs but insufficient emissions reductions and an estimated temperature increase of around +2.5 °C.

The climate scenarios and assumptions applied in the resilience assessment are aligned with the key assumptions used in financial planning and risk assessment, thereby ensuring consistency between climate considerations and financial reporting.

The assessment of resilience involves a degree of uncertainty, particularly in relation to the pace of regulatory change and the speed of technological progress. HPB Group relies on available European climate scenarios and regulatory pathways that cover a range of potential climate outcomes and transition pressures. The scenarios applied are aligned with relevant scientific sources and European policies and are applied proportionately, considering the business model and data availability. The limitations of the analysis reflect the current level of availability of sector specific climate data.

The results of the 2025 analysis indicate that physical risks—such as wildfire, flood, drought, strong winds and heatwaves—may represent increasing challenges in the medium and long term, given the spatial exposure of real-estate collateral and sectors operating in climate-sensitive areas. Although exposure to individual risks is limited, their combined impact highlights the need for further enhancement of the physical risk management approach. Sectoral assessments show that certain economic activities become more vulnerable over time, particularly due to the expected increase in the frequency of extreme climate events.

For transition climate risks, the assessment indicates that

certain sectors, especially those with higher environmental footprints, are likely to face increased costs of adjusting their business models to climate policies and decarbonization requirements. Scenario analysis shows that early and gradual sectoral adjustment results in lower long-term financial pressure, whereas delayed and abrupt adjustments create significantly greater challenges. The impact of transition risks has also been considered for households, where changes in energy prices may affect the repayment capacity for certain types of loans, particularly among more vulnerable client groups.

Regarding market, liquidity and operational aspects, the analysis shows that climate risks currently do not have a materially significant impact on the Bank's stability. However, to ensure resilience to future disruptions, the Bank maintains a diversified IT infrastructure, a geographically dispersed branch network and the ability to operate remotely, all of which reduce vulnerability to physical risks. In addition, the results of scenario analyses are integrated into the ICAAP framework to ensure that potential future climate exposures are addressed in a timely manner through capital planning and strategic risk management.

The results of the climate scenarios serve as a foundation for further enhancement of the Climate Strategy, the development of sectoral policies and the design of products and services that progressively improve energy efficiency and reduce exposure to high-carbon activities.

The results of the analyses performed indicate that HPB Group's strategy is relatively resilient to the identified climate risks. Physical risks in relation to own operations and relevant portfolios do not present a threat to the achievement of climate targets, while transition risks have been identified as manageable through the existing risk management framework, portfolio diversification and the development of sustainable financial products. Scenario analysis indicates that the Group can maintain business model stability and capital adequacy, including under conditions of an accelerated transition. The Group is therefore positioned to adjust its strategy and portfolio to regulatory requirements and market changes associated with the climate transition, supported by the further planned development of methodologies and analytical tools for more robust measurement and assessment of climate-related risks and opportunities.

The environmental risk management measures currently implemented by the HPB Group are further described in section E1-3 Actions and Resources in Relation to Climate Change Policies.

Additional information on the assessment of physical and transition risks is provided in section IRO-1 Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities, under Climate-related Impacts, Risks and Opportunities (ESRS E1).

In the next reporting period, the Bank plans to further enhance the methodological approach to resilience assessment and to expand the scope of the elements covered, acknowledging that certain aspects are not yet fully developed. HPB is continuously working on strengthening data quality, analytical procedures and internal processes to ensure more comprehensive and ESRS-aligned reporting in future cycles.

Overall, the risks and opportunities identified through the double materiality assessment underscore the need to further strengthen HPB Group's capacity to manage climate-related risks and to enhance long-term resilience in a transitioning environment.

Further information on these matters is provided in the chapter ESRS E1 Climate change.

E4 Biodiversity and ecosystems

Based on the double materiality assessment performed, HPB Group determined that it does not operate any sites under its operational control that have material impacts on biodiversity and ecosystems. All branches and office locations are situated in built-up urban areas and do not have direct impacts on natural habitats, ecologically valuable areas or biodiversity-sensitive areas. Accordingly, no locations were identified with direct adverse impacts, no locations requiring a breakdown by the ecological condition of the area, no locations situated in biodiversity-sensitive areas, and no impacts on threatened species.

For the purposes of this consideration, the scope covers own operations (with no locations identified as having direct impacts) and the downstream value chain through lending activities. The assessment encompasses sectors with potentially high impacts on natural capital (e.g., agriculture, forestry, construction, resource extraction, and tourism in environmentally sensitive areas).

Although HPB Group does not have material direct impacts, the analysis indicates that material adverse impacts may arise indirectly, through financing and lending activities to sectors whose business activities may affect biodiversity and ecosystems.

Within the double materiality assessment, HPB Group identified two material IROs in the context of biodiversity:

- **direct driver of biodiversity loss:** investment in sectors with adverse impacts on biodiversity,
- **Impact on the extent and condition of ecosystems:** soil degradation.

The assessment of impacts and risks is considered over time horizons aligned with ESRS 1, taking into account available sector guidance and the expected evolution of the EU regulatory framework. Uncertainty arises primarily from the limited availability of location-specific data and the dynamic nature of regulatory requirements.

The impacts identified for the medium-term relate to the value chain and may arise through financing of clients whose activities involve land use and land-use change, intensive agriculture and livestock farming, forestry and natural resource extraction, construction and infrastructure projects, and tourism in environmentally sensitive areas, which may contribute to biodiversity loss. The financing of real estate and public infrastructure projects may contribute to soil degradation, land sealing and a consequent reduction in ecosystem quality and extent.

Material biodiversity-related impacts and risks may necessitate adjustments to the business model and strategy, including



the recalibration of sector appetite and exposure limits, the integration of land-use and habitat conservation criteria into credit policies and approval processes, and more proactive client engagement supported by clearly articulated standards and financing conditions. A gradual reorientation of the portfolio towards projects with neutral or positive biodiversity outcomes is expected, without changes to fundamental strategic objectives, but with corresponding adjustments to priorities and the product offering.

Actual and potential financial effects may include an increase in credit risk and provisioning for exposures with an elevated biodiversity-risk profile, changes in profitability in certain sectors, and higher operating costs associated with additional due diligence and data monitoring requirements. No significant adjustments to carrying values across the portfolio as a whole are expected in the next reporting period.

Although HPB Group does not currently conduct a formal assessment of portfolio exposure to areas affected by soil degradation or to areas with a heightened biodiversity-risk profile, it recognises the importance of understanding and managing these impacts. HPB Group is therefore considering the gradual incorporation of biodiversity-related elements into credit assessment processes, with the objective of strengthening insight into the nature and extent of impacts that may arise through financing, in line with evolving regulatory requirements and the availability of client data.

The resilience of the strategy and business model in relation to biodiversity is underpinned by the capacity to adapt credit policies, define environmental conditions within financing arrangements, progressively reallocate exposures, and develop products that support the preservation of natural capital.

S1 Own workforce

For HPB Group, own workforce constitutes a key stakeholder group and a cornerstone of the long-term sustainability of the business model. The double materiality assessment identified the following material IROs within the scope of ESRS S1:

- **working conditions:** adequate/inadequate wages, work-life balance,
- **equal treatment and opportunities for all:** Gender equality and equal pay for work of equal value, training and skills development.

The material impacts, risks and opportunities are concentrated within own operations, as they relate to working conditions, organisational culture, employee competencies and human resources management policies.

The identified IROs have a direct bearing on workforce stability and productivity across all employee groups within HPB Group, on costs associated with turnover and recruitment, on the resilience of the business model, on HPB Group's reputation as a responsible employer, and on the quality and reliability of services provided to clients. In response, HPB Group ensures transparent, market-aligned remuneration practices, implements policies that support work-life balance (including remote

working arrangements), and applies equal pay and equal opportunity policies consistently across the workforce. In addition, HPB Group delivers comprehensive programmes for continuous training and skills development and systematically strengthens managerial capabilities and organisational culture. These measures support the ongoing alignment of the business model with workforce needs and long-term sustainability objectives.

Inadequate wages may contribute to increased inequality, employee dissatisfaction and higher turnover, while insufficient gender equality may result in discrimination and reduced workforce satisfaction. An insufficient work-life balance may further increase the risk of stress and a deterioration in employee well-being. Conversely, continuous training and competence development positively influences employee expertise and engagement. All identified IROs are medium-term in nature and arise from HPB Group's own operations.

These material topics may give rise to costs related to turnover, recruitment and reduced productivity, as well as reputational, legal and regulatory costs; however, no significant adjustments to carrying values are expected. Through skills development and reduced turnover, HPB Group expects improved operational efficiency and a more stable labour cost base. Over the longer term, the strengthening of organisational culture and productivity is expected to contribute positively to business performance. Investments in training, leadership development and the enhancement of HR processes are financed through regular human resources investment.

Strategic resilience is monitored through quantitative indicators, including the employee turnover rate, the share of women in management positions, the average number of training hours, and employee satisfaction survey results. Through its policies and workforce management approach, HPB Group seeks to prevent potential risks such as turnover, dissatisfaction and non-compliance, thereby supporting stable operations. This approach also strengthens employee competencies and fosters innovation, underpinning the long-term business model and service quality.

The scope of ESRS S1 disclosures encompasses all persons within HPB Group's own workforce who are employed under an employment relationship. In accordance with certain disclosure requirements, the scope also extends to workers who are not in an employment relationship, including students and external collaborators engaged under student contracts and contracts for services.

HPB Group does not operate in sectors or geographical areas that are typically associated with an elevated risk of child labour, forced labour or compulsory labour. Given that the business model is based on office-based work and the provision of financial services, exposure to such risks is considered low.

HPB Group does not anticipate significant adverse workforce impacts arising from the transition towards climate-neutral operations. Potential impacts may include additional training and competence development in sustainability-related areas, as well as opportunities for the creation of new positions in adjacent domains.

Further information on own workforce is provided in the chapter ESRS S1 Own workforce.

S4 Consumers and/or end-users

For HPB Group, material impacts, risks and opportunities relating to consumers and end-users arise primarily from a business model that is significantly reliant on digital channels, the processing of personal data, and the broad provision of financial products and services. Within the scope of its disclosures, HPB Group covers all consumers and end-users on whom it may have a material impact, including impacts arising from own operations and within the downstream value chain.

Within the double materiality assessment, HPB Group identified the following material IROs in the context of consumers and/or end-users:

- **information-related impacts on consumers and/or end-users:** Information system security, personal data protection,
- **social inclusion of consumers and/or end-users:** access to products and services.

Information system security is an area in which potential adverse impacts and material risks may arise concurrently. In the event of a cyberattack that cannot be fully prevented, a short-term potential adverse impact may occur in relation to the privacy and security of consumers' and end-users' personal data. These impacts are not considered widespread or systemic in a broader market or regulatory context; rather, they are primarily associated with individual events that could affect the availability of digital services and the confidentiality of data. HPB Group's management response includes regular vulnerability assessments, testing and security reviews, the strengthening of internal controls, and continuous employee training aimed at enhancing system resilience.

The protection of privacy, namely the personal data of consumers and end-users, constitutes a core consideration in the manner in which HPB Group manages its business model. Inadequate personal data protection may give rise to a short-term adverse impact on consumers within the downstream value chain, including the risk of a data breach and a loss of trust. Such impacts are not considered widespread across the industry; rather, they are typically associated with isolated incidents. In response, the Group applies transparent data processing policies, strengthens personal data protection governance, and continuously enhances communication with clients.

Social inclusion and access to financial services represent an area in which HPB Group delivers an actual, long-term positive impact within the downstream value chain. The availability of a network of branches and ATMs in less densely populated areas, together with the development of digital services that do not require a visit to a branch, supports equitable access to financial products for diverse groups of consumers and end-users. This impact is particularly relevant for older persons, consumers with lower levels of digital literacy and residents of rural areas, thereby reducing the risk of financial exclusion and supporting a long-term opportunity for sustainable growth.

In terms of actual financial effects, security and privacy risks may, should they materialise, affect costs associated with monitoring and audit activities, temporary service unavailability, and

potential regulatory penalties. While no such incidents occurred, they represent a potential source of financial obligations in the short term. Over the longer term, investment in security, digital infrastructure and service accessibility contributes positively to cash flow stability, user trust and the expansion of the client base.

In the short term, expected financial effects relate mainly to investment in IT security, employee training and personal data protection processes. In the medium term, investment is expected to focus on digital transformation, business process optimisation and the further strengthening of security capabilities. Over the long term, these investments are expected to contribute to greater business model resilience, improved efficiency and the strengthened competitiveness of HPB Group.

HPB Group's strategy remains resilient through the continuous enhancement of security standards, ongoing monitoring of regulatory requirements and the further strengthening of service accessibility. Qualitative analysis indicates that the identified risks do not undermine the sustainability of the business model; instead, they support continued investment in a more secure and accessible digital infrastructure.

Further information on consumers and end-users is provided in the chapter ESRS S4 Consumers and end-users.

G1 Business conduct

The business conduct topics identified as material through the double materiality assessment, in accordance with the methodology described in ESRS 2 IRO-1, are:

- **corporate culture:** business ethics, conflict of interest management,
- **whistleblower protection,**
- **corruption and bribery:** prevention and detection, including training and incidents.

These topics are concentrated primarily within own operations, as they derive from internal policies and procedures, decision-making practices, and the conduct of employees and management. They are directly relevant to business integrity, reputation, stakeholder confidence and the long-term sustainability of HPB Group's business model.

Corporate culture and business ethics constitute an opportunity, as adherence to ethical standards strengthens the confidence of clients, investors and regulators, which may facilitate access to capital and support business model stability. Effective conflict of interest management is essential to client protection and transparent decision-making; conversely, inadequate controls may give rise to regulatory and reputational consequences, as well as additional operating costs.

Whistleblower protection arrangements have a positive effect by encouraging open communication, enabling the early identification of irregularities and reinforcing a culture of accountability. At the same time, untimely or improper handling of reports may entail legal exposure, erosion of trust and reputational harm.



In the area of corruption and bribery, potential incidents may have severe adverse effects on employees, clients and the wider community, while insufficient preventive measures may result in financial, operational and reputational consequences.

These impacts and risks generally materialise over the short to medium term, depending on the topic: ethics and anti-corruption prevention are primarily relevant in the short term, whereas conflicts of interest, the handling of reports and the consequences of potential incidents are typically more pronounced over the medium term. Overall, these impacts arise from a business model grounded in trust, compliance and transparency, and from the internal governance arrangements that shape behaviour across the organisation.

HPB Group addresses these matters through its established policies and internal acts, the Code of Ethics, whistleblowing channels, conflict of interest management procedures, anti-corruption measures, internal controls and training programmes. These arrangements are continuously strengthened in line with regulatory developments. Actual financial effects relate primarily to the operating costs of the compliance framework, training and internal controls, while potential effects may include administrative fines, legal costs and reputational impacts in the event of irregularities. Effective implementation of these measures is expected to reduce the likelihood of adverse events over time and to support the stability and resilience of the business model.

Based on available information, no significant adjustments to the carrying amounts of assets and liabilities are expected in the next reporting period in connection with these matters.

Further information on business conduct is provided in the chapter ESRS G1 Business conduct.

Changes compared to the previous reporting period

Compared with the prior year, certain changes were identified in the set of material IROs as a result of enhancements to the methodology and the scope of the double materiality assessment process. Further details are provided in chapter IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities.

In 2025, as part of the reassessment of double materiality, HPB Group identified a number of newly material IROs, including: a positive potential impact related to reducing the Bank's carbon footprint (E1); two negative potential impacts related to biodiversity – investment in sectors with adverse impacts on biodiversity and soil degradation (E4); a negative potential impact relating to inadequate wages and a positive actual impact relating to training and skills development (S1); a negative potential impact and an associated risk relating to information system security (S4); a positive actual impact relating to participation in the handling of reports, and three additional G1 IROs – an opportunity in the area of business ethics and two risks related to conflict of interest management and the prevention and detection of irregularities, including training. In addition, new climate-related IROs were identified, including opportunities related to ESG transparency and sustainable finance, and risks related to increased regulatory costs and the Bank's carbon footprint (E1), as well as an additional opportunity in the area of training and skills development (S1).

These changes reflect new insights arising from the review of the DMA process, including consideration of the new draft ESRS standard published in November 2025, as well as experience gained during the first year of preparing and reviewing ESRS-aligned reporting. These elements enabled a more refined assessment of risks and opportunities and an expansion of the scope of assessment to additional topics that had not previously been identified as material.

IRO – Impact, risk and opportunity management

IRO-1 DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

The double materiality assessment is an integral component of the sustainability strategy and enables HPB Group, across a broad range of sustainability topics, to identify and focus on those that are material, to strengthen its understanding of the related impacts, risks and opportunities, and to prioritise environmental, social and governance matters of greatest relevance to HPB Group and its stakeholders.

The assessment covered the identification and evaluation of impacts, risks and opportunities within the IFRS consolidation scope. It encompassed both direct impacts arising from HPB Group's operations and impacts to which the Group contributes through its business relationships with other stakeholders.

The current assessment builds on the double materiality assessment conducted in 2025, in accordance with the requirements of ESRS 1 and ESRS 2 and the Corporate Sustainability Reporting Directive (CSRD), with enhancements to the assessment methodology and an expanded scope of stakeholder engagement. Compared with the previous period, certain changes in the assessment outcomes were identified, as described further below.

The relevance screening indicated that a broader range of topics was included in the scope for further assessment than in the prior year, including ESRS E2 (Pollution), ESRS E3 (Water and marine resources), ESRS E4 (Biodiversity and ecosystems) and ESRS E5 (Resource use and circular economy).

In the previous reporting period, material IROs were identified under ESRS E1 (Climate change), ESRS S1 (Own workforce) and ESRS S4 (Consumers and end-users). HPB Group also reported voluntarily against the requirements of ESRS G1 (Business conduct), although that topic was not identified as material. While impacts in the previous reporting period were identified at sub-sub-topic level, HPB Group reported at topic level, thereby covering all related sub-topics and sub-sub-topics.

In the current reporting period, HPB Group reports at sub-sub-topic level where material IROs have been identified and also voluntarily includes certain additional sub-sub-topics. Based on the double materiality assessment, material IROs in the current reporting period fall within ESRS E1, ESRS E4, ESRS S1, ESRS S4 and ESRS G1.

All material IROs are presented in SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.

Team responsible for identifying impacts, risks and opportunities

The double materiality assessment was carried out by an internal cross-functional team which, in order to ensure a comprehensive perspective, comprised representatives of the Strategic Development and Business Transformation Division, the Strategic Risk and Risk Control Division, the Human Resources Management Division and the Compliance Division. These organisational units contributed to the relevance screening and the assessment of sustainability topics on the basis of available information and expert judgement. Where additional input was required for specific sustainability topics, further organisational units were involved, including the Corporate Security Division and the Service Quality Management Office.

Double materiality assessment process

The process for identifying and assessing impacts, risks and opportunities was carried out in several stages, as outlined below.

As a first stage, a relevance screening was performed for all sustainability matters listed in ESRS 1, Annex A – Application Requirements, AR 16. This list was supplemented by the entity-specific sub-topic within ESRS G1.

The relevance screening was anchored in an analysis of HPB Group's operations across all business activities and throughout the value chain, taking into account the business model and strategy, as well as the external environment in which HPB Group operates as a financial institution.

To establish a robust understanding of the context of own operations and the impacts arising therefrom, HPB Group undertook a systematic collection and review of information relevant to the identification of material impacts, risks and opportunities. This included consideration of financial sector standards and practices, together with guidance shaping expectations for banks in the sustainability domain. In parallel, HPB Group's strategy was examined in detail, including how business activities, financing in particular, are linked to potential and actual impacts. The analysis incorporated the results of risk assessments performed at HPB Group level, a review of sectoral credit exposures, and information relating to the procurement of goods and services. Consideration was also given to a preliminary portfolio analysis performed using the UNEP FI tool, which enables the linkage

of the Bank's portfolio with the UN Sustainable Development Goals (SDGs) and thus provides insight into the relationship between financing and sustainability impacts generated by HPB Group. The results of this analysis point to indirect impacts arising from financing across economic sectors and households and identify interdependencies between specific positive and negative impacts.

For all sustainability matters assessed as relevant, a subsequent assessment was performed under the respective topic from the perspectives of impact materiality and financial materiality. In identifying and assessing IROs, particular attention was devoted to upstream and downstream activities within the value chain in order to ensure completeness. In this context, HPB Group analysed the full flow of business activities and processes.

The double materiality assessment process included ongoing dialogue, workshops and structured discussions among internal expert teams, comprising representatives of the competent organisational units within HPB Group. The outcome is a clearly defined set of material impacts, risks and opportunities, presented in SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model, which serves as a foundational input to the preparation of this Report.

The process is supported by defined control points and approval mechanisms, including initial validation of input data by process owners, expert review and methodological confirmation by the Sustainable Business Department, and formal approval of the identified material IROs by senior management. In addition, an internal compliance review is performed to confirm that all steps have been carried out in accordance with internal rules, methodological guidance and ESRS requirements.

Stakeholder engagement

As noted above, the double materiality assessment process was conducted through regular workshops and structured internal deliberations within the working group, composed of an internal expert team representing the relevant organisational units (Strategic Development and Business Transformation Division, Strategic Risk and Risk Control Division, Human Resources Management Division, and Compliance Division).

Unlike the previous reporting period, the current reporting period also incorporated engagement with affected stakeholders, with stakeholder feedback collected via an online survey. The survey encompassed external stakeholders (clients and business partners/suppliers) as well as internal stakeholders (all HPB Group employees and the management body).

Impact materiality assessment

The assessment was structured around the following key parameters:

- for each impact, it was specified whether it is positive or negative, actual or potential; its point of occurrence (own operations or the value chain); the location or asset to which it relates (HPB Group, HPB, HPB centre); and the relevant business segment (all operations or specific activities/organisational units),
- the time horizon of each impact was determined (short-, medium- or long-term),
- affected stakeholders were identified for each impact, and any adverse human rights impacts were identified for each aspect of the impact.

The following criteria were applied in the scoring process:

- the severity of actual and potential adverse impacts was assessed by evaluating scale, scope and irremediability, using a rating scale from 1 to 5,
- for potential adverse impacts, likelihood was also assessed, likewise on a 1 to 5 scale,
- for actual adverse impacts, the severity score also represents the materiality score. For potential adverse impacts, likelihood is also taken into account to determine materiality, with severity taking precedence over likelihood,
- for actual positive impacts, scope and scale were assessed on a 1 to 5 scale to determine severity, which also represents materiality. For potential positive impacts, likelihood (rated 1 to 5) is also taken into account to determine materiality, with severity taking precedence over likelihood,
- the scoring process takes into account the perspectives of surveyed stakeholders, recognising that these perspectives are largely based on individual experience and perception and may reflect a limited level of familiarity with ESG topics,
- an impact is considered material if it is rated 4 (material) or 5 (critical).

Financial materiality assessment

In assessing financial materiality, HPB Group considered how the identified risks and opportunities may affect the Group's financial position, performance and cash flows over the short, medium and long term. This assessment draws on existing, regularly performed annual internal risk materiality assessments, as well as information and analyses of HPB Group's strategic position, which provide a basis for identifying potential and actual business developments, i.e., risks and opportunities. Identified opportunities are, to a certain extent, already reflected in planning and business decision-making processes, in particular through strategic planning and the steering of development initiatives.

Following the identification of risks and opportunities, HPB Group assessed their materiality by combining the potential magnitude of financial effects with the likelihood of occurrence.

The assessment considered:

- scenarios and forecasts considered likely to materialise, including regulatory developments, market trends and expected climate reporting requirements,
- dependencies on regulatory and market conditions and trends, including ESG reporting requirements and global climate standards and targets, as potential drivers of financial effects,
- potential financial effects that could have a material influence on future cash flows, capital, or access to funding.

The assessment was structured around the following key parameters:

- for each risk/opportunity, the relevant time horizon (short-, medium- or long-term), dependencies on resources and relationships, and the category of financial effect were specified.

The following criteria were applied in the scoring process:

- the assessment includes a rating of both magnitude and likelihood for each risk/opportunity on a 1 to 5 scale,
- the perspectives of surveyed stakeholders are taken into account, recognising that such views are largely shaped by individual experience and perception and may reflect a limited level of familiarity with ESG topics,
- a risk/opportunity is considered material if it receives a final score of 4 (material) or 5 (critical).

ESRS E1 Climate-related impacts, risks and opportunities

HPB Group identifies and assesses material climate related impacts, risks and opportunities in accordance with the double materiality methodology described earlier in this chapter. The process covers own operations and relevant parts of the value chain and draws on a combination of internal environmental and climate risk assessments, regulatory expectations and publicly available information. It is supported by coordinated input from the strategic and credit risk functions, the sustainable business function and other relevant organisational units. In this context, the Group considers both actual and potential impacts on people and the environment, including impacts to which it is linked through business relationships, in particular through the financing of activities sensitive to climate and environmental factors. Climate and environmental factors are also taken into account in assessing implications for credit, market, operational and liquidity risk.

As part of this process, HPB Group reviews its activities and plans to identify actual and potential future sources of greenhouse gas (GHG) emissions in own operations and across the value chain and, where applicable, other drivers of climate-related impacts. Scope 1 and Scope 2 emissions are assessed

and, to the extent data are available, relevant elements of Scope 3. On that basis, total GHG emissions are assessed, with the related information aligned to disclosures under ESRS E1-6.

In assessing physical climate risks, the Group identifies relevant chronic and acute climate hazards over the short, medium and long term and evaluates whether its assets, business activities and portfolios may be exposed to those risks. For this purpose, the time horizons applied are: up to 2030 (short term), 2030–2050 (medium term) and beyond 2050 (long term). The analysis covers key climate hazards relevant to the Republic of Croatia and the region, including heatwaves, flooding (coastal, fluvial and pluvial), wildfires, storms, droughts, sea level rise and other physical risks set out in recognised ESRS classifications. The assessment evaluates the sensitivity of assets and activities to such hazards, taking into account likelihood, severity and geographic specificity. The assessment draws on publicly available climate projections and historical data, geospatial exposure analyses at cadastral-parcel level for the collateral real estate portfolio, risk models of relevant institutions and international sources such as NGFS scenarios. In order to ensure alignment with the highest exposure levels contemplated by the standard, the Group applies high-emissions climate scenarios, including the “Hot house world” scenario and other physical-risk scenarios.

The assessment of physical risks also includes an analytical approach for the collateral real estate portfolio, comprising an evaluation of the probability of individual climate events (e.g., wildfire, flood, drought, heatwave and windstorm), linkage of those data to collateral and insurance instruments, consideration of spatial risk concentration, and an assessment of potential portfolio-level impacts, taking into account the probability of client default. For the corporate portfolio, vulnerability is assessed by economic activity, taking into account clients' credit characteristics, sector exposures and remaining maturities, thereby enabling an assessment of the materiality of physical risks at industry level.

In assessing transition risks and opportunities over the short, medium and long term, the Group identifies relevant transition drivers arising from regulatory and tax developments, technological progress, market dynamics, changing consumer preferences and reputational considerations. At least one scenario aligned with limiting global warming to 1.5°C, in line with the Paris Agreement, is taken into account. For this purpose, HPB Group applies the European Central Bank's transition climate scenarios, developed on the basis of NGFS scenarios and euro area macroeconomic assumptions, including an accelerated transition, a late transition and a delayed transition. These scenarios differ in the intensity and timing of climate policy implementation and imply different transition costs, price changes, market disruptions and financing risks. The assessment considers the extent to which the Group's assets and business activities are exposed to such transition drivers and the sensitivity of the portfolio, including exposures to high-emissions sectors and to clients whose business models may be adversely affected by transition trends.

Methodologically, the assessment of transition risks includes an analysis of sector exposure to regulatory and market change, consideration of decarbonisation pathways and scenarios, a

qualitative assessment of risk transmission channels and an assessment of potential effects on clients' creditworthiness. The analysis is performed for the large corporate portfolio, including an assessment of sector vulnerability and credit characteristics, and for the retail portfolio through product segmentation and disposable income bands, taking into account household sensitivity to changes in energy prices. Qualitative assessments are translated into heat maps in order to identify sector exposures of greatest materiality.

For both physical and transition risks, the Group uses scenario analysis as a tool to understand the range of potential climate outcomes over the short, medium and long term. Scenarios are selected due to their alignment with current scientific evidence, international guidance such as TCFD recommendations and the NGFS framework, and relevant national and European regulation. The range of scenarios considered captures likely risks and uncertainties, driven in particular by policy developments, technological progress, macroeconomic trends, shifts in the energy mix and emissions pricing. For physical risk assessment, geospatial granularity is applied for parts of the portfolio, while aggregated national or regional data are used for other segments. At this stage, scenario analysis is primarily qualitative; a formal quantitative scenario analysis is planned as part of the continued enhancement of the climate framework, with key climate assumptions aligned with financial reporting.

No material changes in the methodology for assessing environmental and climate risks were recorded during the reporting period. Further enhancement of analytical tools and the level of granularity of assessments is planned for future reporting cycles, particularly in relation to climate analysis and scenario work.

Further information is provided in the chapter ESRS E1 Climate change.

ESRS E4 Impacts, risks and opportunities related to biodiversity and ecosystems

HPB Group conducted an assessment to identify and evaluate material biodiversity- and ecosystem-related impacts, risks and opportunities, in accordance with the principles of double materiality and ESRS requirements. The scope covered own operations and client activities across upstream and downstream levels of the value chain, with particular emphasis on sectors that may exert significant pressures on natural systems.

In the double materiality assessment for topic E4, HPB Group also considered relevant indicators of adverse impacts, including activities in biodiversity-sensitive areas, impacts on threatened species and protected areas, and effects on species and ecosystem services, in line with ESRS 2 IRO-1, paragraph 16.

The assessment followed the double materiality methodology described earlier in this chapter.

Given the nature of the business model, HPB Group does not have material direct physical impacts on biodiversity or ecosystem condition. Office locations and administrative activities have a limited environmental footprint. Nevertheless,

branch locations are reviewed in relation to protected areas and areas of high biodiversity sensitivity, and resource consumption and waste management are monitored.

HPB Group has no operating locations situated in biodiversity-sensitive areas, protected areas or areas within the Natura 2000 ecological network. HPB Group's activities do not cause habitat degradation or disturbance to protected species. As HPB Group does not undertake operational activities or projects that could have a direct impact on habitats, species or ecosystems, no need has been identified to implement biodiversity protection measures within the meaning of Directive 2009/147/EC on the conservation of wild birds, Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, nor is there an obligation to carry out an environmental impact assessment under Directive 2011/92/EU. Similarly, HPB Group does not carry out activities that would require the application of international standards such as IFC Performance Standard 6, as its operations do not involve interventions that could result in physical impacts on the environment.

The most significant potential impacts are expected to arise indirectly, through the financing of activities that may adversely affect ecosystems. The assessment therefore considered the portfolio's sectoral exposure to activities that may exert pressure on ecosystems, together with an analysis of potential client-related impacts on land use, soil condition and other ecological drivers.

HPB Group does not currently conduct a formal assessment of biodiversity-specific transition and physical environmental risks, nor does it undertake related scenario analysis. A gradual incorporation of biodiversity considerations into environmental risk assessments is, however, envisaged, in line with regulatory expectations and the continued development of methodologies.

Given the nature of its operations, HPB Group does not carry out activities that could directly result in adverse impacts on local communities through ecosystem degradation. As a result, consultations with affected communities are not undertaken, as this is not applicable to HPB Group.

ESRS G1 Impacts, risks and opportunities related to business conduct

In assessing material impacts, risks and opportunities in the area of business conduct, HPB Group applied the principles of double materiality in accordance with ESRS 1 and ESRS 2, as described earlier in this chapter, taking into account the specificities of the highly regulated financial sector.

The analysis was performed for the Group's operations in the Republic of Croatia, recognising that HPB Group operates in a tightly regulated environment in which expectations relating to ethics, compliance and business conduct are particularly stringent.

In the identification process, criteria relating to location (own operations), activity (banking and financial services), sector (a closely supervised financial institution) and transaction structure (credit and investment processes, client relationships, internal decision-making and conduct) were applied. The analysis

considered existing internal policies and controls, regulatory requirements, findings from oversight functions and areas in which HPB Group's activities may give rise to actual impacts.

In addition to impact assessment, the process included the identification of risks, including potential adverse outcomes such as improper conduct, insufficient transparency, inadequate whistleblower protection or breaches of anti-corruption requirements, which may result in regulatory consequences, loss of trust, financial penalties or increased operational burden.

Further information on business conduct-related impacts, risks and opportunities is provided in the chapter ESRS G1 Business conduct.

Sustainability matters not assessed as material

HPB Group assessed the relevance of all ESRS topics and, for those identified as relevant, their materiality.

For the topics ESRS E1, E2, E3, E4, E5, S1, S4 and G1 identified as relevant, not all sub-topics and/or sub-sub-topics were assessed as relevant, as the banking sector does not typically have material impacts in certain categories. Thus, the Energy sub-topic within the E1 Climate Change topic is not material for the HPB Group because the Group does not have energy-intensive processes, and its own energy consumption has a negligible environmental impact. The primary climate risks and impacts for the HPB Group arise from financed emissions, while energy does not represent a material environmental or financial risk to the business model.

Topics E2 Pollution, E3 Water and marine resources, E4 Biodiversity and ecosystems and E5 Resource use and circular economy were considered solely from the perspective of financing sectors that may affect these matters, rather than through own operations, as the Group does not have direct operational impacts in these areas. Accordingly, sub-topics and sub-sub-topics within these standards that were not identified as relevant to HPB Group were not included in the double materiality assessment.

Following the assessment of materiality for relevant topics, HPB Group determined that the following sustainability matters are not material and, accordingly, has not included them in the structure of the Report:

- ESRS E2 – Pollution

Pollution was not identified as a material topic because HPB Group, as a financial institution without manufacturing processes, does not have direct operational impacts that could result in emissions of pollutants into air, water or soil. Furthermore, HPB Group's portfolio does not have significant exposure to sectors that generate pollution in categories such as microplastics, hazardous substances or pollution of living organisms. As a result, the impacts, risks and opportunities associated with this topic were assessed as not material.

- ESRS E3 – Water and marine resources

Water and marine resources were assessed as not material because HPB Group does not undertake operational activities that affect water consumption or water quality, nor does it operate in sectors with high water risk. Portfolio exposure to sectors with significant impacts on water resources is very limited; accordingly, potential impacts and risks were not assessed as material. The topic was therefore considered only at the level of the broader sector context, but not as material for reporting purposes.

- ESRS E5 – Resource use and circular economy

Resource use and circular economy was not identified as a material topic because HPB Group does not use raw materials, manufacture goods or generate industrial waste. As a financial institution, HPB Group does not have material direct impacts on material flows, resource consumption or waste generation. While the Group may indirectly support circular economy outcomes through financing, these effects were not assessed as sufficiently material to warrant mandatory reporting.

IRO-2 DISCLOSURE REQUIREMENTS IN ESRS COVERED BY THE SUSTAINABILITY STATEMENT

List of disclosure requirements

Following the double materiality assessment performed in accordance with the methodology, criteria and materiality thresholds described in IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities, the key sustainability matters identified were mapped to the relevant disclosure requirements and corresponding data points, in line with EFRAG guidance. HPB Group provides undertaking-specific information, including policies, actions, targets and metrics, where required.

An overview of the disclosure requirements and their location within the Report is presented in the table List of disclosure requirements and in the table List of data points in cross-cutting and topical standards arising from other EU legislation.

Table: List of disclosure requirements

Segment	Disclosure requirement	Chapter
General Information	BP-1 – General basis for preparation of sustainability statements	BP-1 – General basis for preparation of sustainability statements
	BP-2 Disclosures in relation to specific circumstances	BP-2 Disclosures in relation to specific circumstances
	GOV-1 The role of administrative, management and supervisory bodies	GOV-1 The role of administrative, management and supervisory bodies
	GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
	GOV-3 Integration of sustainability-related performance in incentive schemes	GOV-3 Integration of sustainability-related performance in incentive schemes
	GOV-4 Statement on due diligence	GOV-4 Statement on due diligence
	GOV-5 Risk management and internal controls over sustainability reporting	GOV-5 Risk management and internal controls over sustainability reporting
	SBM-1 – Strategy, business model, and value chain	SBM-1 – Strategy, business model, and value chain
	SBM-2 Interests and views of stakeholders	SBM-2 Interests and views of stakeholders
	SBM-3 – Material impacts, risks, and opportunities and their integration with strategy and business model	SBM-3 – Material impacts, risks, and opportunities and their integration with strategy and business model
	IRO-1 Description of the processes to identify and assess material impacts, risks, and opportunities	IRO-1 Description of the processes to identify and assess material impacts, risks, and opportunities
IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement	IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement	
Climate change	E1-1 Transition plan for climate change mitigation	E1-1 Transition plan for climate change mitigation
	E1-2 Policies related to climate change mitigation and adaptation	E1-2 Policies related to climate change mitigation and adaptation
	E1-3 Measures and resources in relation to climate policies	E1-3 Measures and resources in relation to climate policies
	E1-4 Targets related to climate change mitigation and adaptation	E1-4 Targets related to climate change mitigation and adaptation
	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions

Segment	Disclosure requirement	Chapter
Own workforce	S1-1 Policies related to own workforce	S1-1 Policies related to own workforce
	S1-2 Processes for engaging with own workers and workers' representatives about impacts	S1-2 Processes for engaging with own workers and workers' representatives about impacts
	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns
	S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions
	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
	S1-6 Characteristics of the undertaking's employees	S1-6 Characteristics of the undertaking's employees
	S1-7 Characteristics of non-employees in the undertaking's own workforce	S1-7 Characteristics of non-employees in the undertaking's own workforce
	S1-9 Diversity metrics	S1-9 Diversity metrics
	S1-10 Adequate wages	S1-10 Adequate wages
	S1-11 Social protection	S1-11 Social protection
	S1-13 Training and skills development metrics	S1-13 Training and skills development metrics
	S1-15 Work-life balance metrics	S1-15 Work-life balance metrics
	S1-16 Remuneration metrics (pay gap and total remuneration)	S1-16 Remuneration metrics (pay gap and total remuneration)
	S1-17 Incidents, complaints and severe human rights impacts	S1-17 Incidents, complaints and severe human rights impacts
Consumers and end-users	S4-1 Policies related to consumers and end-users	S4-1 Policies related to consumers and end-users
	S4-2 Processes for engaging with consumers and end-users about impacts	S4-2 Processes for engaging with consumers and end-users about impacts
	S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns
	S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions
	S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
Business conduct	G1-1 Business conduct policies and corporate culture	G1-1 Business conduct policies and corporate culture
	G1-3 Prevention and detection of corruption and bribery	G1-3 Prevention and detection of corruption and bribery
	G1-4 Incidents of corruption or bribery	G1-4 Incidents of corruption or bribery

Table: List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	Climate Law reference	Material/ Not material	Section
ESRS 2 GOV-1 Board's gender diversity paragraph 21(d)	Indicator No. 13 in Table 1 of Annex I		Commission Delegated Regulation (EU) 2020/1816 (5), Annex II		Material	GOV-1 The role of administrative, management and supervisory bodies
ESRS 2 GOV-1 Percentage of board members who are independent, paragraph 21(e)			Delegated Regulation (EU) 2020/1816, Annex II		Material	GOV-1 The role of administrative, management and supervisory bodies
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator No. 10 in Table 3 of Annex I				Material	GOV-4 Statement on sustainability due diligence
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities, paragraph 40(d) (i)	Indicator No. 4 in Table 1 of Annex I	Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453(6), Table 1: Qualitative information on environmental risk and Table 2: Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II		Material	Disclosure deferred under transitional provisions
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40(d)(ii)	Indicator No. 9 in Table 2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	Disclosure deferred under transitional provisions
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40(d) (iii)	Indicator No. 14 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1818 (7); Delegated Regulation (EU) 2020/1816, Article 12(1), Annex II		Material	Disclosure deferred under transitional provisions
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40(d)(iv)			Delegated Regulation (EU) 2020/1818; Delegated Regulation (EU) 2020/1816, Article 12(1), Annex II		Material	Disclosure deferred under transitional provisions
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Material	E1-1 Transition plan for climate change mitigation
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks, paragraph 16(g)		Article 449a, Regulation (EU) 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12(1)(d)–(g) and Article 12(2)		Material	E1-1 Transition plan for climate change mitigation
ESRS E1-4 GHG emission reduction targets, paragraph 34	Indicator No. 4 in Table 2 of Annex I	Article 449a, Regulation (EU) 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate Change transition risk: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		Material	E1-4 Targets related to climate change mitigation and adaptation

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	Climate Law reference	Material/ Not material	Section
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors), paragraph 38	Indicator No. 5 in Table 1 and Indicator No. 5 in Table 2 of Annex I				Not material	
ESRS E1-5 Energy consumption and mix, paragraph 37	Indicator No. 5 in Table 1 of Annex I				Not material	
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors, paragraphs 40–43	Indicator No. 6 in Table 1 of Annex I				Not material	
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions, paragraph 44	Indicators No. 1 and 2 in Table 1 of Annex I	Article 449a, Regulation (EU) 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book – Climate change transition: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation, Article 5(1), 6 and 8(1)		Material	ESRS E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions, paragraph 44
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	Indicator No. 3 in Table 1 of Annex I	Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Material	ESRS E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions, paragraph 44
ESRS E1-7 GHG removals and carbon credits, paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material	
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818; Delegated Regulation (EU) 2020/1816, Annex II		Material	Disclosure deferred under transitional provisions
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66(a); ESRS E1-9 Location of significant assets at material physical risk, paragraph 66(c)		Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453, paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk.			Material	Disclosure deferred under transitional provisions
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67(c)		Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453, paragraph 34; Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral			Material	Disclosure deferred under transitional provisions

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	Climate Law reference	Material/ Not material	Section
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1816, Annex II		Material	Disclosure deferred under transitional provisions
ESRS E2-4 Amount of each pollutant listed in Annex II to the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Annex I, Indicator No. 8 Table 1; Annex I, Indicator No. 2 Table 2; Annex I, Indicator No. 1 Table 2; Annex I, Indicator No. 3 Table 2; Annex I				Not material	
ESRS E3-1 Water and marine resources, paragraph 9	Indicator No. 7 in Table 2 of Annex I				Not material	
ESRS E3-1 Dedicated policy, paragraph 13	Indicator No. 8 in Table 2 of Annex I				Not material	
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator No. 12 in Table 2 of Annex I				Not material	
ESRS E3-4 Total water recycled and reused paragraph 28(c)	Indicator No. 6.2 in Table 2 of Annex I				Not material	
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations, paragraph 29	Indicator No. 6.1 in Table 2 of Annex I				Not material	
ESRS 2 IRO-1 – E4 paragraph 16(a)(i)	Indicator No. 7 in Table 1 of Annex I				Material	IRO-1 Description of the processes to identify and assess material impacts, risks, and opportunities
ESRS 2 IRO-1 – E4 paragraph 16(b)	Indicator No. 10 in Table 2 of Annex I				Material	IRO-1 Description of the processes to identify and assess material impacts, risks, and opportunities
ESRS 2 IRO-1 – E4 paragraph 16(c)	Indicator No. 14 in Table 2 of Annex I				Material	IRO-1 Description of the processes to identify and assess material impacts, risks, and opportunities
ESRS E4-2 Sustainable land/agricultural practices or policies, paragraph 24(b)	Indicator No. 11 in Table 2 of Annex I				Material	Disclosure deferred under transitional provisions
ESRS E4-2 Sustainable oceans/seas practices or policies, paragraph 24(c)	Indicator No. 12 in Table 2 of Annex I				Material	Disclosure deferred under transitional provisions

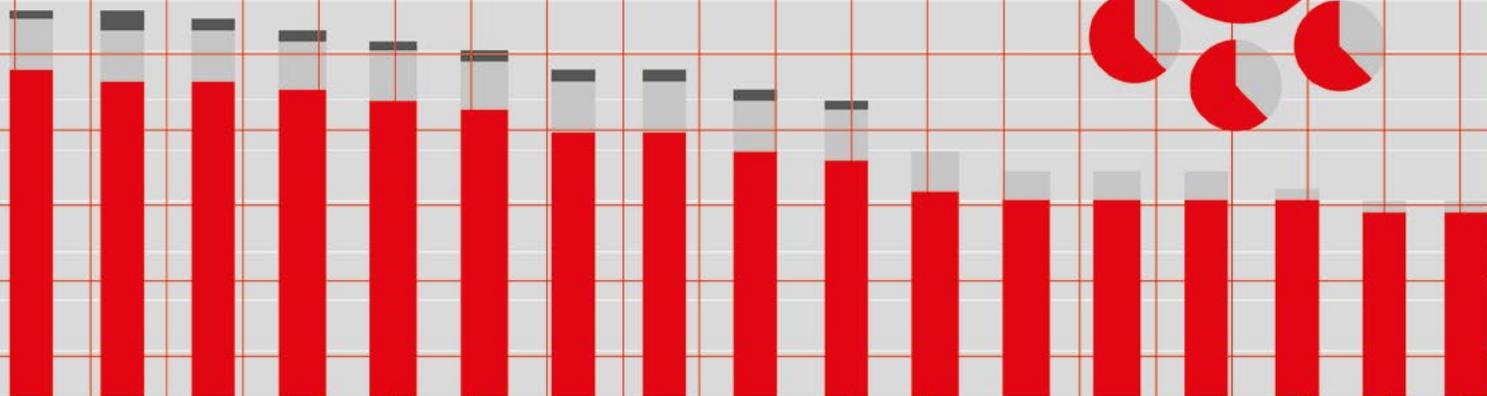
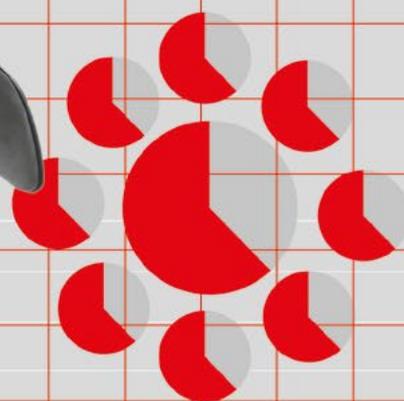
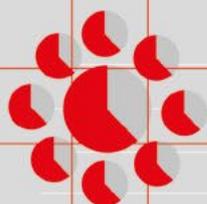
Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	Climate Law reference	Material/ Not material	Section
ESRS E4-2 Policies to address deforestation paragraph 24(d)	Indicator No. 15 in Table 2 of Annex I				Material	Disclosure deferred under transitional provisions
ESRS E5-5 Non-recycled waste, paragraph 37(d)	Indicator No. 13 in Table 2 of Annex I				Not material	
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	Indicator No. 9 in Table 1 of Annex I				Not material	
ESRS 2 SBM-3 – S1 Risk of incidents of forced labour, paragraph 14(f)	Indicator No. 13 in Table 3 of Annex I				Not material	
ESRS 2 SBM-3 – S1 Risk of incidents of child labour paragraph 14(g)	Indicator No. 12 in Table 3 of Annex I				Not material	
ESRS S1-1 Human rights policy commitments, paragraph 20	Indicator No. 9 in Table 3 and Indicator No. 11 in Table 1 of Annex I				Material	S1-1 Policies related to own workforce
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Material	S1-1 Policies related to own workforce
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	Indicator No. 11 in Table 3 of Annex I				Material	S1-1 Policies related to own workforce
ESRS S1-1 workplace accident prevention policy or management system, paragraph 23	Indicator No. 1 in Table 3 of Annex I				Material	S1-1 Policies related to own workforce
ESRS S1-3 Grievance/ complaints handling mechanisms, paragraph 32(c)	Indicator No. 5 in Table 3 of Annex I				Material	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88(b) and (c)	Indicator No. 2 in Table 3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS S1-14 Number of days lost due to injuries, accidents, fatalities or illness, paragraph 88(e)	Indicator No. 3 in Table 3 of Annex I				Not material	
ESRS S1-16 Unadjusted gender pay gap, paragraph 97(a)	Indicator No. 12 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	S1-16 Remuneration metrics (pay gap and total remuneration)

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	Climate Law reference	Material/ Not material	Section
ESRS S1-16 Excessive CEO pay ratio, paragraph 97(b)	Indicator No. 8 in Table 3 of Annex I				Material	S1-16 Remuneration metrics (pay gap and total remuneration)
ESRS S1-17 Incidents of discrimination, paragraph 103(a)	Indicator No. 7 in Table 3 of Annex I				Material	S1-17 Incidents, complaints and severe human rights impacts
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD, paragraph 104(a)	Indicator No. 10 in Table 1 and Indicator No. 14 in Table 3 of Annex I		Delegated Regulation (EU) 2020/1818; Delegated Regulation (EU) 2020/1816; Annex II, Article 12(1)		Material	S1-17 Incidents, complaints and severe human rights impacts
ESRS 2 SBM-3 – S2 Significant risk of child labour or forced labour in the value chain, paragraph 11(b)	Indicators No. 12 and 13 in Table 3 of Annex I				Not material	
ESRS S2-1 Human rights policy commitments, paragraph 17	Indicator No. 9 in Table 3 and Indicator No. 11 in Table 1 of Annex I				Not material	
ESRS S2-1 Policies related to value chain workers, paragraph 18	Indicators No. 11 and 4 in Table 3 of Annex I				Not material	
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD Guidelines, paragraph 19	Indicator No. 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1818; Delegated Regulation (EU) 2020/1816; Annex II, Article 12(1)		Not material	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	Indicator No. 14 in Table 3 of Annex I				Not material	
ESRS S3-1 Human rights policy commitments, paragraph 16	Indicator No. 9 in Table 3 of Annex I and Indicator No. 11 in Table 1 of Annex I				Not material	
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD Guidelines, paragraph 17	Indicator No. 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1818; Delegated Regulation (EU) 2020/1816; Annex II, Article 12(1)		Not material	

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	Climate Law reference	Material/ Not material	Section
ESRS S3-4 Human rights issues and incidents, paragraph 36	Indicator No. 14 in Table 3 of Annex I				Not material	
ESRS S4-1 Policies related to consumers and end users, paragraph 16	Indicator No. 9 in Table 3 and Indicator No. 11 in Table 1 of Annex I				Material	S4-1 Policies related to consumers and end-users
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 17	Indicator No. 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1818; Delegated Regulation (EU) 2020/1816; Annex II, Article 12(1)		Material	S4-1 Policies related to consumers and end-users
ESRS S4-4 Human rights issues and incidents, paragraph 35	Indicator No. 14 in Table 3 of Annex I				Material	S4-4 Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end users, and effectiveness of those actions
ESRS G1-1 United Nations Convention against Corruption, paragraph 10(b)	Indicator No. 15 in Table 3 of Annex I				Material	G1-1 Business conduct policies and corporate culture
ESRS G1-1 Protection of whistleblowers, paragraph 10(d)	Indicator No. 6 in Table 3 of Annex I				Material	G1-1 Business conduct policies and corporate culture
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws, paragraph 24(a)	Indicator No. 17 in Table 3 of Annex I		Commission Delegated Regulation (EU) 2020/1816, Annex II		Material	G1-4 Incidents of corruption or bribery
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24(b)	Indicator No. 16 in Table 3 of Annex I				Material	G1-4 Incidents of corruption or bribery



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ENVIRONMENTAL DISCLOSURES

E1 Climate change

This chapter has been prepared in accordance with Commission Delegated Regulation (EU) 2023/2772, applying the disclosure requirements under E1 and integrating the relevant cross-cutting disclosures under ESRS 2.

In this section of the Sustainability Statement, HPB Group outlines its approach to the governance and management of climate-related matters, including adaptation, mitigation and the management of greenhouse gas (GHG) emissions. Climate change is regarded as a key strategic challenge for the financial sector, with potential implications for the business model, the portfolio, regulatory obligations and stakeholder expectations.

Climate-related matters were identified as material through the double materiality assessment conducted in accordance with ESRS 2 IRO-1. The assessment indicates that climate change results in material impacts, risks and opportunities across own operations and the value chain, particularly in relation to financed emissions and the transition of the portfolio towards lower-carbon sectors.

In line with the material IROs identified, this chapter addresses the following topics:

- **climate change adaptation** (sustainable finance; environmental risk management),
- **climate change mitigation** (portfolio carbon footprint).

These topics were identified as material due to their potential implications for business model resilience, regulatory compliance, reputation, access to capital and the long-term financial performance of HPB Group. Climate-related risks and opportunities are of particular relevance to financial institutions, as a substantial share of impacts is transmitted through the portfolio, while regulatory requirements and market expectations further underscore the importance of robust and transparent transition planning. The topic of Energy was considered as part of the materiality assessment due to its relevance to the calculation of greenhouse gas emissions; however, HPB Group did not identify a material impact, risk or opportunity in this area.

A description of the processes applied to identify and assess material climate change-related impacts, risks and opportunities is provided in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities.

A detailed description of the material IROs and their interaction with HPB Group's strategy and business model is provided in ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.

E1-1 TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

During the reporting period, HPB Group progressed the development of strategic and operational documentation relating to the climate transition, including the Climate Strategy and supporting documents setting out key elements of the transition planning framework. These documents articulate objectives, KPIs and measures that provide the basis for the formal preparation of a Transition Plan to be fully aligned with ESRS E1-1, noting that the current documentation does not yet cover all elements prescribed by the standard.

Accordingly, the disclosures in this section reflect the measures and steps already undertaken by HPB Group, including the establishment of certain climate targets, the integration of climate and environmental risks into key business processes, and the introduction of oversight arrangements within the Management Board and the Supervisory Board. The formal Transition Plan, aligned with ESRS E1-1 requirements, is

intended to be completed in the forthcoming period. HPB Group continues to refine methodologies, broaden scope and incorporate additional elements in order to achieve full alignment in subsequent reporting cycles.

Recognising that its activities have both direct and indirect implications for the environment and natural resources, HPB Group has, as part of its climate adaptation and mitigation work, identified key areas of impact and defined overarching directions aligned with the European Union's ambition to achieve climate neutrality by 2050. The governance bodies have established a framework setting out principles, priorities and objectives for emissions reduction, resilience enhancement and support for the transition to a more sustainable, low-carbon economy. This framework covers two principal segments of the value chain, own banking operations and the financed portfolio, and delineates HPB Group's core areas of action in the context of climate change.

In line with the identified impact areas, long-term qualitative objectives to 2050 have been set, together with related activities across three interconnected areas:

- **decarbonisation** including the definition of ambitions and activities aimed at reducing Scope 1, 2 and 3 greenhouse gas emissions, encompassing both own emissions and financed emissions,
- **response to climate-related risks and opportunities** through activities aimed at strengthening resilience to climate change, adapting to climate-related risks and capturing opportunities arising from the transition to a sustainable economy, including investment in lower-emissions projects,
- **contribution to the economy's transition** by leveraging HPB Group's role within the financial system to stimulate activities that reduce emissions and increase economic resilience to climate change, including financing projects in higher-emissions sectors with a view to their gradual decarbonisation.

Building on these long-term qualitative climate objectives and the identified impact areas, HPB Group is developing a transition planning framework aimed at supporting a gradual shift towards a low-carbon economy. As part of this work, certain key performance indicators (KPIs), time horizons, responsibilities, roles and resource requirements for the implementation of climate-related actions have been defined, forming the basis for future transition planning that will be fully aligned with ESRS E1-1. In developing this framework, HPB Group draws on the guidance of the Transition Plan Taskforce (TPT), applying it to the extent permitted at this stage by data availability and quality.

Greenhouse gas emission reduction targets

HPB Group has defined greenhouse gas emissions reduction targets taking into account the global climate objectives of the Paris Agreement and the European framework for limiting temperature increase to 1.5°C. In setting these targets, HPB Group used internationally recognised scenarios and pathways developed by the International Energy Agency (IEA), which serve as a key reference framework for the transition towards a net-zero economy.

For Scope 1 and Scope 2 emissions, HPB Group applies an absolute emissions reduction approach aligned with the IEA Net Zero scenario guidance. Targets for Scope 3 are based on the available sectoral transition pathways towards a low-emissions economy derived from IEA publications. In this manner, the targets remain transparent, measurable and grounded in relevant scientific sources; however, HPB Group does not claim formal alignment with, nor does it hold verification under, any specific external standard.

By using IEA pathways as its principal reference framework, HPB Group demonstrates its commitment to long-term climate action and to supporting the transition of the Croatian economy towards low-carbon development, in line with global efforts to limit climate change.

Additional information on greenhouse gas emissions reduction targets is provided in E1-4 Targets related to climate change mitigation and adaptation.

Sectoral policies and financing restrictions

HPB Group performs a qualitative assessment of potential future greenhouse gas emissions associated with key sectors in its loan portfolio. The analysis is based on the Methodology for determining the ENV (environmental) rating of client industries and activities, which uses data from the Register of Environmental Pollution (ROO) and Eurostat to identify industries with the highest CO₂ emissions, the highest water burden and the highest waste generation. On this basis, the most emissions-intensive sectors are identified, which also carry elevated transition risk.

Potential future emissions in these sectors may affect the achievement of HPB Group's targets for reducing financed emissions, particularly if emissions intensity declines at a slower pace than European climate pathways. Such sectors may increase exposure to transition costs, regulatory developments and misalignment with market trends, thereby affecting credit risk and the long-term sustainability of the portfolio.

To manage these risks, HPB Group applies sectoral credit policies, restriction and exclusion criteria (NO-GO), minimum credit standards, and client sustainability assessments through ESG questionnaires.

Based on the assessed sensitivity of individual sectors to transition risks, the Sectoral Policies define support rules and lending constraints through:

- **financing prohibitions:** critical activities for which financing is prohibited in accordance with regulatory requirements. In addition to Risk Appetite Statement (RAS) limits and sectoral policies, the Minimum Credit Standards for business entities define activities and purposes that are not eligible for financing, including those that are contrary to the objective of climate change mitigation. Under this document, activities related to the extraction of thermal coal or the generation of electricity from coal are fully prohibited. Activities related to nuclear energy and production within the nuclear industry are also prohibited. Projects in the mining sector are likewise not acceptable, as are projects and activities intended for the production (other than primary agriculture), processing or distribution of tobacco; distribution is included where it is the client's sole activity,
- **setting RAS limits:** exposure limits are applied—within the risk appetite framework—to sectors and sub-sectors that are highly sensitive to environmental and transition risks, as well as to other sectors and sub-sectors where such limits have been determined to be necessary,
- **defining sectoral policies:** for sectors and sub-sectors that are particularly sensitive to environmental transition risks and for which, in addition to RAS limits, specific criteria are required.

Further information on financing policies is provided in E1-2 Policies related to climate change mitigation and adaptation, and further information on decarbonisation measures is provided in E1-3 Actions and resources in relation to climate change policies.

Based on currently available information and the existing approach to cost recording, the implementation of climate measures to date has not required the separation of specifically identified capital or operating expenditure beyond regular business activities. HPB Group does not currently have a quantitative analysis of expenditure associated with the implementation of climate measures and plans to further develop methodologies for quantification and tracking, in line with ESRS E1-1.

A preliminary qualitative assessment, taking into account the nature of HPB Group's business model, did not indicate the presence of material locked-in emissions within own operations. As a formal assessment of locked-in emissions in accordance with ESRS E1-1 has not yet been prepared, HPB Group is not, at this stage, in a position to provide a quantitative estimate of Scope 1 and Scope 2 locked-in emissions or to define a management plan for those emissions in accordance with ESRS E1 AR 3. The development of such an assessment will form part of the further strengthening of the climate framework.

HPB Group has not, to date, performed a formal assessment of alignment with the exclusion criteria applicable to the EU Paris-Aligned Benchmark and the EU Climate Transition Benchmark under Delegated Regulation (EU) 2020/1818.

A formal analysis is planned and will be incorporated into future iterations of transition planning, in line with ESRS E1-1.

HPB Group will continue to refine its methodologies and to expand public disclosures in this area progressively in future reporting cycles, with a view to achieving full alignment with the requirements of ESRS E1-1.

The analysis is performed on an annual basis and is informed by qualitative and quantitative assessments of climate and environmental risks, portfolio exposure analysis and climate scenarios. It includes the mapping of the geographic footprint of activities, the identification of relevant environmental risks for Croatia, the identification of physical and transition risks and transmission channels, likelihood assessment based on publicly available scientific assessments, and the evaluation of implications for credit, market, liquidity and operational risk across time horizons.

In conducting resilience analysis, HPB Group also applies key assumptions regarding the potential effects of the climate transition on macroeconomic conditions and energy trends in its operating environment. These assumptions include a gradual shift towards a lower-carbon economy, potential changes in the structure and price of energy, a rising share of renewable energy sources, and the broader availability of technologies required for the transition. They provide a framework for understanding how climate policy and market pressures may influence energy demand, investment dynamics, operating costs and the financial sustainability of clients in climate-exposed sectors.

E1-2 POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

HPB Group provides an overview of its policies and key documents aimed at managing material climate change-related impacts, risks and opportunities, including climate change mitigation, adaptation to climate-related risks, greenhouse gas (GHG) emissions, and the development of sustainable finance.

Climate Strategy

The overarching document in this thematic area is the HPB Group Climate Strategy to 2050, aligned with the Paris Agreement, the European Green Deal, the Low-Carbon Development Strategy of the Republic of Croatia to 2030 with a view to 2050, and the EBA Guidelines on ESG risks.

The Climate Strategy defines HPB Group's approach to climate change mitigation, adaptation to climate impacts, and the integration of climate and environmental factors into business processes, risk management and decision-making.

The Climate Strategy is focused on:

- **climate change mitigation:** reducing greenhouse gas emissions from own operations (Scope 1 and Scope 2) and financed emissions (Scope 3, Category 15); developing sustainable financial products and steering financing towards lower-carbon sectors; and improving energy efficiency in own operations,
- **climate change adaptation:** managing physical and transition climate risks, including the integration of climate factors into risk management processes; strengthening business model resilience through scenario analysis and long-term planning.



Implementation of the Strategy is monitored through defined targets, internal risk management processes, and regular reporting to the Management Board and the Supervisory Board on progress, including their oversight of emissions reduction and the expansion of sustainable financing.

The Strategy applies across all HPB Group business activities—including lending, investments, risk management and internal operations—and covers both own operations and the value chain, in particular those segments that may generate material climate-related impacts. It applies within the geographical territory of the Republic of Croatia, while taking into account international climate developments and applicable regulatory requirements.

The Climate Strategy is applied without exceptions; however, the scope and granularity of certain analyses and assessments are currently constrained by data availability. HPB Group intends to expand coverage progressively in future reporting periods.

In developing and implementing the Strategy, HPB Group takes into consideration the interests of key stakeholder groups, including clients (through the development of sustainable products and support for the transition), employees (through training and involvement in ESG processes), regulators and supervisors (through alignment with supervisory expectations), and the wider community (through contributing to a more resilient and sustainable economy).

While the HPB Group Climate Strategy has been developed in line with relevant international, European and national climate frameworks and objectives, it has not yet been supported by a methodological linkage or scenario-based validation demonstrating that the planned package of measures is sufficient to deliver a 1.5°C pathway. HPB Group therefore plans, in the next reporting period, to develop scenario analysis incorporating relevant climate scenarios and to perform a quantitative assessment of the adequacy of targets against a 1.5°C pathway.

Overall accountability for the implementation of the Climate Strategy rests with the Management Board and the Supervisory Board, which approve the policy and oversee its execution. The Strategic Development and Business Transformation Division coordinates implementation activities and ensures alignment with regulatory requirements.

The Climate Strategy establishes climate-related targets and actions aligned with the Bank's business strategy, including the strategic priority "Sustainable growth." Approval by the Management Board and the Supervisory Board provides a formal anchoring within the Bank's governance arrangements. However, at the current stage, there is no documented linkage between transition actions and financial planning, nor are internal procedures in place to operationalise transition targets through financial plans. In the next reporting period, HPB Group will initiate the development and formal documentation of such mechanisms in order to achieve alignment with the requirements of ESRS E1-1.

HPB Group reports on the activities, targets and implementation outcomes of the Climate Strategy to stakeholders and the interested public at least annually, within the scope of its regulatory sustainability reporting obligations.

Policies addressing environmental risk management

Environmental risk management is defined through the Rulebook on the Identification, Determination and General Assessment of Environmental Risks, the Methodology for Assessing the Materiality of Environmental Risks, the Risk Appetite Policy, and the Business Continuity Policy, which together establish a framework for the systematic identification, assessment and management of physical and transition risks arising from climate change. These documents set out the process for integrating environmental risks into the risk management system and for assessing their implications for HPB Group's operations in a consistent, transparent and regulatorily aligned manner. The framework follows the EBA guidelines on risk management, the Credit Institutions Act, and the CNB Decision on the Risk Management System.

The Rulebook on the Identification, Determination and General Assessment of Environmental Risks defines the rules, methods and timelines for identifying physical and transition risks and for determining their transmission channels. It focuses on data collection, the performance of overarching risk assessments and integration into the risk management system. The overarching objective of the Rulebook is to enable business decision-making that appropriately reflects environmental and climate risks and their effects on clients and the Bank. The Rulebook includes the definition of climate scenarios in line with NGFS and ECB models, the collection and processing of data for physical and transition risks, and the development of geospatial risk models.

The Rulebook applies to organisational units involved in the identification, analysis, monitoring and management of environmental risks, as well as to business processes relating to credit analysis, reporting, geospatial risk analysis and climate assessments. Any limitations in applying the Rulebook may arise solely from the unavailability or insufficient quality of data required to perform particular analyses or assessments.

Responsibility for establishing, monitoring implementation of and updating the Rulebook rests with the Strategic Development and Business Transformation Division. The Rulebook is approved by the Management Board, subject to the consent of the Supervisory Board. Its content has been developed in accordance with the recommendations of the competent regulatory authorities (CNB, EBA).

As the Rulebook is classified as confidential, it is available internally via the intranet and is not publicly accessible.

The Methodology for Assessing the Materiality of Environmental Risks defines the procedures and criteria for identifying, assessing and determining the materiality of physical and transition environmental risks and their implications for the Bank's existing prudential risks (credit, market, operational and liquidity risk). The objective of the Methodology is to establish a systematic, supervisory-informed process for assessing the materiality of environmental factors within the Bank's existing risk management framework. The Methodology covers, inter alia, the assessment of portfolio exposure by industry and client, the application of climate scenarios across different time horizons,

and the determination of materiality of exposures on the basis of probability of default (PD), residual maturity, geographic location and portfolio concentrations.

The Methodology applies to organisational units involved in strategic and credit risk management processes and covers the corporate and retail portfolios, collateral, and the Bank's geographic exposure. It encompasses industries classified under the NACE classification and all prudential risks that may be influenced by climate factors. Any limitations in applying the Methodology may arise solely from the unavailability or insufficient quality of data required to perform specific analyses or assessments.

Monitoring is performed through annual updates of the Methodology and the environmental risk materiality assessment. The Strategic Risk and Risk Control Division is responsible for implementation and periodic updates, while the Methodology is approved by the Management Board. The content of the Methodology has been developed in accordance with recommendations issued by the competent regulatory authorities (CNB, EBA).

The Methodology is available internally via the intranet and is not publicly accessible.

The Risk Appetite Policy complements this framework by setting limits on acceptable risk, including ESG risks, and integrating environmental factors into strategic planning, ICAAP, annual financial planning and risk decision-making processes. In line with the materiality assessment, HPB Group limits the growth of exposures to lower-income individuals in the cash, unsecured consumer loan segment, while within the corporate portfolio it introduces monitoring and constraints on exposures to activities with heightened sensitivity to transition risks. In the area of physical risk, HPB Group assesses the influence of environmental factors on the value of collateral and develops climate models intended to enable more precise risk differentiation across different time horizons.

Implementation of these policies is underpinned by clearly defined responsibilities, with the Management Board and the Supervisory Board exercising the highest level of oversight, while operational execution and monitoring are performed by the competent organisational units, in particular risk control functions.

The Policy applies across HPB Group and to all risk types, including ESG risks. The scope extends to all credit, market, operational and other risks subject to the influence of climate factors; the Bank's entire portfolio, including sectors with high emissions sensitivity and physical risks relating to collateral; and all levels of risk management, including credit decision-making and portfolio allocation.

The policies are updated regularly in line with regulatory developments, data availability and changes in the operating environment, taking into account the interests of key stakeholders and transparency requirements. These policies are available to internal stakeholders and, upon request, to regulatory authorities.

Business Continuity Policy complements the environmental risk management framework and supports the maintenance of critical functions and operational stability in the event that physical risks materialise. It sets out procedures and measures

for ensuring uninterrupted operations, in line with HPB Group's strategy and the results of the Business Impact Analysis (BIA).

Under the Policy, a systematic assessment is performed of the potential effects of environmental risks on business continuity, including floods, fires, storms, extreme temperatures and other climate-driven events, drawing on available climate data and scenario projections. While earthquakes do not constitute a climate risk, their potential operational impacts are also considered. Implementation of the Policy is overseen through regular reviews, plan testing and reporting to the competent governance bodies.

The Policy applies to all organisational units, locations, critical processes, IT services and other dependencies, including critical suppliers, without specific exceptions. The geographical scope covers the entire territory of the Republic of Croatia.

Responsibility for implementation rests with the Management Board, with the involvement of the Operational Risk Management Committee, the Crisis Management Team and Internal Audit, and operational coordination by the Corporate Security Division.

The Policy is aligned with international business continuity management standards (ISO 22301), BCI guidance, CNB regulatory requirements, and ESG regulation insofar as it relates to physical and climate risks. It has been developed in cooperation with relevant internal stakeholders, while the interests of external stakeholders are addressed through the obligation to ensure operational stability. The Policy is available to employees via the intranet and contributes to the overall operational resilience of HPB Group.

Policies promoting responsible financing

The integrated framework for sustainable and responsible financing comprises the Sectoral Credit Policies, the Methodology for determining the ESG rating of industries and activities, and the Methodology for calculating the client-level ENV score.

The purpose of this set of policies is to establish a comprehensive system through which HPB Group manages environmental risks, to provide a foundation for the future integration of social and governance risks, to support the sustainable transition of the economy, and to ensure compliance with EU regulatory and national supervisory requirements.

Sectoral Credit Policies establish a formal framework and guidance for the management of credit risk in relation to business entities, viewed through the lens of sector affiliation, and incorporate general, market and environmental risk considerations into the approval process and the management of credit exposures. The primary objectives of the Policies include maintaining a high-quality credit portfolio, achieving an appropriate balance between lending volumes, profitability and risk, ensuring compliance with regulatory requirements, and integrating ESG matters and green transition objectives into financial decision-making.

The Policies identify and assess general and environmental risks across key economic sectors through heat maps, activity classification and client segmentation, and set out financing guidelines, recommended product types, eligible and non-eligible purposes, and activities that the Bank does not finance (e.g.,

coal, certain activities within the oil industry, hazardous waste and tobacco). Within the environmental component, specific restrictions and support measures are defined for sectors with high emissions sensitivity.

Implementation of the Policies is ensured through mandatory application within the credit process, the integration of ESG questionnaires into credit assessments, the application of Risk Appetite Statement (RAS) limits, and regular evaluation of portfolio composition and sector-level risk.

The Policies apply to all organisational units involved in the management of credit risk for business entities, including creditworthiness assessment, credit approval, portfolio and exposure management, and sector risk analysis. The general sectoral credit policies apply to the small, medium, medium+ and large enterprise segments in accordance with the Bank's internal classification. For the micro segment, the policies are not binding and serve as guidance, except in cases of project finance and real estate finance. The environmental sectoral credit policies apply exclusively to the large enterprise segment, in line with the Bank's internal classification.

The Policies cover all sectors under the NACE classification and apply to all business entities operating within the Republic of Croatia.

Overall responsibility for the Policies rests with the Management Board, which adopts the document and approves its implementation and subsequent amendments. Operational implementation is ensured by the Corporate Credit Risk Management Division and by the sales and credit functions participating in the credit process.

The Policies are aligned with the applicable regulatory framework, including the Credit Institutions Act, the CNB Decision on the Risk Management System, the National Classification of Activities (NACE 2007), and the ESG regulatory framework, as well as ECB expectations relating to climate and environmental risks.

External stakeholders were not additionally involved in the drafting of the Policies; however, the interests of clients, the market and society were taken into account through an assessment of financing needs, market trends and alignment with green transition objectives and the Bank's social responsibility commitments.

As the document is classified as confidential, the Policies are not publicly available and are accessible internally only. Their provisions are operationalised through credit decisions, client communications, contractual requirements and ESG risk assessment processes, and are thereby reflected in practice for clients whose activities fall within the scope of the criteria and restrictions set out in the Policies.

Methodology for determining ESG ratings of industries and activities establishes a systematic, data-driven framework for calculating ESG ratings for industries and business activities, with a particular emphasis on the ENV (environmental) component. At present, the ENV component is the only element included in the rating calculation; the SOC (social) and GOV (governance) components will be incorporated in future iterations of the document, in line with the Client-level ENV scoring methodology. The objective

of the Methodology is to ensure a consistent, regulatorily aligned and objective assessment of environmental risks arising from clients' activities, providing an input on the basis of which an ESG rating, i.e., an ENV score—is assigned to the client.

The Methodology is applied across all organisational units involved in corporate lending, in particular within creditworthiness assessment processes and the evaluation of client environmental risks by industry and activity.

Responsibility for implementation rests with the Strategic Risk and Risk Control Division. The Executive Director of the Division adopts the document and oversees its integration into risk management processes and corporate lending activities. Development of the Methodology has been primarily driven by regulatory expectations, making the regulator (CNB and European supervisory authorities) the principal stakeholder in its design.

The Methodology is available to internal stakeholders.

Methodology for calculating the client-level ENV score enables the assessment of an individual client's environmental risk profile through a combination of the industry ENV score, the activity ENV score and the results of the ESG questionnaire. The methodology is embedded in the credit process and enables environmental risk assessment at the level of the individual client.

The ENV score is determined on the basis of regular completion of the ESG questionnaire, analysis of client disclosures and reports, the application of expert judgement where information is insufficient, and the use of weighting factors based on company size together with activity-based adjustments.

The Methodology applies to all organisational units involved in corporate lending, including risk assessment and credit decision-making.

Responsibility for implementation rests with the Strategic Risk and Risk Control Division. The Executive Director of the Division adopts the document and oversees its integration into risk management processes and corporate lending activities. Development of the Methodology has been primarily driven by regulatory expectations, making the regulator (CNB and European supervisory authorities) the principal stakeholder in its design. The document also reflects client and market considerations, as the ESG questionnaire has been designed to be understandable to clients, with reduced complexity and a proportionate level of data required for the calculation of the ENV score. The interests of the Bank, clients and regulators are further reflected through company-size weighting, aimed at avoiding an undue disadvantage for smaller clients, and through the option of expert assessment to capture information not fully visible from data alone.

The Methodology is available to internal stakeholders.

E1-3 ACTIONS AND RESOURCES IN RELATION TO CLIMATE CHANGE POLICIES

In accordance with ESRS E1-3 and the principles set out in ESRS 2 MDR-A, HPB Group provides an overview of the actions and resources supporting the implementation of its climate policies, including policies on climate change mitigation, adaptation to climate-related risks, and sustainable and responsible financing. Actions and resources comprise the activities, processes and organisational capabilities required to deliver climate-related objectives.

Actions to implement climate policies include:

- energy efficiency measures in own operations, through the launch of a pilot project aimed at establishing a centralised system for monitoring and managing heating, cooling, lighting and electrical equipment, with the expected outcome of reducing emissions from own sources (Scope 1 and Scope 2). This action commenced towards the end of the 2025 reporting period; during 2026, a decision will be taken regarding further implementation and expansion across the wider business network,
- ongoing annual monitoring and calculation of Scope 1, 2 and 3 greenhouse gas emissions, with a progressive expansion of scope and improvements in data quality, with the expected outcome of enhanced accuracy and reliability of emissions data. This action is implemented on an ongoing basis, with a planned expansion of methodology and data coverage by the end of 2026,
- employee training on the integration of sustainability into business operations and on energy efficiency, aimed at raising awareness of sustainable practices, with the expected outcome of optimised resource consumption and reduced Scope 2 emissions. Training was delivered in 2025, with further training planned as an ongoing activity within annual employee development programmes.

These actions apply to HPB Group's own operations in the Republic of Croatia and to internal stakeholders (employees). Actions related to Scope 3, Category 15 also extend to the relevant part of HPB Group's value chain, namely clients.

These actions contribute to the greenhouse gas emissions reduction objectives described in ESRS E1-4 Targets related to climate change mitigation and adaptation. However, at this stage, it is not possible to quantify the individual contribution of each action due to methodological constraints and limited data availability. For the energy efficiency pilot project, measurable outcomes are not yet available as the project remains in the testing phase. For employee training, quantitative impact indicators have not yet been defined and will be developed following the establishment of a more systematic monitoring and evaluation framework.

Actions to manage environmental risks include:

- enhancement of climate risk assessment processes, including further development of methodologies for assessing transition and physical risks, with the expected outcome of more precise integration of climate factors into the risk management framework. This action is ongoing, with additional methodological enhancements planned by the end of 2026,
- annual identification, determination and assessment of physical and transition risks, together with the assessment of the materiality of environmental risks through existing prudential risk categories, with the expected outcome of systematic and timely identification of material climate risks that may affect the portfolio and operations. This action is performed annually as a standing component of the risk management system,
- definition of target values for ESG metrics within the Risk Appetite Framework, with the expected outcome of a clearer articulation of acceptable exposure to climate and environmental risks and stronger alignment of business decisions with ESG principles and the Group's climate objectives. This is an ongoing action, with annual definition and adoption of target values planned.

These actions apply both to HPB Group's own activities and to the assessment of risks associated with financed clients and sectors within the value chain. Quantitative data will become available following the completion and approval of the ESG metrics under the Risk Appetite Framework.

Actions to promote responsible and sustainable financing include:

- restricting or excluding the financing of activities with high adverse environmental impacts, and setting RAS limits for sectors with heightened sensitivity to transition risks, with the expected outcome of reducing portfolio exposure to high-emissions sectors and redirecting financing towards sustainable and low-carbon activities. This is an ongoing action,



- applying industry ESG ratings and client-level ENV scores within the credit process, with the expected outcome of improving the assessment of clients' and sectors' environmental risk profiles and enabling more effective allocation of capital towards projects and undertakings with lower emissions and stronger transition potential. This is an ongoing action, with further methodological enhancements planned during 2026,
- providing advisory support to clients in preparing for, and understanding, transition requirements, with the expected outcome of increasing client readiness to invest in energy efficiency, renewable energy and emissions reduction. This is an ongoing and increasingly intensified activity, delivered directly by HPB Group's sales teams through direct client engagement.

These actions apply to financed clients, particularly those operating in emissions-intensive sectors. The geographical scope relates to HPB Group's operations in the Republic of Croatia, while implementation is primarily delivered through the value chain, i.e., financed activities. The actions support the reduction of Scope 3, Category 15 financed emissions by strengthening the alignment of credit decisions with clients, projects and sectors with lower emissions and by reinforcing transition-related requirements and expectations. At the same time, they support an increase in sustainable lending volumes by promoting a higher share of projects with positive environ-

mental outcomes and strengthening clients' capacity to plan and implement decarbonisation investments.

Taken together, these actions constitute an integrated decarbonisation approach, whereby emissions reductions in own operations are complemented by reductions in financed emissions, the development of sustainable products, and the mobilisation of client investment in sustainable projects.

Resources supporting policy implementation

As noted above in E1-1 Transition plan for climate change mitigation, based on currently available information and the existing approach to cost recording, the implementation of climate measures to date has not required the separate identification of material capital expenditure or operating expenditure beyond regular business activities. HPB Group does not currently maintain a quantitative analysis of expenditure associated with the implementation of climate measures and intends to further develop methodologies for quantification and tracking.

From an organisational perspective, implementation is supported by the relevant organisational units responsible for sustainable business, risk management, credit processes, product development and data infrastructure. These functions contribute to the collection, processing and analysis of the data required for the effective management of climate-related risks.

E1-4 TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

HPB Group discloses the targets it has set to support its policies on climate change mitigation and adaptation to climate-related risks. These targets reflect the material impacts, risks and opportunities associated with climate change and provide a basis for monitoring the effectiveness of policies and actions, in line with ESRS 2 MDR-T.

HPB Group has established targets for reducing Scope 1 and Scope 2 greenhouse gas emissions, for reducing Scope 3 financed emissions (Category 15), and for the volume of sustainable lending.

The targets have been defined to ensure alignment with long-term climate ambitions, regulatory requirements and decarbonisation objectives.

Targets have been determined with reference to climate scenarios and projections relevant to the banking sector, applicable regulatory requirements, and HPB Group's strategic orientation in sustainable finance and decarbonisation.

They have been set through internal governance processes, taking into account regulatory expectations and HPB Group's strategic objectives.

Greenhouse gas emissions reduction targets

HPB Group sets climate targets using an absolute emissions reduction approach, which implies a linear reduction in the absolute level of emissions over time.

The greenhouse gas emissions reduction targets defined by HPB Group cover a period of at least five and up to fifteen years from the date of setting. To ensure alignment with current climate science and evolving good practice, the targets are subject to internal review and, where appropriate, revision on a regular basis. The base year is the most recent year for which data are available; for HPB Group, 2023 has been defined as the base year. The targets support the implementation of climate policies largely focused on reducing emissions from own operations and financed emissions, strengthening resilience to climate-related risks, and aligning the portfolio with the transition towards a low-carbon economy. The targets currently cover the time horizon to 2030, while work is underway to define targets to 2050. Beyond 2030, HPB Group will set new targets in five-year intervals, in line with ESRS requirements and expectations relating

to the transition towards climate neutrality.

For the purpose of setting climate targets consistent with the global ambitions of the Paris Agreement, which aims to limit global temperature increase to 1.5°C, HPB Group relied on pathways developed by the International Energy Agency (IEA), as well as the general methodological guidance of the Science Based Targets initiative (SBTi), as a reference framework for aligning targets with the transition towards a net-zero economy. The targets have not been submitted for SBTi validation, nor has external verification of alignment with SBTi methodology been performed.

Using the absolute emissions reduction approach, HPB Group set a target to reduce Scope 1 and Scope 2 emissions by 42% by 2030 compared with the 2023 base year. The Scope 1 and Scope 2 targets cover all relevant greenhouse gases in accordance with the GHG Protocol Corporate Standard and relate to HPB Group's own operations in the Republic of Croatia. Scope 1 includes natural gas heating, fuel combustion in vehicles, and HFC emissions arising from the use of air-conditioning equipment, while Scope 2 covers purchased thermal energy and electricity.

HPB Group has also set a target to reduce Scope 3, Category 15 financed emissions by 25% by 2030 compared with the 2023 base year. The target applies to the Bank's total portfolio covered by the PCAF methodology, including all relevant asset classes. Data quality for Scope 3, Category 15 calculations remains largely estimation-based; however, improvements are expected

as clients publish verified emissions data. At this stage, HPB Group has set targets at the level of the overall portfolio included in financed emissions calculations, without defining separate sector-level targets. As data availability increases and calculation methodologies are refined, targets will be progressively supplemented and become more specific, granular and robust.

Targets are set at HPB Group level and have been approved by the Group's management body; however, no external verification has been performed.

The targets have not been amended since they were set. Performance against targets is monitored annually. Results will be compared with the 2023 baseline and assessed against the implied emissions reduction pathways.

Further information on the calculation of greenhouse gas emissions is provided in E1-6 Gross Scope 1, 2, 3 and total greenhouse gas emissions.

Table: Gross greenhouse gas emissions reduction targets

	Target name	Unit of measure	Calculation methodology	Scenario	Base year	Base-year value	2024 value	2025 value	Target year	Target-year value	Target reduction (%)
Scope 1 (tCO ₂ e) and Scope 2 (tCO ₂ e)	Reduction of Scope 1 and Scope 2 emissions (location-based method)	tCO ₂ e	GHG Protocol	IEA NetZero	2023	1,246.46	1,468.67	1,225.09	2030	722.95	(42)
Scope 3, Category 15 (tCO ₂ e)	Reduction of Scope 3 emissions – Category 15	tCO ₂ e	PCAF	IEA NetZero	2023	795,976.59	957,947.47	958,958.47	2030	596,982.44	(25)

Decarbonisation strategy to achieve the emission-reduction targets

HPB Group's decarbonisation strategy is underpinned by a set of measures spanning own operations, portfolio steering, product development and client support in the transition. Within own operations, HPB Group is implementing initiatives to enhance energy efficiency and reduce resource consumption, including the optimisation of energy use across branches and buildings, equipment modernisation and continuous employee training. These initiatives constitute the principal operational levers for achieving the target of a 42% reduction in Scope 1 and Scope 2 emissions by 2030.

In parallel, HPB Group is progressively managing and, where appropriate, constraining exposure to high-emissions sectors and to sectors with heightened sensitivity to transition risks, in line with sectoral policies, RAS limits and established risk management principles. The use of analytical tools such as industry ESG ratings and client-level ENV scoring supports the assessment of environmental and transition risk within the portfolio. While these tools do not in themselves set emissions reduction targets, they enable more robust credit decision-making and can contribute to reducing exposure to environmental and transition risks. In this manner, they form part of the broader framework supporting the objective of reducing Scope 3, Category 15 financed emissions by 2030.

Although the Bank is implementing a range of measures and initiatives that may contribute to greenhouse gas emissions reductions, it does not, at this stage, have quantified estimates of the contribution of individual measures to the overall targets. This reflects the current stage of development of the attribution methodology for quantifying the effects of individual decarbonisation levers. While overall targets can be disclosed, the quantification of individual contributions is expected to be incorporated in future reporting cycles, following enhancements to the underlying data base and the development of more advanced assessment models and attribution methodologies.

HPB Group has established emissions reduction targets for Scope 1, Scope 2 and Scope 3. At present, separate quantitative targets have not yet been defined for other elements (energy efficiency, renewable energy and sustainable mobility). The determination and disclosure of such targets is planned for the next reporting period.

Targets related to sustainable finance

In line with the applicable regulatory framework and HPB Group's strategic commitment to sustainable business, sustainable finance has been identified as a material topic and a key driver of long-term value creation. Sustainable finance is embedded as a core element of HPB Group's business strategy, with a focus on supporting projects that contribute to the transition towards a climate-neutral and resource-efficient economy.

HPB Group is therefore oriented towards increasing the origination of new lending for projects with positive environmental outcomes, including investments in renewable energy, energy efficiency, sustainable waste management and other projects aligned with environmental objectives.

Since 2023, and in line with regulatory requirements and business needs, HPB Group has applied a structured categorisation and systematic reporting-based monitoring of sustainable projects, enabling transparent portfolio oversight and the tracking of contributions to sustainability objectives.

The target is defined as the annual new volume of sustainable lending (EUR million). It is an absolute target set at Bank level, subject to approval by the management body and the consent of the Ministry of Finance.

The scope covers all new lending that meets internal sustainable finance criteria and relates to HPB's operations in the Republic of Croatia.

The target is set annually, without phased milestones, as target values are established each year in line with market conditions and HPB Group's strategic priorities.

Monitoring is based on the classification of projects in accordance with sustainable finance criteria by exposure and/or credit product type, supported by systematic recording and reporting of realised new lending volumes.

The targets are not derived from scientific climate scenarios; rather, they are informed by market demand and the portfolio's capacity to originate projects with positive environmental outcomes.

During the reporting period, there were no changes to the monitoring methodology, assumptions or data sources, other than the annual setting of new target values in accordance with the internal planning process.

Table: Sustainable lending target

Sustainability objective	Indicator description	Unit of measure	Time horizon	Methodology / criteria	Reporting year	Target value	Actual	Achievement (%)
Increase in the volume of new sustainable lending	Total volume of new lending that meets the sustainable finance criteria	EUR million (new volume of sustainable loans)	Annual target	Classification of sustainable projects in accordance with internal criteria	2024	15	17.1	114
						20	64.98	325

Progress against this target is measured annually. For 2024, the target value was EUR 15 million, with realised volume of EUR 17.1 million (114% of target). For 2025, the target value was EUR 20 million, with realised volume of EUR 64.98 million (325% of target). Results and progress are monitored through comparison of annual targets and realised volumes using the internal sustainable lending tracking system. The realised values

indicate strong progress, reflecting a significant increase in the volume of sustainable projects, which supports an increased share of revenue from sustainable finance and generates indirect positive environmental effects through the outcomes of financed projects.

For 2026, a one-year target for new sustainable lending volume of EUR 30 million has been set.

E1-6 GROSS SCOPES 1, 2, 3 AND TOTAL GHG EMISSIONS

HPB Group discloses gross greenhouse gas (GHG) emissions for Scope 1, Scope 2 (both the location-based and market-based approaches) and Scope 3, in accordance with ESRS E1-6.

Table: Total greenhouse gas emissions

	2024		2025		Absolute change 2025 vs 2024		Percentage change 2025 vs 2024 (%)	
	Bank	Group	Bank	Group	Bank	Group	Bank	Group
Scope 1 (tCO ₂ e)	—	762.28	738.66	761.67	—	(0.61)	—	(0.1)
Scope 2 (tCO ₂ e) – location-based	—	706.39	463.42	463.42	—	(242.97)	—	(34)
Scope 2 (tCO ₂ e) – market-based	—	—	477.53	477.53	—	—	—	—
Scope 3 (tCO ₂ e)	—	961,564.10	966,200.02	966,298.20	—	4,734.10	—	0.49
Scope 3 by category								
Category 1 (tCO ₂ e)	—	2,838.43	3,844.08	3,929.04	—	1,090.61	—	38.42
Category 2 (tCO ₂ e)	—	—	1,682.19	1,689.38	—	—	—	—
Category 3 (tCO ₂ e)	—	18.44	177.30	177.30	—	158.86	—	861.50
Category 5 (tCO ₂ e)	—	0.17	7.60	7.60	—	7.43	—	4,370.59
Category 6 (tCO ₂ e)	—	88.41	114.72	118.01	—	29.60	—	33.48
Category 7 (tCO ₂ e)	—	671.18	776.68	776.68	—	105.50	—	15.72
Category 8 (tCO ₂ e)	—	—	638.98	641.72	—	—	—	—
Category 15 (tCO ₂ e)	—	957,947.47	958,958.47	958,958.47	—	1,011.00	—	0.11
Total emissions – location-based	—	963,032.77	967,402.09	967,523.28	—	4,490.51	—	0.47
Total emissions – market-based	—	—	967,416.20	967,537.39	—	—	—	—

Total emissions comprise Scope 1 emissions, Scope 2 emissions (presented separately on a location-based and a market-based basis), and Scope 3 emissions (Categories 1, 2, 3, 5, 6, 7, 8 and 15).

The paragraphs below describe the methodologies and key assumptions applied in calculating greenhouse gas emissions arising from operational and financed sources. During the reporting period, certain changes were made to the reporting

boundary definition and to the emission factors used, which affect comparability with the prior year; these changes are described throughout the text.

Greenhouse gas emissions data have not been validated by an external body other than the assurance provider. Accuracy and consistency are reviewed through HPB Group's internal procedures.

Greenhouse gas intensity per net revenue

Table: Total greenhouse gas emissions intensity based on net revenue

	Year	Total GHG emissions (tCO ₂ e)		Total net revenue (EUR million)	GHG emissions intensity (tCO ₂ e/EUR million)	
		Location-based	Market-based		Location-based	Market-based
Group	2024	963,032.77	—	222.52	4,327.85	—
	2025	967,523.28	967,537.39	202	4,789.72	4,789.79
Bank	2024	—	—	—	—	—
	2025	967,402.09	967,416.20	201.8	4,793.87	4,793.94

Greenhouse gas emissions intensity is calculated as the ratio of total greenhouse gas emissions to HPB Group's net revenue. Net revenue used for the calculation is consistent with the figures presented in the financial section of HPB Group's 2025 Annual Report.

Greenhouse gas emissions arising from HPB Group's operations are calculated in accordance with the HPB Group Greenhouse Gas Emissions Calculation Methodology, which is aligned with the globally recognised standard for measuring and managing greenhouse gas emissions, the GHG Protocol Corporate Standard. Calculations cover Scope 1, Scope 2 and all material Scope 3 categories and are expressed in tonnes of carbon dioxide equivalent (tCO₂e).

Total greenhouse gas emissions comprise CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃, calculated using standardised emission factors from relevant sources. Emission factors are expressed in CO₂e and incorporate global warming potential (GWP) values in accordance with the GHG Protocol, thereby ensuring a consistent and comparable assessment of total emissions across the full set of gases.

HPB Group's emissions calculations are based on the application of relevant emission factors sourced from publicly available national and international emission factor databases. Emission factors are reviewed and updated annually, with a preference for factors applicable to Croatia; where such factors are not available, factors applicable to Europe or broader geographic scopes are used.

Emissions for each of the three Scopes are calculated as the product of activity data (consumption/activity) and the relevant emission factors for each source. The resulting values are divided by 1,000 to express emissions in tonnes of CO₂e.

Scope 1 and Scope 2 emissions relate to the consolidated HPB Group (HPB, HPB Invest and HPB-nekretnine). HPB Group has no investments, joint ventures or contractual arrangements under operational control that would require separate emissions reporting.

Scope 1 and Scope 2 reporting boundary

HPB Group uses data from its own procurement and utility billing records to collect Scope 1 and Scope 2 energy consumption data. Where December consumption data for gas, electricity and district heating were incomplete, consumption was estimated using averages, an annual average for electricity, and the average consumption between two billing periods for gas and thermal energy.

For the calculation of Scope 1 emissions, emission factors from the BEIS database (2020, 2021) were applied.

Scope 2 emissions are calculated and disclosed separately using both the location-based and the market-based methods. Different emission factors are used for each method: for the location-based approach, the source is the Croatian Emission/Removal Factor Database for the Calculation of Organisational Carbon Footprints (2022); for the market-based approach, the latest publicly available data published by HEP (Hrvatska elektroprivreda) are applied.

Within Scope 1, the following sources are included: fuel combustion in Group-owned vehicles—natural gas (kWh),

diesel (litres) and petrol (litres)—as well as HFC emissions arising from the use of air-conditioning equipment.

Scope 2 includes purchased electricity from the grid (kWh) and district heating (kWh).

As Scope 1 and Scope 2 calculations for 2025 were performed using updated emission factors that differ from those applied for 2024, and as distribution losses were classified under Scope 3, Category 3 (whereas in the previous calculation they were included within Scope 1 and Scope 2), results for 2024 and 2025 are not fully comparable. These methodological differences affect the total calculated emissions and may result in apparent variances that reflect changes in methodology and classification rather than changes in underlying consumption.

The share of greenhouse gas emissions covered by the EU ETS is 0%. HPB Group does not carry out activities within the scope of the EU ETS, and financed emissions do not create EU ETS obligations for HPB Group.

Scope 3 reporting boundary

The Scope 3 categories calculated and disclosed by HPB Group have been selected in accordance with the GHG Protocol, based on an assessment of their materiality, data availability and relevance to the Group's value chain. All Scope 3 categories were considered; however, certain categories were excluded from the calculation because they are not relevant to HPB Group's business model or are not material from an emissions perspective. These are categories typically applicable to organisations with physical products, manufacturing, logistics, or franchise-based operating models, which is not reflective of the business model of a financial institution.

The following categories are not included:

- Category 4 – Upstream transportation and distribution: not relevant, as HPB Group does not manage logistics or transport of physical products and does not have a goods distribution supply chain,
- Category 9 – Downstream transportation: not applicable, as HPB Group does not sell physical products and has no distribution of goods to customers,
- Category 10 – Processing of sold products: not relevant, as financial products and services have no physical component and are not subject to further processing after sale,
- Category 11 – Use of sold products: not applicable, as the use of banking products (e.g., accounts, loans, cards) does not generate emissions associated with physical processes,
- Category 12 – End-of-life treatment of sold products: not relevant, as HPB Group does not sell products that generate waste at end of life,
- Category 13 – Downstream leased assets: not applica-

ble, as HPB Group does not lease premises, buildings or equipment to third parties,

- Category 14 – Franchises: not applicable, as HPB Group does not operate under a franchise model.

Material Scope 3 categories calculated and disclosed by HPB Group include:

- purchased goods and services,
- capital goods,
- fuel and energy-related activities,
- waste generated in operations,
- business travel,
- employee commuting,
- upstream leased assets,
- investments (financed emissions).

Category 1 – Purchased goods and services

Emissions from purchased goods and services were calculated based on consumption data, their economic value (in EUR) and the corresponding emission factors. Emission factors were sourced from publicly available databases, including EXIOBASE (2019), CEDA – Comprehensive Environmental Data Archive (2022), Cornerstone Sustainability Data Initiative (2024), BEIS (2022) and Climatiq (2024).

Emissions increased in 2025 from 2,838.43 tCO₂e to 3,929.04 tCO₂e, reflecting greater coverage of the included categories of purchased goods and services and an expansion of the base of emission factors.

Category 2 – Capital goods

Emissions arising from capital goods were calculated based on consumption data, their economic value (in EUR) and the

corresponding emission factors. Emission factors were sourced from EXIOBASE (2019) and CEDA (2022).

This category was not calculated in 2024; in 2025 it amounted to 1,689.38 tCO₂e. The introduction of this category increases total emissions and further strengthens alignment with ESRS and the GHG Protocol.

Category 3 – Fuel- and energy-related activities (not included in Scope 1 or 2)

Emissions from fuel- and energy-related activities associated with upstream energy transmission were calculated based on consumption data for natural gas, fuels, electricity and thermal energy reported under Scope 1 and Scope 2, together with the relevant emission factors. Emission factors were sourced from BEIS (2021, 2025).

Emissions increased from 18.44 tCO₂e to 177.30 tCO₂e, primarily because distribution losses for gas, fuels and thermal energy were included in the 2025 calculation, rendering results not directly comparable with the prior year.

Category 5 – Waste generated in operations

Category 5 includes available data on the type and quantity of waste generated by HPB Group, for which the waste treatment method was determined and the corresponding emission factor applied. Emission factors were sourced from BEIS (2023) and Climatiq (2024).

The increase from 0.17 tCO₂e to 7.60 tCO₂e reflects more complete waste data and more granular classification of treatment methods (recycling, disposal, reuse).

Category 6 – Business travel

Business travel emissions were calculated on the basis of actual costs, depending on mode of transport and accommodation. Emission factors were sourced from EXIOBASE (2019), EPA – Environmental Protection Agency (2022) and CEDA (2022).

Emissions increased from 88.41 tCO₂e to 118.01 tCO₂e, reflecting higher travel intensity and the use of a broader set of emission factors from international databases.

Category 7 – Employee commuting

Emissions from employee commuting were calculated using data collected through an employee survey across HPB Group entities, covering mode of commuting, travel distance per commute, and average number of monthly commutes. The results were grouped and averaged by transport mode, with average commute frequency and average daily kilometres incorporated into the calculation. The calculation also took into account the average number of annual leave days and the survey participation rate. Where a transport mode was selected by too few respondents, the data were excluded, as a sufficiently reliable statistical result could not be established.

Depending on commuting mode, the relevant emission factors were sourced from the Croatian Emission/Removal Factor Database for the Calculation of Organisational Carbon Footprints (2024), BEIS (2023, 2024) and UBA – Umweltbundesamt (2020).

In accordance with ESRS requirements, emissions from associates, joint ventures and unconsolidated subsidiaries over which the undertaking has operational control would be included; HPB Group has no such entities and this requirement is therefore not applicable.

In 2025, the calculation was based on a 31% respondent sample (compared with 34% in 2024). The increase from 671.18 tCO₂e to 776.68 tCO₂e reflects relatively higher diesel consumption associated with commuting by car, linked to an overall higher number of office attendances.

Category 8 – Upstream leased assets

Emissions from upstream leased assets were calculated based on lease costs for business premises, ATMs, POS devices, vehicles and other equipment. Depending on the lease type, the relevant emission factors were sourced from EXIOBASE (2019) and CEDA (2022, 2025).

In 2024, emissions arising from the lease of business premises and ATMs were not separately disclosed under Category 8, but were included within Scope 3 Category 1. In 2025, Category 8 was presented separately and expanded to include leased vehicles and equipment, amounting to 641.72 tCO₂e. This reclassification increases the total footprint, while strengthening the completeness of reporting.

Category 15 – Investments (financed emissions)

HPB Group uses the PCAF (Partnership for Carbon Accounting Financials) methodology (2022) to calculate emissions associated with investments. The standard applied is aligned with the GHG Protocol. Financed emissions relate to HPB's operations.

The financed emissions calculation covers asset classes including business loans, corporate bonds, project finance, commercial real estate, mortgages and sovereign debt, distinguishing between listed and unlisted equity. The calculation was performed in line with the quality of currently available data, as envisaged by the PCAF standard, using a data quality score scale of 1–5, as presented in the table below.

Table: Data quality classification for financed emissions calculation

Data quality label	Financial metrics	Emissions data	Description of financed emissions calculation	Data quality score
1a	EVIC for listed companies and total equity + debt for private companies	Verified GHG emissions data in accordance with the GHG Protocol	For listed and private companies, the company's verified emissions are used	Score 1
1b	EVIC for listed companies and total equity + debt for private companies	Unverified GHG emissions data calculated by the company in accordance with the GHG Protocol	For listed and private companies, the company's unverified emissions are used	Score 2
2a	Company's primary physical activity (e.g., energy consumption, MWh of electricity, process emissions)	Emission factors specific to the primary activity (e.g., factors for a specific energy carrier)	Calculation based on activity-specific energy consumption and emission factors	Score 3
2b	EVIC for listed companies and total equity + debt for private companies	Company's primary physical activity (e.g., tonnes of rice produced)	Calculation based on production volumes and relevant emission factors	Score 3
3a	Company revenue	Sector-level GHG emissions	Calculation based on company revenue and sectoral average emissions	Score 4
3b	N/A	Sector-level GHG emissions	Calculation based on company assets and sectoral average emissions	Score 5
3c	Sector-based asset allocation	Sector-level GHG emissions	Calculation based on the ratio of assets and sectoral emissions	Score 5

The scope of the financed emissions calculation is presented in the financed emissions table later in this chapter. From the Bank's total exposure across lending, debt securities and financial assets held for trading, financed emissions were calculated for those asset classes prescribed by the PCAF standard. Financed emissions are based on estimates and the application of relevant emission factors. Emission factors were sourced from EXIOBASE (2019) for the calculation of emissions associated with economic activities and from the PCAF database (2023) for emissions associated with commercial real estate and mortgages.

In accordance with the PCAF methodology, HPB Group calculates absolute financed emissions; accordingly, inflation is not incorporated into emission factors expressed in monetary terms.

The motor vehicle asset class is not currently included in the financed emissions calculation due to its immaterial share of the portfolio. Where relevant, financed emissions associated with motor vehicle lending are captured within the business loans asset class.

Asset class – Corporate bonds

The corporate bonds asset class includes listed corporate bonds and all listed equity held for general corporate purposes and recognised on the Bank's balance sheet. This includes corporate bonds for general corporate purposes, ordinary shares and preferred shares.

For listed equity, information on enterprise value (EUR) and Scope 1 and Scope 2 emissions (tCO₂e/year) was sourced from Bloomberg. The data quality score for corporate equity is 1, and for listed equity 1–2.

Asset class – Business loans

The business loans asset class includes:

- Business loans: all loans and credit lines for general corporate purposes to companies, non-profit organisations and other organisational structures that are not traded on markets and are recognised on the Bank's balance sheet, as well as loans to listed companies. Project finance, real estate finance and sovereign exposures are presented in separate asset classes,
- Equity investments in private companies (unlisted equity): equity investments for general corporate purposes in companies, non-profit organisations and other organisa-

tional structures that are not traded on markets and are recognised on the Bank's balance sheet.

Due to the limited availability of official emissions data, the calculation uses consumption-based proxies derived from the financed entity's production activities or, alternatively, the entity's revenue and asset data. Emission factors were applied based on the financed entity's economic activity (NACE class). The data quality score for this asset class is 4.

Asset class – Project finance

Scope 3, Category 15 includes loans to special purpose projects recognised on the Bank's balance sheet. This includes both listed and unlisted entities; accordingly, available data on emissions, consumption values, revenues and assets are applied, using the same methodological approach as for business loans and corporate bonds. The data quality score for this asset class is 4.

Asset class – Commercial real estate and mortgages

Commercial real estate and mortgages are calculated in accordance with the PCAF methodology. For 2025, available financial data were used and the relevant PCAF average emission factor was applied depending on building type. The data quality score for this asset class is 5.

Asset class – Sovereign debt

As part of the financed emissions calculation, HPB Group also includes sovereign exposures and government bonds. Treasury bills are not included because the Group holds them to maturity within one year. The calculation is performed in accordance with the PCAF standard, taking into account available financial data, purchasing power parity (World Bank) and sovereign emissions values (UN Climate Change). The data quality score for inputs used is 2.

Table: Financed emissions

Asset class	Financial assets covered by the emissions calculation (EUR million)	Financed emissions (tCO ₂ e)	GHG emissions intensity (tCO ₂ e/EUR million)
Listed equity and corporate bonds	62.20	66,663.10	330.02
Business loans and project finance	1,542.30	661,019.25	3,272.37
Commercial real estate and mortgages	707.14	7,508.59	37.17
Sovereign debt	1,551.89	223,767.53	1,107.76
Total	3,863.53	958,958.47	4,747.32

Category 15 is the dominant category within Scope 3 for HPB Group. Total financed emissions increased from 957,947.47 tCO₂e to 958,958.47 tCO₂e. Compared to 2024, a 6% decrease in the share of emissions in the segment of listed capital and corporate bonds was recorded, while emissions related to government debt and government bonds decreased by 55%, which is the result of methodological adjustments. For mortgage-related emissions, the allocated value of debt was used

to avoid double counting emissions associated with collateral, resulting in a relative reduction of 50% in that segment. The most significant variance in emissions values was recorded for the business loans and project finance asset classes. The increase of 74% is directly related to the availability of counterparties' data on total capital and debt and consumption values, and does not reflect a material real increase in financed emissions.

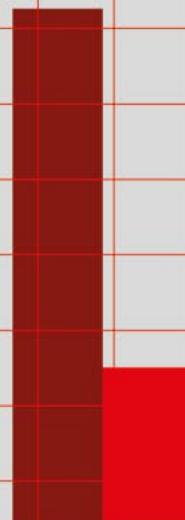
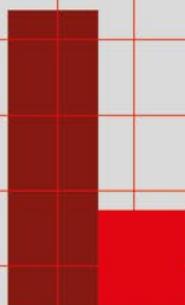
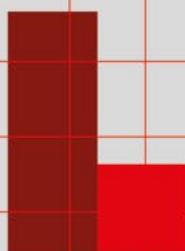
E4 Biodiversity and ecosystems

In accordance with the so-called “quick fix” to the ESRS Delegated Act adopted by the European Commission on 11 July 2025, to supplement and amend the phase-in provisions from December 2025, the HPB Group applies the available transitional exemptions for first-wave undertakings with more than 750 employees and, in this period, does not report on the requirements of ESRS E4 (E4-1 to E4-6), with an obligation to disclose only the elements prescribed in ESRS 2 SBM-3 and ESRS 2 IRO-1.

A more detailed description of the procedures used to identify material IROs within the double materiality assessment is provided in IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities. Material biodiversity-related IROs and their interaction with HPB Group’s strategy and business model are described in SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.



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SOCIAL DISCLOSURES

S1 Own workforce

This chapter has been prepared in accordance with Commission Delegated Regulation (EU) 2023/2772, applying the disclosure requirements of ESRS S1 in conjunction with the relevant cross-cutting requirements under ESRS 2. It addresses HPB Group's approach to its own workforce and its commitment to providing a safe, supportive and fair working environment. Effective workforce management is a cornerstone of the long-term sustainability of HPB Group's business model, as employee quality, expertise and engagement directly influence the Group's capacity to deliver strategic objectives and provide high-quality financial services.

In line with ESRS 2 IRO-1, the double materiality assessment was conducted using defined procedures for identifying and assessing material impacts, risks and opportunities, as described in IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities. The assessment indicates that material topics under S1 relate to adequate/inadequate wages, work-life balance, equal opportunities and gender equality, and employee training and skills development.

As a financial institution operating in a highly regulated environment and reliant on professional expertise, HPB Group recognises that working conditions, organisational culture and competence development are critical to operational stability, reputation, regulatory compliance and long-term performance. Material own-workforce IROs and their interaction with HPB Group's strategy and business model are set out in ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.

S1-1 POLICIES RELATED TO OWN WORKFORCE

HPB Group applies policies and workforce management practices designed to uphold human rights, ensure equal opportunities and provide decent working conditions across the workforce. Key people processes are governed by formal internal acts covering recruitment, development, performance management, remuneration, flexible working arrangements, occupational health and safety, diversity and inclusion, and the prevention of discrimination and harassment.

Human resources management within HPB Group is grounded in fairness, transparency and gender equality, with the consistent application of gender-neutral criteria in remuneration and career progression. HPB Group operates a performance management system aligned with the long-term objectives of sustainable business and supports professional development and lifelong learning. Pursuant to the Performance Management Rulebook, at least 10% of the target-setting struc-

ture relates to sustainability objectives, thereby reinforcing the linkage between performance management and HPB Group's sustainability strategy.

HPB Group places particular emphasis on maintaining a safe and supportive working environment, promoting work-life balance and fostering open dialogue with employees. Workforce-related policies are reviewed and enhanced regularly to ensure ongoing alignment with regulatory requirements, HPB Group's business strategy, market developments and relevant ESG standards.

Implementation is monitored through established internal processes, reporting and periodic reviews, including regular market benchmarking and independent external certifications. Policies are continuously strengthened to remain aligned with strategic priorities, recognised market practice, ESG objectives and regulatory expectations.

Policies related to adequate wages

Adequate wages are not solely a matter of financial remuneration; it also encompasses broader social and human dimensions that underpin fairness, equality and sustainability. HPB Group's approach is guided by transparency in remuneration practices, compliance with applicable legal requirements and relevant international principles, the monitoring and reduction of pay gaps, and alignment with sustainability objectives. Adequate wages are understood as fair and transparent compensation that reflects sustainability, social responsibility and equal treatment. In setting remuneration, HPB Group is guided by respect for human rights, the reduction of inequalities, and the objective of maintaining competitive pay levels grounded in clear and transparent principles. Remuneration is designed to reflect employees' qualifications, experience and responsibilities and to remain aligned with market conditions and statutory standards. In the development and continuous enhancement of the reward framework, employee interests and rights are taken into consideration, including through structured engagement and active cooperation with the trade union, which supports employee representation in relevant decision-making processes.

The Work Regulations and the **Collective Agreement** set out employees' material and non-material rights, including provisions governing the determination of pay, supplements, allowances, reimbursements, costs, ad hoc payments, solidarity support, rewards and other benefits and entitlements. These internal acts also regulate working conditions and other rights and obligations arising from employment. They support compliance with legal requirements, equal treatment, and the maintenance of a safe, fair and transparent working environment.

The Work Regulations are based on the Labour Act. HPB Group does not, through the Work Regulations, commit to applying any additional third-party standards or initiatives; however, as practice evolves and where appropriate, relevant guidance that supports the purpose of the Regulations may be taken into consideration.

Overall responsibility for implementing the Work Regulations rests with the Management Board, which approves the Work Regulations following consultation with the chief trade union representative acting in the capacity of the works council. The Work Regulations apply to all employees who have entered into fixed-term or open-ended employment contracts, whether full-time, reduced-hours or part-time, as well as trainees. The Work Regulations are updated by the Human Resources Management Division.

The Collective Agreement is concluded between Hrvatska poštanska banka, represented by the President of the Management Board, and the Trade Union Branch of Hrvatska poštanska banka, represented by the chief trade union representative. The Collective Agreement is based on the Labour Act, the Occupational Health and Safety Act, the General Data Protection Regulation and other applicable legislation. HPB Group does not, through the Collective Agreement, commit

to applying any additional third-party standards or initiatives; however, as practice evolves and where appropriate, relevant guidance that supports its purpose may be taken into consideration.

The Collective Agreement regulates rights relating to pay increases and pay supplements, expanded material rights and benefits, additional paid leave, employee and family support measures, and more favourable employee lending conditions. Particular emphasis is placed on measures supporting work-life balance, including benefits upon return from maternity or parental leave, as well as employee rights upon retirement. Where individual employment contracts, the Work Regulations or applicable law provide more favourable terms than the Collective Agreement, the employee is entitled to the most favourable provision.

In 2025, collective negotiations with social partners were successfully concluded and a new Collective Agreement was signed, applicable until the end of 2027, providing employees with enhanced material and non-material rights.

The Collective Agreement covers all employees, except members of the Management Board.

By concluding the Collective Agreement, HPB Group reaffirms its commitment to stable employment relationships, strengthened social dialogue, and positive effects on workforce satisfaction and long-term stability.

HPB Group has an adopted **Remuneration Policy** appropriately aligned with the objectives of the business strategy and the risk strategy, the Bank's corporate culture and values, and material objectives relating to the protection of environmental, social and governance factors, including measures to prevent conflicts of interest.

The Policy establishes an objective, transparent and appropriate remuneration framework at HPB Group level. It provides for gender-neutral remuneration principles and is designed to ensure that remuneration awarded for work performed does not incentivise excessive or imprudent risk-taking, but instead supports conduct consistent with the Bank's risk profile and long-term interests. This includes objectives relating to consumer protection and the long-term safeguarding of consumer rights and interests, supported by clearly defined conflict-of-interest prevention measures. Specific remuneration requirements apply to employees whose professional activities have a material impact on the institution's risk profile.

Among other objectives, the Remuneration Policy is intended to maintain a fair, gender-neutral and transparent reward system which, in alignment with the business strategy, supports the attraction and retention of a qualified and motivated workforce.

In establishing the Remuneration Policy, grounded in the applicable regulatory framework, HPB Group takes into account the interests of key stakeholders, including shareholders, employees, clients, regulators and the wider community. The Policy is gender-neutral, includes monitoring of pay gaps, and promotes security, transparency and fair conditions across the workforce.

The Remuneration Policy is aligned with applicable regulatory requirements and recognised good practice, including the

Credit Institutions Act, the Capital Requirements Directive, the Decision on the remuneration of workers, and the Decision on remuneration policies and practices relating to the provision of banking products and/or services to consumers. HPB Group does not, through this Policy, commit to applying additional third-party standards or initiatives; however, as practice evolves and where appropriate, relevant guidance that supports the Policy's purpose may be taken into consideration.

The Remuneration Policy applies to HPB, subsidiaries and relevant third parties. Responsibilities for implementation are allocated across the Supervisory Board, the Management Board and the Remuneration Committee, with a key role played by control and corporate functions. The Supervisory Board adopts and oversees implementation of the Policy, decides on variable remuneration, severance payments and identified staff, and ensures alignment of the remuneration framework with corporate governance and the Bank's risk profile. The Management Board implements the Policy, adopts implementing acts, manages remuneration determination processes, and is responsible for public disclosures and documentation. The Remuneration Committee provides expert support to the Supervisory Board, reviews Policy effectiveness, assesses incentive mechanisms, participates in the identification of identified staff, and performs regular testing and controls. Control functions - risk control, compliance and internal audit - ensure implementation in line with regulation, the risk profile and consumer protection principles, assess the sustainability of variable remuneration, monitor compliance risks and perform independent reviews. Corporate functions, including human resources, finance, controlling, strategic development, legal affairs and service quality management, provide operational support through remuneration cost planning, monitoring gender pay gaps, defining performance criteria, assessing reward sustainability and ensuring correct day-to-day application of the Policy.

In addition to the Remuneration Policy, HPB has adopted the **Performance Management Rulebook** which relates exclusively to performance measurement, methodologies and performance management procedures. The Rulebook links organisational and individual performance to the Bank's long-term objectives, sustainable business, risk management, employee development and incentive-based reward arrangements, while safeguarding consumer rights and interests.

The scope of application covers all Bank employees for whom performance measurement is required, including employees of HPB Group entities, to which the Rulebook is applied as appropriate. The Rulebook applies across all organisational levels - from the Bank as a whole, through divisions, offices and lower organisational units, to the individual employee level - and the performance management system encompasses target setting, monitoring, target revision where necessary, and performance evaluation. In the case of subsidiaries, where their internal rules govern performance management differently, those specific rules apply first, followed by this Rulebook, with an obligation to ensure the highest possible degree of alignment with HPB's overarching Rulebook.

The performance management process involves a number of key participants, each with clearly defined roles, competences and responsibilities. The Management Board, subject to the prior consent of the Supervisory Board, adopts all key plans, targets and rulebooks relating to performance management and decides on the calibration of targets for organisational units. Individual Management Board members independently set, revise and evaluate targets for B-1 directors within their respective areas of responsibility, with additional consent of the Supervisory Board required for directors in control functions. The Supervisory Board also decides on the targets and performance evaluations of members of the Management Board. The Human Resources Management Division is the process owner for performance management and is responsible for the development, implementation and continuous enhancement of the performance management system, including methodology development, controls, communication, training, support and coordination of other process participants, preparation of related internal acts, administration of the HR application and process-related reporting.

The strategic development function prepares proposals for the Bank's targets and metrics based on strategic guidance, drawing on inputs from other organisational units. The finance function provides the financial data required for setting, revising and assessing quantitative targets. The Strategic Risk and Risk Control Division defines the Risk Appetite Framework, allocates risk metrics to organisational units, monitors risk performance and proposes target revisions. The compliance function provides data on compliance and contributes to defining qualitative indicators linked to regulatory requirements, while the Service Quality Management Office provides data on service quality and customer satisfaction required for target setting and evaluation. The Strategic Development and Business Transformation Division defines sustainability targets and provides data on their achievement, while the internal audit function performs an independent review of the process and provides findings required for target assessment, including in relation to regulatory compliance.

Managers at all levels are responsible for conducting timely performance discussions with employees, setting, revising and evaluating targets, ensuring alignment with SMART principles and regulatory requirements, and ensuring that employees confirm targets and evaluations in a timely manner. They are also responsible for initiating the opening of forms and updating absence records. Employees are responsible for timely confirmation of targets, revisions and evaluations within the system, and for actively monitoring their own progress, reporting potential obstacles in a timely manner and proposing changes where necessary.

The Rulebook is based on the Credit Institutions Act, the Decision on the remuneration of workers, the Guidelines on sound remuneration policies under Directive 2013/36/EU, Commission Delegated Regulation (EU) 2021/923, and the Decision on remuneration policies and practices relating to the provision of banking products to consumers, as well as the relevant consumer protection framework and MiFID II requirements. HPB Group does not, through this Rulebook, commit to applying



any additional third-party standards or initiatives; however, as practice evolves and where appropriate, relevant guidance that supports its purpose may be taken into consideration. Employee considerations are embedded through mandatory individual target-setting discussions, the possibility to revise targets, and a formal right to raise objections and escalate concerns, ensuring that employee perspectives and working circumstances are taken into account in the setting and evaluation of performance. Targets are established in accordance with SMART principles and cascaded from Bank level to individual level to ensure they are measurable, achievable, relevant and aligned with the employee's actual role. In addition, the Rulebook safeguards employee interests through clear rules on feedback, progress monitoring, personal data protection, and ensuring a fair and transparent process across HPB Group entities.

These policies are available to employees via the internal portal.

Diversity and non-discrimination policies

Diversity is widely recognised as a fundamental value of modern society and a cornerstone for fostering a positive workplace culture and merit-based employment founded on individual abilities, competencies and qualifications, free from discrimination and harassment. HPB Group has, for many years, recognised its role in cultivating an organisational culture that respects and values diversity and has consistently advocated for these principles.

As a signatory to the Diversity Charter, which promotes the implementation of diversity policies in the business sector, HPB Group is committed in its day-to-day operations to contributing to a more just and equitable society. Within HPB Group's working environment, individual differences are acknowledged and respected, and any form of discrimination is prohibited in relation to access to all forms of professional training, upskilling and reskilling; employment and working conditions; promotion; social security; healthcare; employment-related rights; and the rights of membership and participation in employee associations or other organisations.

Guided by the principles of diversity and non-discrimination, HPB Group has defined **Principles of Diversity and Non-Discrimination** within its Policy on the Management of Environmental, Social and Governance (ESG) Matters, which serve as the basis for its operations.

The ESG Policy, including its annex Principles of Diversity and Non-Discrimination, applies to all employees across all organisational units of the Bank and HPB Group entities, and to all business processes and activities throughout the entire geographical area in which HPB Group operates.

Overall responsibility for the adoption, implementation and oversight of the Policy rests with the Management Board, which approved it. The Supervisory Board grants its consent and monitors implementation through oversight of ESG matters. Operational implementation and monitoring are carried out by the Sustainable Business Department within the Strategic Development and Business Transformation Division.

The Policy is aligned with the UN Sustainable Development Goals (SDGs), the principles of the UN Global Compact, the commitments of the Paris Agreement, relevant guidance issued by European supervisory authorities, and national strategic documents of the Republic of Croatia.

In establishing these documents, HPB Group takes employee interests into account by embedding commitments to a safe, healthy and inclusive working environment, a prohibition of discrimination, and the promotion of diversity, equality and respect for human rights. Employee interests are further reflected through the provision of equal opportunities for development, advancement, training, and work-life balance, thereby supporting well-being and professional growth. Implementation of the principles of diversity and non-discrimination is monitored through workforce structure analyses, monitoring of gender balance, reporting on equal opportunities, and mechanisms for reporting irregularities.

The Principles of Diversity and Non-Discrimination have been published and are available to all stakeholders on the [Bank's website](#).

HPB Group also promotes diversity and equal opportunities through its recruitment practices. Recruitment is governed by internal procedures requiring all decision-makers involved in selection to ensure that the grounds for selecting or rejecting candidates do not include any criteria inconsistent with the HPB Group Code of Ethics or applicable non-discrimination legislation. Favouritism, as well as direct or indirect discrimination, is not tolerated on any grounds, including race, skin colour, ethnic or social origin, genetic characteristics, language, religion or belief, political or other opinion, membership of a national minority, property, birth, disability, age or sexual orientation.

Measures to prevent discrimination are set out in detail in the Rulebook on the Procedure and Measures for the Protection of Employee Dignity. The Rulebook provides for working conditions in which employees are not exposed to discrimination, adverse treatment, harassment or sexual harassment, segregation or mobbing, and establishes measures to safeguard employee dignity where a breach is identified. It further governs, inter alia, the procedures for reporting and assessing alleged breaches, protective measures for the reporting person during the process, and the role of the Employee Dignity Protection Committee.

Policies related to the protection of human rights

As a signatory to the UN Global Compact (UNGC), HPB Group has committed to upholding the ten principles of responsible business conduct, which encompass the protection of human rights; labour standards, including freedom of association, the prohibition of child and forced labour, and the prohibition of discrimination; environmental protection; and the fight against corruption.

The Principles for the Protection of Human and Children's Rights, which form an integral part of the Policy on the Management of Environmental, Social and Governance (ESG) Factors and are published on the [Bank's website](#), commit HPB Group to respecting internationally recognised human rights standards, prohibiting child and forced labour, and ensuring decent and safe working conditions across own operations and the value chain.

The ESG Policy, including its annex Principles for the Protection of Human and Children's Rights, applies to all employees across all organisational units of the Bank and HPB Group entities, as well as to all business processes and activities throughout the full geographical area in which HPB Group operates.

Overall responsibility for the adoption, implementation and oversight of the Policy rests with the Management Board, which approved it. The Supervisory Board grants its consent and monitors implementation through oversight of ESG matters. Operational implementation and monitoring are carried out by the Sustainable Business Department within the Strategic Development and Business Transformation Division.

The Policy is aligned with the UN Sustainable Development Goals (SDGs), the principles of the UN Global Compact, the commitments of the Paris Agreement, relevant guidance issued by European supervisory authorities, and national strategic documents of the Republic of Croatia.

In framing these commitments, HPB Group takes into consideration the interests of employees and job applicants through principles of equality, non-discrimination, respect for human dignity, a safe and healthy working environment, competence development and work-life balance. The interests of clients and service users are addressed through ethical conduct, transparent communication, product and service integrity, and consumer protection, in line with ESG principles. The interests of children and young people are reflected through the prohibition of child labour, the development of safe and responsible products, and support for parents and caregivers, while community interests are advanced through initiatives in financial literacy, responsible lending, investment in local development and environmental protection.





Internal documents governing professional training and development

The Rulebook on Employee Professional Development establishes the framework for continuous professional development, including training and progression within the organisation, and supports employees in developing and acquiring the skills required to meet future challenges.

The Rulebook applies to all employees of HPB Group entities, across all locations and organisational units. Overall responsibility for implementation rests with the Management Board, which adopts the Rulebook and ensures its application across the Group. The Management Board also serves as the formal decision-making body for key procedures, including approving employee participation in education programmes and authorising financial resources for training where required by internal rules. Operational implementation is carried out by the Human Resources Management Division, in cooperation with managers across organisational units, who have defined responsibilities for planning, delivering and monitoring employee training and development.

Stakeholder interests are integrated through structured consultation, planning and evaluation processes as set out in the Rulebook. Annual training planning involves employees, managers, the Human Resources Management Division and business areas responsible for regulatory obligations, thereby aligning employee needs, governance expectations and role-specific requirements. Managers identify development needs in dialogue with employees and are responsible for ensuring fair and equitable access to development opportunities. The compliance function ensures that supervisory expectations are appropriately embedded in the planning and delivery of training, particularly with respect to mandatory, licensed or certification programmes. Development programmes are shaped by organisational requirements and employee feedback, thereby ensuring that internal stakeholder perspectives are reflected in policy content and priorities.

The Rulebook is grounded in applicable Croatian and EU legislation governing mandatory regulatory training, including requirements related to anti-money laundering and counter-terrorist financing, the provision of investment services, consumer protection, occupational health and safety, data protection and other regulatory obligations, which are explicitly recognised as part of mandatory professional development. The Rulebook also takes into account requirements and guidance issued by supervisory authorities such as the CNB and HANFA, integrated through the compliance function and the business areas responsible for regulatory training.

HPB Group delivers regular professional, regulatory and development training, including e-learning programmes, specialised workshops and leadership development programmes, aligned with role requirements and regulatory expectations.

Delivery is monitored through participation records, completion of mandatory regulatory programmes, training evaluations by participants and, where applicable, assessments of the competencies acquired. Results are analysed to ensure compliance and effectiveness of the professional development programme.

In addition to continuous development through training and development programmes, HPB Group annually selects employees through internal calls for applications for whom the employer finances or co-finances further education (including reskilling, higher education qualifications, recognised certificates and licences).

These documents are available to employees via the internal portal.

S1-2 PROCESSES FOR ENGAGING WITH OWN WORKERS AND WORKERS' REPRESENTATIVES ABOUT IMPACTS

HPB Group has established structured, regular and two-way engagement arrangements with its own workforce and, where applicable, with employee representatives, including the chief trade union representative who also performs the function of the works council. These arrangements enable the timely identification, prevention and management of actual and potential employee impacts and ensure that workforce perspectives are systematically reflected in decision-making.

Engagement is conducted both directly and indirectly through multiple channels and touchpoints, including initiatives raised by employees, managers, the trade union and the chief trade union representative. Communication is ongoing and takes place via email, the intranet (SharePoint), the Ask HR platform, in-person and online meetings, performance management processes, formal consultations and other forms of internal dialogue. Employee perspectives are conveyed to decision-makers through regular exchanges with line management, Human Resources and the Management Board, as well as through the trade union, which raises matters and initiatives with the employer on behalf of employees. The Work Regulations provide a formal and clearly defined mechanism for submitting grievances and resolving employment-related disputes. An employee who considers that an employment right has been infringed may submit a request to the employer within 15 days of receipt of the relevant decision or of becoming aware of the infringement, and the employer is required to respond within 15 days. If the request is not upheld, the employee has the right to seek judicial protection within a further 15-day period. The Work Regulations also set out procedures in cases of breaches of employment obligations, including an obligation on competent managers to submit a report, the conduct of a fact-finding process and, in more complex cases, the possibility of appointing a special committee. This formalised framework supports a transparent, legally grounded and impartial process for raising concerns and escalation.

A key, comprehensive channel for employee feedback is the annual Organisational Vitality Survey, followed by transparent communication of results and joint work on action plans for improvement. The survey is conducted consistently each year across HPB Group and was carried out for the fifth consecutive year in 2025.

Operational responsibility for ensuring effective engagement with the workforce rests with the Management Board, the Executive Director of the Human Resources Management Division, and the chief trade union representative acting in the capacity of the works council. These parties regularly review feedback received and incorporate it into improvements of internal policies, internal acts and human resources management practices.

During 2025, HPB Group strengthened employees' material and non-material rights through a new Collective Agreement, including pay and allowance increases, a higher minimum gross salary, increased amounts of reimbursements and support payments, the introduction of paid leave for an employee's birthday, and more favourable employee lending conditions. Particular emphasis was placed on measures supporting employees' families and work-life balance, including benefits upon return from maternity and parental leave. The Collective Agreement was concluded as the outcome of collective negotiations between the union negotiating committee and the employer negotiating committee. It also constituted one of the key performance indicators (KPIs) of the Human Resources Management Division, thereby supporting ongoing monitoring of the effectiveness of engagement with employees and the trade union.

HPB Group takes measures to ensure visibility of the perspectives of employee groups that may be more sensitive to impacts, including women, persons with disabilities and other potentially marginalised groups. These measures include the analysis of progression and pay data, the availability of confidential reporting and feedback channels, and access to psychological counselling.

To further improve access to information and communication, HPB Group introduced the Ask HR functionality within the HRnet application, enabling employees to access information more quickly on HR matters, payroll processing, performance management and other human resources topics.

In 2025, HPB Group also conducted a survey on employee satisfaction with internal service quality, with the objective of strengthening cooperation, support and organisational cohesion. Active employee involvement in assessing internal collaboration contributes to higher satisfaction and engagement, a stronger organisational culture and more effective business processes, which in turn supports service quality delivered to clients. The key findings of the Organisational Vitality Survey indicate positive improvements across all categories, with the most notable increases recorded in perceptions of managerial fairness, satisfaction with immediate leadership, and satisfaction with advancement and reward practices. In addition, the organisational vitality index and the share of HPB Group "ambassadors" increased.

These processes enable the systematic integration of employee perspectives into decision-making and impact management, strengthening transparency, trust and the effectiveness of internal dialogue, and contributing to the stability and resilience of HPB Group's business model.



S1-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKERS TO RAISE CONCERNS

HPB Group is committed to maintaining a working environment in which employees are not exposed to discrimination, adverse treatment, harassment, sexual harassment, segregation or mobbing. To support this commitment, mechanisms are in place to ensure timely action and the protection of dignity at work in all cases of reported misconduct. In line with the Labour Act, the Anti-Discrimination Act and the Gender Equality Act, HPB Group has adopted the Rulebook on the Procedure and Measures for the Protection of Employee Dignity, which clearly defines the respective rights and obligations of employees and the employer in relation to dignity at work. The Rulebook applies to all HPB employees and provides for the submission of complaints in cases of dignity violations, together with the measures to be implemented where breaches are established.

HPB has established a comprehensive protection framework that provides access to remedy where an employee experiences a material adverse impact related to a breach of dignity, discrimination, harassment, sexual harassment or other forms of adverse treatment at work. This framework constitutes a formal and structured remedy channel, enabling employees to seek protection without undue delay. Any employee may submit a written complaint to the Employee Dignity Protection Committee, provide supporting evidence and propose witnesses, and request interim protective measures upon submission. The Committee is appointed by HPB and comprises two persons of different genders, with designated alternates. It is mandated to consider complaints and propose measures to protect employees, thereby supporting the independence, impartiality and expertise of the process - key attributes of an effective remedy mechanism under ESRS S1-3. The Committee is required to conclude the procedure within eight days, and all information collected is treated as confidential, thereby protecting the affected person, reducing the risk of retaliation and enhancing procedural effectiveness.

Where there is a risk of further harm, the Committee may propose interim measures to the Management Board, including the temporary release of the affected employee from work duties, removal of the reported person from the workplace, or separation of the parties (e.g., a change of workplace for one of the parties). These measures are intended to prevent further harm and to enable appropriate corrective action.

The Rulebook also provides mechanisms for assessing the effectiveness of the remedy provided, including prescribed timelines and the requirement for urgency as a criterion of effectiveness, the possibility of seeking judicial protection where the internal remedy proves ineffective, and the ability to initiate proceedings without a prior complaint.

The Rulebook is published on internal webpages and is accessible to all employees. The list of confidential advisers is also available on the intranet. This ensures transparency of procedures and accessibility of remedy mechanisms.

In addition, in order to monitor and ensure compliance with

applicable legislation, the Code of Ethics and other internal acts, and in the context of implementing the Government of the Republic of Croatia's Anti-Corruption Programme for majority state-owned companies, HPB Group has established an effective system for reporting breaches of the Code of Ethics and business irregularities. The system enables employees, clients and other interested third parties to submit reports through protected channels, with confidentiality assured.

HPB Group regularly informs employees of the available reporting channels through internal communications (intranet and email), training (annual e-learning modules) and onboarding processes, thereby ensuring that employees are aware of reporting options and how to use the protection mechanisms. The fact that employees are familiar with, and trust, these channels is supported by the completion rate of relevant training: 92% of employees successfully completed training covering anti-corruption, irregularity prevention, conflict of interest prevention and the application of the Code of Ethics principles, thereby reinforcing understanding of procedures and confidence in reporting mechanisms.

Reports concerning non-compliance with or breaches of the Code of Ethics are received through protected channels and are handled by the designated Ethics Officer and their deputy. Individuals who work within the environment provided by the Bank and HPB-nekretnine d.o.o. are able to report irregularities or unlawful/non-compliant conduct in good faith, without fear that reporting will result in retaliation or adversely affect their employment status or position within the Bank/HPB Group. The procedure for handling reports of irregularities submitted by individuals working within the environment of the Bank or HPB-nekretnine d.o.o. is carried out by the designated Confidential Reporting Officer, their Deputy and the Irregularities Resolution Committee, in accordance with the provisions of the Rulebook on the Procedure for Reporting Irregularities.

HPB Group applies a zero-tolerance approach to retaliation against all persons who use reporting mechanisms and implements protection measures to prevent any adverse consequences for reporting persons.

HPB Group entity HPB Invest d.o.o., as an obliged entity, has established its own internal reporting and whistleblower protection system which, proportionate to its size and business model, is aligned as closely as possible with HPB's system. Information on procedures, guidance and reporting forms is publicly available on the websites of the Bank and HPB Group entities.

HPB Group regularly monitors the number and type of reports received, resolution timelines, measures taken and reporting person's satisfaction with outcomes, in order to assess the effectiveness of the mechanisms and identify areas for improvement. Monitoring outcomes are fed back into continuous improvement of policies, procedures and training.

S1-4 TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE, AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO OWN WORKFORCE, AND EFFECTIVENESS OF THOSE ACTIONS

HPB Group identifies and addresses material actual and potential impacts on its own workforce through a combination of preventive, corrective and developmental actions. These actions are designed to prevent and mitigate adverse impacts, ensure effective remedy where adverse impacts occur, and promote positive outcomes for employees.

The identification of material impacts is supported through regular risk assessments, analysis of employee feedback, survey results, and monitoring of regulatory and organisational developments. This enables HPB Group to determine which actions are necessary and proportionate to address specific actual or potential impacts.

Actions to prevent and mitigate adverse impacts

To prevent and mitigate adverse impacts on employees, HPB Group implements the key actions described in this chapter.

Implementation of actions is underpinned by defined internal processes and workforce governance mechanisms. The Human Resources Management Division is responsible for planning, coordinating and monitoring implementation, with the active involvement of the Management Board and managers at all levels. The process includes regular reviews of working conditions, quarterly and annual HR reporting, worker-related due diligence mechanisms, risk monitoring processes, and internal acts governing remuneration, working conditions and professional development. These organisational resources support consistent and timely implementation of actions across HPB Group.

• Adequate wages

Inadequate wages may give rise to employee dissatisfaction, increased turnover and reduced performance and, over time, may contribute to wider social inequalities. It also represents a business risk, including higher recruitment and onboarding costs and the potential loss of critical expertise.

HPB Group therefore seeks to maintain a fair and transparent remuneration framework, to review pay levels on a regular (at least annual) basis, and to sustain market competitiveness.

To support both fairness and competitiveness, HPB Group implements a set of mutually reinforcing measures.

The new Collective Agreement concluded in 2025 strengthened working conditions, including pay increases, an increase in the minimum monthly basic gross salary, higher pay supplements, increased meal allowances, and higher levels of reimbursements and solidarity support. These enhancements mitigate the risk of employee financial stress. This action constitutes a key measure implemented in the 2025 reporting period, with expected outcomes including improved employee financial security, strengthened employment conditions and a reduced risk of turnover. The scope of the measure covers all employees across HPB Group, across all organisational

units and geographical locations. The Bank monitors these areas through regular reviews of working conditions, analyses of employee satisfaction and turnover monitoring. Progress is tracked through the results of the internal employee survey (ORVI) and feedback from managers and employees, which inform the planning of further actions.

In addition, fixed remuneration is predefined and stable, and cannot be amended without changes to employment contracts or formal internal acts. It is not linked to short-term performance outcomes, thereby supporting predictability and fairness. Remuneration is determined on the basis of objective criteria, including remuneration grade, qualifications, experience, competencies, responsibility, job complexity and market conditions. Regular monitoring and remediation of gender pay differences, supported by annual reporting and corrective actions where required, further supports the objective of ensuring that remuneration remains fair, proportionate and aligned with market practice.

• Gender equality and equal pay for work of equal value

Within the implementation of the Remuneration Policy, HPB Group defines and maintains ongoing measures in the area of equal opportunities and pay equity, which are monitored and evaluated on a regular basis. These measures include maintaining a remuneration framework based on uniform criteria for equal work or work of equal value, irrespective of gender or other personal characteristics, with the objective of ensuring sustained fairness and transparency in reward practices. In addition, HPB Group seeks to achieve and maintain balanced gender representation across all organisational levels, fostering an environment in which all employees have equal access to development and career opportunities. Particular emphasis is placed on systematically reducing gender pay differences, with a view to timely identification and remediation of any observed disparities and to ensuring long-term pay equity.

In line with these measures, HPB Group set a specific target in the 2025 reporting period to reduce the gender pay gap for specialist roles at Level 4, as further described in S1-5 Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities.



Measures to ensure access to remedy

Where actual adverse impacts on employees occur, HPB Group provides access to remedy through established formal mechanisms.

• Employee grievance mechanisms

Employees have access to protected and confidential channels for reporting breaches of dignity, discrimination or other inappropriate conduct. Grievances are reviewed by the designated Ethics Officer, with safeguards in place to protect reporting persons from retaliation.

• Internal whistleblower reporting channels

The internal whistleblower reporting system enables employees to report unlawful or non-compliant conduct in good faith. Where irregularities are confirmed, corrective and/or disciplinary measures are taken and, where necessary, internal processes are adjusted.

HPB Group monitors the effectiveness of remedy mechanisms through analysis of case resolution timelines, repeated reports and employee satisfaction with outcomes. In this way, HPB Group seeks to ensure that reported adverse impacts are addressed in a timely manner and that confirmed breaches are appropriately remediated.

HPB Group continuously assesses the effectiveness of implemented measures using defined indicators, including employee turnover, engagement and satisfaction (ORVI), productivity indicators, the number and nature of complaints received, case resolution times and participation in training. Results are reviewed at least annually and used to adjust policies and improve working conditions. Employee feedback is collected through surveys, workshops, focus groups and regular dialogue with managers, and findings are integrated into planning and risk management processes.

Actions to realise positive impacts

HPB Group also implements additional actions and initiatives aimed at generating positive impacts for its own workforce. The effectiveness of these initiatives is monitored through employee engagement indicators, survey results, workforce turnover and feedback gathered through workshops and focus groups.

• Employee development, training and empowerment

Employee development is supported from the point of entry through a structured onboarding process designed to ensure effective orientation and integration, including a mentoring programme for selected parts of the organisation. Alongside regulatory-mandated training, HPB Group continuously invests in professional development through targeted expert training and structured development programmes delivered by the employer. Employees may also apply, through a transparent call

for applications, for employer-funded or co-funded education. By investing in training and professional development, HPB Group supports individual career progression and organisational capability building and, more broadly, contributes to the development of a more sustainable society. Through a diverse learning portfolio, the Group enables the development of technical, professional and communication competencies, as well as leadership and adaptability. Particular emphasis is placed on ensuring equitable access to development opportunities for all employees, irrespective of role or seniority, thereby enabling them to progress and contribute meaningfully to HPB Group's continued development. This approach supports the formation of capable, motivated teams that are essential to the delivery of the Group's strategic objectives.

HPB Group actively promotes the development of leadership competencies and the empowerment of women in management through targeted programmes and participation in relevant initiatives. Through The Lady's Realm Leadership Academy, female employees in managerial roles participated in training focused on leadership development, psychological safety, change management and the creation of a supportive working environment. The programme enabled the exchange of experience, work on practical challenges and the strengthening of competencies required for effective leadership.

At the Women in IT conference organised by Women in Adria, HPB Group representatives contributed to discussions on the position of women leaders in the technology sector, the challenges they face, and the importance of resilience, empathy and supportive professional networks for leadership development.

Within the Women Changing Croatia project, HPB Group took part in panel discussions addressing women's career development, the importance of diversity in governance structures and the advancement of equal opportunities for professional progression. Through its partnership in the project, HPB Group further reinforces its commitment to gender equality, inclusion and the advancement of women's leadership.

These initiatives complement existing professional development and competence-building programmes and contribute to a working environment in which women have equal opportunities to develop, progress and assume leadership responsibilities.

Detailed quantitative information on training delivered is provided in S1-13 Training and skills development metrics.

• Enhancing work–life balance

In line with the Collective Agreement, all employees are granted entitlements related to family and personal circumstances, including maternity, parental and adoption leave. Employees returning from maternity or parental leave are entitled to work half-time for one month on full pay. The new Collective Agreement concluded in 2025 also introduced paid leave on an employee's birthday and expanded leave entitlements for family-related circumstances.

HPB Group continues to support work–life balance through flexible working arrangements, including remote working options, flexible working hours, a shortened working Friday and additional annual leave for parents. Employees are also

supported through enhanced financial assistance, including increased solidarity support payments, kindergarten subsidies, occasional child-related allowances and other forms of support in important life circumstances, thereby strengthening the financial security of employees and their families.

These measures are expected to contribute to improved well-being, higher employee satisfaction and workforce stability, while also supporting the attraction of new talent and the retention of existing employees.

During the reporting period, HPB Group received the Employer Partner certificate for the ninth consecutive year, one of the leading regional recognitions for excellence in human resources management. The certification confirms the continuous enhancement of HR practices, a sustained focus on employee well-being and the ongoing development of organisational culture, including the adoption of an Organisational Culture Manifesto emphasising cooperation, accountability and innovation.

Management of material risks and opportunities

HPB Group has identified a material risk associated with inadequate wages, including increased costs arising from undesired employee turnover and recruitment needs, weaker business performance due to reduced productivity and higher turnover, and the potential loss of key high-performing employees.

• Inadequate wages

HPB Group addresses this risk primarily by strengthening the security and fairness of its remuneration framework and by improving working conditions. In 2025, a key measure was the increase in base salaries, supplements and support payments through the new Collective Agreement, which reduces employee financial stress and mitigates turnover risk. The measure applies to all Bank employees and its impact is monitored on an ongoing basis through employee satisfaction analysis, reviews of working conditions and turnover indicators. In addition, employee retention and stability are supported by transparent, gender-neutral pay-setting criteria and regular monitoring of pay differences, together with corrective actions where required, thereby supporting market-aligned and equitable remuneration outcomes.

• Training and skills development

At the same time, HPB Group recognises a material opportunity in the continued enhancement of employee knowledge and skills through ongoing training and development. This strengthens operational efficiency and service reliability, reinforces competitiveness and may support improved business performance. Accordingly, HPB Group invests in the systematic development of professional and leadership capabilities through the performance management system, individual development plans and targeted training programmes, providing employees with clearer

visibility of expectations, career pathways and advancement opportunities. A mentoring framework supports the swift integration of new employees, while specialised workshops and programmes focused on expert and leadership skills contribute to capability building across the organisation. The expected outcomes include improved operational efficiency, enhanced service reliability and stronger competitiveness.

These measures are implemented across all organisational levels and throughout all Group entities. Progress is monitored through performance management outcomes, delivery of development plans and structured feedback from employees and mentors.

Implementation is coordinated by the Human Resources Management Division in cooperation with managers across organisational units and is delivered through formalised processes, including performance management, development needs assessment, training planning, mentoring arrangements, leadership development initiatives and internal policies supporting professional growth. These processes and resources enable consistent, well-planned and timely delivery of employee development across HPB Group.

HPB Group also seeks to ensure that internal business practices do not create adverse impacts on employees. In procurement, timelines and requirements are aligned with team capacities to avoid overburdening. In sales functions, targets and KPIs are set on a reasonable basis, taking into account working conditions and employee well-being. In employee data management, strict privacy protection and access controls are applied in accordance with internal acts.

Where potential tensions arise between business objectives and employee protection, for example due to unrealistic deadlines, increased workload or other undesired circumstances, HPB Group implements corrective measures such as replanning activities, reallocating tasks, increasing resourcing or adjusting targets. This approach is consistent with the broader set of measures, including strengthening the remuneration system, flexible working arrangements, training programmes and access-to-remedy mechanisms.

Resources supporting implementation

HPB Group allocates appropriate resources to support the implementation of these measures, including budget for training, development programmes, employee benefits, digital tools, performance management systems and internal monitoring processes. Resource management is accompanied by regular monitoring of the effectiveness of related investments. To date, implementation of these measures has not required significant additional operating or capital expenditure beyond regular business activities.



S1-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

HPB Group applies a combination of qualitative and quantitative objectives and related measures aimed at reducing adverse impacts, promoting positive outcomes and managing material risks and opportunities.

Adequate wages

As HPB Group has not yet defined quantified targets for this material topic (adequate wages), disclosures focus on monitoring the effectiveness of measures implemented, in line with ESRS 2 MDR-T, paragraph 81.

Each year, HPB Group conducts a detailed review of salary and allowance structures, alongside an assessment of market competitiveness, to ensure that employee remuneration remains aligned with developments in the financial sector. Particular attention is given to monitoring employee turnover and the reasons for departures, enabling the timely identification of potential risks associated with dissatisfaction or inadequate remuneration. Where deviations from internal standards or the Collective Agreement are identified, corrective actions are implemented to safeguard the consistency and fairness of the remuneration framework.

The effectiveness of these measures is monitored through a set of key indicators. Employee turnover rate serves as a key signal of workforce stability, while employee survey results on satisfaction and perceived pay fairness provide insight into how remuneration practices are experienced in practice. HPB Group also monitors the share of employees whose remuneration is fully aligned with the Collective Agreement and internal acts, as well as the number of corrective actions implemented during the year, thereby supporting an assessment of the consistency and effectiveness of remuneration governance. In the current reporting period, these indicators have not been validated by an external body other than the assurance provider; the metrics and results are derived from internal records, internal controls and established monitoring processes within HPB Group.

Work–life balance

Measures supporting work–life balance have a positive effect on employee productivity, motivation and satisfaction. Flexible working arrangements can reduce stress and support the organisation of personal responsibilities. Conversely, insufficient work–life balance may contribute to burnout, reduced effectiveness and longer-term health impacts, increasing the risk of turnover and prolonged absence.

HPB Group has not yet defined measurable, outcome-oriented, time-bound targets for this material topic and will consider their formal introduction in the forthcoming period. Until then, disclosures are based on assessing the effectiveness of meas-

ures implemented, in line with ESRS 2 MDR-T, paragraph 81.

In the current period, HPB Group maintains a qualitative level of ambition, including enabling flexible working arrangements where feasible, fostering a culture of trust, autonomy and accountability, and continuously strengthening measures that support employee well-being. Work–life balance is promoted through more flexible work models, targeted support for employees returning from parental leave, and the development of managerial capabilities to lead teams effectively under such arrangements.

Effectiveness is monitored through defined mechanisms, including internal employee satisfaction surveys, data on the use of flexible working arrangements and other employee feedback channels. Comparative data from prior years are used as a reference point for assessing effectiveness over time.

Gender equality and equal pay for work of equal value

HPB Group's objectives include safeguarding equal opportunities for all employees, strengthening diversity across all organisational levels, and reducing any observed disparities in representation or treatment of specific groups. Over the longer term, the aim is to reinforce an inclusive culture and ensure that diversity becomes an integral element of the organisation's identity.

On an annual basis, the Human Resources Management Division analyses the gender pay gap, documents the underlying drivers and proposes corrective actions, implementing such actions where required. The analysis is based on gross hourly pay and compares roles by complexity level and organisational affiliation, which constitutes HPB's methodology for calculating the gender pay gap.

In the previous reporting period, HPB Group placed particular emphasis on analysing gender pay differences, with a focus on specialist roles at Level 4, where a 7% difference in gross hourly pay in favour of men was identified. This value was defined as the baseline for the 2024 reference year. The target set for the period was to reduce the gap by at least 2 percentage points, in line with the principle of equal pay for work of equal value and obligations arising under national legislation and the forthcoming transposition of Directive (EU) 2023/970 on strengthening the application of the principle of equal pay for equal work or work of equal value through pay transparency and enforcement mechanisms (the Pay Transparency Directive). The target is

relative (expressed in percentage points), applies to employees in the Republic of Croatia, and covers Level 4 specialist roles across all organisational units. The implementation period was 12 months (2024–2025). The target-setting process was led by the Human Resources Management Division and the target was approved by the Management Board, subject to the consent of the Supervisory Board.

The analysis provided important insight into the structure and drivers of pay differences. It showed that a significant portion of the gap arises from organisational affiliation, specifically, the higher representation of men within the job family “Development, maintenance and review of IT support and information system security”, where pay levels are higher due to market conditions and specialised competencies. A similar pattern is observed in management roles, where men more frequently occupy positions with broader responsibility, which is reflected in pay levels. The analysis also identified a segment of differences that cannot be fully explained by objective factors, particularly within Level 4 specialist roles, confirming both the relevance of the target and the need for its continued development. The target was achieved in 2025. Progress is monitored through annual measurement of the gender pay gap. In 2025, HPB Group increased the minimum salary to EUR 1,420, which applied to a significant number of employees in Level 4 specialist roles, where women are predominantly represented. As a result, the pay gap between women and men was reduced by 2 percentage points.

HPB Group is undertaking preparatory work to align with the Pay Transparency Directive, which introduces requirements for enhanced visibility of pay structures, regular reporting on the gender pay gap and clear, objective criteria for determining and comparing pay. In this context, HPB Group is carrying out job evaluation to strengthen organisational fairness and balance the relative value of roles, responding to changes in the operating environment and labour market as well as internal developments. Accordingly, HPB Group did not set a specific gender pay gap reduction target for 2026; such a target will be established following implementation of the Pay Transparency Directive and completion of the job evaluation process.

During the reporting period, there were no changes to the methodology for calculating the gender pay gap or to the indicators applied, other than the 2025 increase of the minimum salary to EUR 1,420, which affected baseline assumptions and temporarily influenced the pay gap structure. For 2026, changes to targets and methodology are anticipated following completion of job evaluation and implementation of Pay Transparency Directive requirements, which may result in the redefinition of target values and the introduction of additional indicators aligned with the new regulatory framework.

Training and skills development

HPB Group systematically strengthens employee capabilities through an annual training plan, monitoring completion of mandatory programmes, preparing individual development plans, and delivering mentoring and management development programmes. The effectiveness of these activities is monitored

through indicators such as the proportion of employees who complete mandatory training, the average number of training hours per employee, training satisfaction survey results and the number of employees participating in development programmes. This enables the continuous enhancement of expertise and professional growth across the organisation.

In the area of skills development, HPB Group has set a quantified target aimed at strengthening employees’ digital and analytical competencies, which are critical to organisational resilience and long-term development. The target supports HPB Group’s strategic direction in digital transformation. Based on the analysis performed, 19% of HPB Group employees participated in digital and analytical skills training in 2025, which has been defined as the baseline and reference year. The target for 2026 has been set at 30% of employees, measured as the relative share of employees who complete at least one training course in this area. The target applies to all Bank employees in the Republic of Croatia. Progress is tracked through records of internal and external training, including programmes such as the Data Nursery, in-house training, formal education and other initiatives aimed at developing digital and analytical competencies. The monitoring methodology is based on official HR records and learning management systems, supported by clearly defined inclusion criteria. The Human Resources Management Division is responsible for defining the target and monitoring methodology, while progress and achievement are assessed annually through the key indicator of the percentage of employees participating in these trainings, together with trend analysis against prior years.

During the reporting period, there were no changes to the target, the measurement scope or the methodology for tracking the share of employees participating in digital and analytical skills training. The only adjustment relates to the expansion of the training offer in 2025, which increased the range of available programmes without affecting the measurement approach. For 2026, any adjustments to the target or monitoring criteria are expected only in the event of significant organisational changes or the introduction of new digital competency models; any such changes will be disclosed in the subsequent reporting period.

Process for setting and monitoring targets

The process for setting target values within HPB Group is based on structured cooperation between the Human Resources Management Division, business area management and the Management Board. During target-setting, HPB Group engages its own workforce by gathering input through established internal channels, including development discussions and the analysis of employee needs communicated via Ask HR, the intranet and direct meetings. This approach helps ensure that target values reflect workforce needs, the Bank’s strategic priorities and applicable regulatory requirements.

Progress is monitored through HR analytics, including employee turnover, satisfaction and engagement indicators, annual gender pay gap analysis, training participation metrics, and regular reporting to the Management Board and the works



council. Results are reviewed periodically by the Management Board, HR and managers, with particular attention to matters that may affect employee well-being, working conditions, competence development and organisational culture.

Employees and the trade union, through the works council, also contribute to monitoring progress against S1 targets through internal consultations and the exchange of feedback. Their perspectives support the identification of areas for improvement and help ensure that measures remain responsive to workforce needs.

Monitoring results and employee feedback are used to identify opportunities to further strengthen policies, remuneration frameworks and human resources initiatives, and to reinforce organisational culture, thereby supporting continuous improvement in working conditions and practices. Trends, the effects of measures implemented and any identified deviations are analysed; where necessary, corrective actions are initiated, policies adjusted and/or target values updated to ensure they remain relevant, appropriately ambitious and aligned with HPB Group's strategic direction.

S1-6 CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES

The structure of HPB Group's workforce reflects its commitment to diversity, inclusion and equal opportunity as integral elements of corporate culture. HPB Group considers workforce diversity, by age, gender, educational background and professional experience, to be an important contributor to decision-making quality, organisational resilience and the long-term sustainability of operations.

HPB Group endeavours to foster an inclusive workplace in which employees feel respected and valued and are encouraged to achieve their full potential, regardless of personal characteristics or individual circumstances.

Recruitment within HPB Group is governed by an internal Recruitment Process Procedure, which requires all participants in the selection process to adhere to the principles of equal treatment and non-discrimination. Decisions to select or reject candidates are based exclusively on professional knowledge, competencies and job requirements and must not, under any circumstances, include criteria that are inconsistent with the HPB Group Code of Ethics or applicable legislation.

HPB Group maintains a zero-tolerance approach to discrimination, whether direct or indirect, and to any form of favouritism, irrespective of grounds, including race, skin colour, ethnic or social origin, genetic characteristics, language, religion or belief, political or other opinion, membership of a national minority, property, birth, disability, age or sexual orientation.

Recruitment is conducted through multiple channels and the selection process involves, alongside relevant professional staff, internal psychologists.

During the reporting period, HPB Group made a significant step forward in strengthening support for new and existing employees in the sales network by introducing mentoring as part of the onboarding process. The mentoring programme has been designed to facilitate the integration of new employees into teams, provide continuous support, and accelerate the development of competencies and adaptation to new roles.

The introduction of mentoring supports knowledge transfer and continuity of expertise through an individual and regional approach to employees in the sales network, particularly within lending and transactional business. Mentors participating in the programme completed structured training enabling them

to provide high-quality professional and advisory support to colleagues. Over the longer term, this initiative is expected to further strengthen workforce stability, support talent development and contribute to improved business performance across HPB Group.

Classification of own workforce

In accordance with the requirements of S1-6, HPB Group classifies its own workforce into the following categories:

- permanent employees: employees engaged under open-ended employment contracts, either full-time or part-time,
- fixed-term employees: employees engaged under fixed-term employment contracts, in accordance with the Labour Act,
- students: individuals engaged under student contracts, primarily for administrative and support tasks, data processing and related activities,
- external collaborators: individuals engaged under contracts for services or other forms of engagement, primarily for specific projects, delivery of training, data processing and digitalisation-related activities.

Methodology for data collection and presentation

Data relating to HPB Group's own workforce are collected from internal records maintained by the Human Resources Management function. Data are presented as at the last day of the reporting period (31 December 2025). For the purposes of calculating turnover and other indicators, average values over the reporting period are also used. HPB Group tracks the total number of employees who left the organisation and calculates the turnover rate as the ratio of departures to the average number of employees during the period. Where applicable, data are disaggregated by employee category, gender and other relevant characteristics, in line with ESRS requirements and in

compliance with personal data protection regulations. As HPB Group operates exclusively in the Republic of Croatia, a country-by-country breakdown is not applicable.

Data on the total number of employees in an employment relationship are reconciled to the figures disclosed in the Group's financial statements under General and administrative expenses (Employee costs).

Employee data are reported on a headcount (HC) basis, whereby one person is counted as one employee regardless of whether the individual works full-time or part-time, is employed on a fixed-term or open-ended basis, or has an employment contract with a reduced number of working hours.

Table: Characteristics of HPB Group employees – breakdown by gender, contract type and working time

		Employee characteristics by contract type				Employee characteristics by working time arrangement			
		Temporary employees		Permanent employees		Full-time		Part-time	
		2024	2025	2024	2025	2024	2025	2024	2025
Group	Men	-	26	-	449	-	471	-	4
	Women	-	59	-	1,258	-	1,277	-	40
	Total	84	85	1,634	1,707	1,686	1,748	34	44
Bank	Men	-	25	-	444	-	465	-	4
	Women	-	59	-	1,241	-	1,262	-	38
	Total	-	84	-	1,685	-	1,727	-	42

The table presents the workforce structure of HPB Group and the Bank by contract type and working time for 2024 and 2025, disaggregated by gender, with the note that HPB Group has no employees who self-identified under the "other" gender category. Data cover the total number of employees in an employment relationship at year-end and are sourced from internal HR records maintained in accordance with applicable internal acts and regulatory requirements. All HPB Group employees are located within the Republic of Croatia. No estimates or extrapolations are used; all figures represent actual year-end positions. Employee categorisation (permanent/temporary; full-time/part-time) follows the Labour Act and internal rulebooks. HPB Group has no employees with non-guaranteed hours. The employee classification methodology remained unchanged in 2024 and

2025, ensuring full comparability of data. Separate Bank-level data are not available for 2024, as analysis in that reporting period was presented only at HPB Group level, without separate disclosure for the Bank as a stand-alone entity; a separate presentation for the Group and the Bank was introduced in 2025. Changes in employee numbers reflect actual workforce movements. The data have not been validated by an external body other than the assurance provider and are subject to internal controls and HR record management procedures.

Table: Characteristics of HPB Group employees – turnover indicators, disaggregated by gender

		Number of employees in the reporting year (as at 31 December 2025)		Number of employees in the reporting year (average)		Total number of employees who left the organisation during the reporting year		Employee turnover in the reporting year (denominator: number of employees at year-end) (%)		Employee turnover in the reporting year (denominator: average number of employees) (%)	
		2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Group	Men	467	475	473.50	470.5	49	50	10.49	10.53	10.35	10.63
	Women	1,253	1,317	1,259.00	1,284.5	128	89	10.22	6.76	10.17	6.93
	Total	1,720	1,792	1,732.50	1,755	177	139	10.29	7.76	10.22	7.92
Bank	Men	-	469	-	465	-	47	-	10.02	-	10.11
	Women	-	1,300	-	1,267	-	84	-	6.46	-	6.63
	Total	-	1,769	-	1,732	-	131	-	7.41	-	7.56

The table presents employee turnover indicators for HPB Group and the Bank for 2024 and 2025, disaggregated by gender. Data include the number of employees at year-end, the average number of employees during the year, the number of employees who left the organisation, and turnover indicators calculated using two denominators - year-end headcount (31 December) and average headcount for the year. The calculation methodology remained unchanged across both years, enabling direct comparability of turnover trends. Separate Bank-level data are not available for 2024, as analysis in that reporting period was presented only at HPB Group level, without separate disclosure for the Bank as a stand-alone entity; a separate presentation for the Group and the Bank was introduced in 2025. Data are sourced from the official HR information system, based

on internal records maintained in accordance with the Labour Act. No estimates or extrapolations are used; all figures represent actual values. Turnover indicators have not been validated by an external body other than the assurance provider. At Group level, total turnover decreased from 10.29% in 2024 to 7.76% in 2025 (denominator: year-end), indicating improved employee retention. The largest decline was recorded for women at Group level, from 10.22% to 6.76%. At Bank level (data available for 2025 only), total turnover amounted to 7.41% (year-end) and 7.56% (average), consistent with Group retention trends.

The above data have not been validated by an external body other than the assurance provider.

S1-7 CHARACTERISTICS OF NON-EMPLOYEE WORKERS

Non-employee workers participate in HPB Group's business activities to a limited extent and under the supervision of the responsible organisational units. Their engagement is time-bound, project-based or seasonal, and linked to clearly defined tasks. HPB Group does not engage workers through temporary employment agencies (NACE N78). During the reporting period, there were no material fluctuations in the number of non-employee workers.

HPB Group ensures that non-employee workers are engaged under conditions consistent with applicable legislation and that the fundamental principles of dignity at work, non-discrimination and occupational safety are respected.

Methodology for data collection and presentation

Data are collected from internal records of contractual arrangements and are presented as the total number of individuals engaged during the year, rather than as a position as at 31 December 2025 or as an annual average. This approach is necessary because certain non-employee workers are engaged for shorter periods during the year and cannot be methodologically captured appropriately either through a year-end snapshot or an average headcount.

Data are reported on a headcount (HC) basis, representing the total number of individuals who had an active contractual relationship during the reporting period. Working hours or intensity of engagement are not included, as such data are not collected in this context. The data have not been validated by an external body other than the assurance provider and are based on internal records of HPB Group and the Bank. Disclosures on non-employee workers cover the actual number of students

(engaged under student contracts, primarily for administrative and support tasks, data processing and related activities) and external collaborators (engaged under contracts for services or other forms of engagement, mainly for specific projects, delivery of training, data processing and digitalisation-related activities). No estimates are used; all figures reflect internal records. The presentation is disaggregated by gender. As HPB Group operates exclusively in the Republic of Croatia, a country-by-country breakdown is not applicable. For 2024, data are available at Group level only, while in 2025 the disclosure also includes the Bank as a stand-alone entity. The methodology for identifying and recording the number of engaged individuals remained unchanged, ensuring comparability of values.

Data are disclosed in accordance with S1-7, in compliance with personal data protection requirements and without the disclosure of personal or sensitive information.

Table: Characteristics of non-employee workers

	2024		2025	
	Group	Bank	Group	Bank
Total number of non-employee workers				
Men	33	—	33	33
Women	38	—	53	53
Total	71	—	86	86

S1-9 DIVERSITY METRICS

HPB Group views long-term organisational success as closely linked to an inclusive culture that recognises and values diverse perspectives, experiences and talents. Diversity is embedded as a foundational value and supports fair employment relations and merit-based recruitment, advancement and development, grounded in individual capabilities, competencies and qualifications and free from discrimination and harassment.

Over a number of years, HPB Group has actively advanced diversity and inclusion as part of its corporate culture and wider social responsibility. Through its commitment as a signatory to the Diversity Charter, HPB Group promotes the adoption of diversity policies within the business community, with the objective of contributing to a more inclusive and equal society. HPB Group's daily practice is to maintain a workplace in which differences are respected and valued and in which discrimination, whether direct or indirect, is not tolerated.

The principles of diversity and non-discrimination are set out within the Policy on the Management of Environmental, Social and Governance (ESG) Factors, which provides the foundation for inclusive practices relating to recruitment, employee development, access to professional training and upskilling, advancement, reskilling, working conditions, social and health protection, and the exercise of employment-related rights. These principles also apply in relation to trade union membership and employee participation in associations or other organisations.

A diverse and inclusive workplace is integral to HPB Group's values and is also recognised as a strategic advantage, supporting innovation, strengthening productivity, improving decision-making and contributing to sustainable growth.

HPB Group is committed to an inclusive working environment in which individual differences are respected and in which discrimination is prohibited across all aspects of employment, including access to professional training, upskilling and reskilling; employment and working conditions; social security and healthcare; employment-related rights; and the rights of membership and participation in employee associations or other organisations.

HPB Group's workforce structure reflects these principles, including balanced representation across different age groups, thereby underscoring HPB Group's commitment to fostering a working environment that is open and inclusive for all generations. Women account for 64.5% of employees in managerial positions, confirming the application of equal opportunity and gender equality principles in career progression and development. For the purposes of this disclosure, managerial positions include the Management Board and the designated managerial employee category.

Through the consistent application of diversity and equal opportunity policies, HPB Group contributes to an inclusive organisational culture, strengthens employee engagement and supports positive social and business outcomes.

In accordance with the requirements of S1-9, HPB Group discloses gender distribution at the highest management level and the age structure of employees, presented in the prescribed categories.

Table: Diversity metrics

	2024		2025				
	Group	Bank	Group	Bank			
Gender distribution of employees at the highest management level*							
Men	86	5.0%	–	87	4.9%	84	4.7%
Women	142	8.3%	–	158	8.8%	152	8.6%
*The category "highest management level" comprises the Management Board and managerial functions, in accordance with the internal organisational classification							
Age distribution of all employees							
Under 30 years of age	166	9.7%	–	203	11.3%	202	11.4%
30 to 50 years of age	1,170	68%	–	1,095	61.1%	1,081	61.1%
Over 50 years of age	384	22.3%	–	494	27.6%	486	27.5%

The table presents data for 2024 and 2025 at HPB Group level and, where available, at Bank level. Data are sourced from official HR records maintained in accordance with internal rules and HPB Group's organisational structure. The classification of "highest management level" includes the Management Board and managers involved in strategic decision-making. Age categories (under 30, 30–50, over 50) are aligned with ESRS and applied consistently in both years. No estimates are used; all values reflect the actual number of employees as at 31 December of the reporting year. The methodology for data collection and classification remained unchanged, enabling

direct year-on-year comparability. Bank-level data are not presented separately for 2024, as reporting in that period was performed solely at Group level; a separate Bank presentation was introduced in 2025. The data presented in the table have not been validated by an independent external body other than the assurance provider and are based on internal records and standard HR controls.

Based on the table, an increase in the number of women at the highest management level within HPB Group is observed between 2024 and 2025, indicating progress in gender diversity in senior management roles.

S1-10 ADEQUATE WAGES

This disclosure relates to HPB Group employees (own workforce within the meaning of ESRS S1). Adequate wages are a material topic for HPB Group, as it directly affects cost levels, productivity, employer reputation and the long-term sustainability of the business model. The topic encompasses not only financial remuneration, but also the wider social and human dimensions that underpin fairness, equality and transparency. HPB Group is guided by the principles of respect for human rights, the reduction of inequalities and the provision of competitive pay in line with market conditions and statutory requirements.

Salaries, salary supplements and allowances are governed by the Work Regulations and the Collective Agreement, including provisions on pay, bonuses, health insurance and pension contributions. Transparency of remuneration practices, compliance with applicable legal and international norms, the monitoring and reduction of pay gaps, and alignment with sustainability objectives are among the principles guiding HPB Group's approach.

In order to ensure fair and competitive remuneration, during the reporting period HPB Group increased the minimum monthly basic gross salary, alongside additional increases to base salaries more broadly. Supplements for work under specific conditions (public holidays and non-working days) were increased, as was the meal allowance.

HPB Group confirms that all employees receive adequate pay in accordance with ESRS S1-10 and Commission Delegated Regulation (EU) 2023/2772. The lowest salary materially exceeds the relevant adequacy thresholds set out in ESRS guidance (i.e., $\geq 60\%$ of the median and $\geq 50\%$ of the national average gross salary), thereby supporting the fairness and sustainability of the remuneration framework.

For the purposes of this disclosure, an adequate wage is defined as a wage that enables an employee and their family to meet basic needs, taking into account national economic and social conditions, based on full-time employment.

For countries within the European Economic Area (EEA), the adequacy threshold must not be lower than:

- 60% of the median gross salary, and
- 50% of the average gross salary, or a national benchmark where applicable (e.g., a statutory minimum wage).

Benchmark calculation for Croatia:

- 60% of the median gross salary: EUR 582.00,
- 50% of the average gross salary: EUR 485.00.

HPB Group also monitors remuneration arrangements for non-employee workers engaged within the Group's workforce and confirms that their contractual terms are aligned with applicable legislation and market standards.



S1-11 SOCIAL PROTECTION

Social protection contributes to employee well-being, supports retention and strengthens organisational culture. HPB Group confirms that all employees are covered by social protection through the public social security system. In addition, HPB Group provides a broad range of employee rights and benefits through the Collective Agreement, internal acts and applicable legislation.

Employees are provided with the following benefits:

- paid leave of up to seven days per year for personal circumstances (e.g., marriage, birth of a child, death of a family member, relocation, blood donation, preventive medical examination), as well as additional leave related to education and return from parental leave,

- solidarity support payments in cases such as the birth or adoption of a child, death of a family member, disability or long-term illness, and the death of an employee,
- insurance and health protection, including accident insurance (death, disability, illness), supplementary and additional health insurance, an annual preventive medical examination, and access to psychological counselling,
- retirement severance payments upon retirement.

Through these arrangements, HPB Group provides comprehensive social protection for employees, thereby confirming alignment with ESRS S1-11 and supporting the sustainability objectives and well-being of its workforce.

S1-13 TRAINING AND SKILLS DEVELOPMENT METRICS

Professional training and continuous skills development constitute a key pillar of HPB Group's social sustainability agenda. The systematic strengthening of employee competencies supports organisational resilience, enhances business quality and contributes to long-term value creation for stakeholders. By embedding continuous learning, HPB Group promotes innovation, improves process effectiveness and supports sustainable growth.

Employee skills and expertise are a fundamental enabler of progress. HPB Group therefore offers a wide range of learning formats, from professional and technical training to programmes focused on interpersonal competencies, leadership development and adaptability. Equal access to development opportunities is emphasised across the workforce, regardless of position, experience or tenure, supporting an enabling environment for professional and personal development.

Professional development is governed by the Rulebook on Employee Professional Development, which defines the formats, conditions and procedures for the professional development of all employees across HPB Group. This includes formal and informal education, certifications, professional training, development programmes and activities supporting employee well-being. The Rulebook clearly defines the roles of employees, managers and the Human Resources Management Division, particularly in the context of training planning, nominations, monitoring and evaluation.

In accordance with internal procedures, the Management Board and the Supervisory Board are required to participate in induction training following appointment, as well as in continuous professional development throughout their term of office. Training programmes cover topics related to the regulatory framework, financial markets, risk management, strategic plan-

ning, the business model and other areas relevant to sound and responsible corporate governance.

HPB Group implements a broad set of development activities aligned with workforce needs and business requirements, including:

- onboarding (HPB Start): a structured process for integrating new employees, combining induction training, e-learning and individual development plans,
- professional training and expert learning: focused on strengthening foundational and specialist knowledge in relevant business domains,
- certificates and licences: particularly in areas where regulation requires formally evidenced competence, including anti-money laundering, financial services, risk management and related fields,
- development programmes (Knowledge Nurseries): modular programmes supporting leadership development, communication skills, team management, data-related capabilities and other professional competencies,
- formal education: including reskilling, higher education qualifications, recognised certificates and licences,
- well-being and development activities: mentoring, coaching, job shadowing, job rotations and initiatives supporting employee well-being and work-life balance.

The training management framework encompasses:

- planning of training activities and budgets,
- identification of employee and organisational development needs,
- organisation and delivery of training activities ,
- transparent management of access to training opportunities,

- regular evaluation of training (surveys, feedback and analysis of knowledge application) for all employees,
- alignment with regulatory requirements for mandatory training,
- retention of training documentation and oversight of programme delivery.

In 2025, HPB Group successfully implemented its third call for applications for the financing/co-financing of employee education, with a further enhancement introduced through an increase in the maximum amount available per participant. The purpose of the call is to enable employees to acquire additional knowledge and skills through formal education and professional development. Through clearly defined criteria and a transparent selection process, employees were selected whose applications and motivation interviews demonstrated a high level of commitment, a clear development pathway and the ability to apply newly acquired knowledge in day-to-day work, career capability building and the sharing of experience within teams and in interactions with clients and colleagues.

In 2025, a key focus of employee development, and a significant area of investment, was the strengthening of digital competencies among key employees involved in the Core+ project. The DigiBank Academy was delivered with the objective of enhancing participants' capabilities through expert training, interactive workshops and knowledge exchange. The intensive programme ran for three months and covered topics such as digital innovation, customer experience, product development, project leadership, fintech industry trends and the development of a digital organisational culture. The programme culminated in a two-day hackathon during which participants, working in teams, developed ideas to support the digital transformation of banking operations, applying both existing and newly acquired knowledge to address specific business challenges. The selected winning solution progressed to the next development stage with a view to implementation in business practice. The programme supports employee motivation, strengthens the Bank's capacity to deliver strategic objectives, enhances competitiveness and contributes to sustainable value creation in an increasingly dynamic market environment.

For continuous professional development, HPB Group uses the eUčionica e-learning platform, which provides employees with access to relevant training. During 2025, a total of 79 training courses were delivered via eUčionica, aimed at strengthening professional and regulatory knowledge and developing competencies essential for high-quality and responsible business conduct. The programmes covered a wide range of topics, including SPNFT, investment funds and MiFID II, lending activities, residential consumer lending, GDPR, occupational health and safety, consumer protection, conflicts of interest, as well as training related to applications, working procedures and products. In addition, workshops were delivered on the Code of Ethics, fraud prevention and sustainable business. Particular attention was also given to human resources topics, including selection and recruitment and the use of the Talentlyft system, as well as to strengthening awareness of information security and compliance through targeted compliance training.

Through these programmes, HPB Group continues to invest in the ongoing professional development of employees and in maintaining high standards of knowledge, ethics and security in business operations.

In accordance with S1-13, HPB Group discloses training and skills development metrics, including the percentage of employees who participated in regular performance and professional development reviews and the average number of training hours per employee. Training data are based on HPB Group's internal records of internal and external training and on official records from the performance assessment system; these data have not been validated by an external body other than the assurance provider.

HPB Group records the actual number of training hours delivered and the actual number of employees participating in regular performance and professional development reviews. Data are maintained by gender, training type, Group entity and employee category, as reflected in the table. HPB Group conducts formal annual performance assessments at least once per year. All actively employed staff have defined objectives and undergo an annual performance evaluation.

The process is carried out fully in accordance with the Performance Management Rulebook. During the reporting year, the Bank ensured that all active employees participated in a formal goal-setting and performance assessment process in accordance with the Performance Management Rulebook, while goals for employees on leave are set upon their return to work. The completion rate of performance evaluations is 85.70% in total, with evaluations completed for 88.65% of male employees and 84.60% of female employees. The data are compiled at the level of the total number of employees of the HPB Group.

A key assumption underlying the S1-13 metric is that all data on training hours and participants are actual, as they are derived from HPB Group's official internal records, including learning management systems (eUčionica) and the performance assessment system. It is assumed that internal and external training is consistently recorded and that the actual number of training hours can therefore be used without further adjustments. Internal employee categorisation is used as the basis for data disaggregation.

Total training hours include all recorded hours of internal and external training, regulatory programmes, development programmes, mentoring and other learning activities. Gender headcount is sourced from S1-6 and reflects the number of employees as at the last day of the reporting period, in line with ESRS definitions.

For 2025, the methodology aligned with AR 78 was applied (including the use of headcount from S1-6 as the denominator). The prior reporting year (2024) is not fully comparable, as a different methodological approach was applied and reporting covered HPB Group data only.

Table: Training and skills development metrics

	2024			2025					
	Total number of hours (M)	Total number of hours (W)	Hours per employee (total)	Total number of hours (M)	Share of total employee hours (%)	Hours per employee (M)	Total number of hours (W)	Share of total employee hours (%)	Hours per employee (W)
Group	26,262.86	54,429.61	23.46	21,947.70	30.60	46.21	49,672.50	69.40	37.72
Bank	-	-	-	21,748.20	30.50	46.37	49,454.40	69.50	38.04

S1-15 WORK-LIFE BALANCE METRICS

Work-life balance is integral to employee well-being and long-term satisfaction and therefore supports the sustainable development of HPB Group. Against the backdrop of a changing workplace in which employee needs and expectations evolve rapidly, HPB Group is committed to establishing working conditions that offer flexibility, stability and appropriate support in significant life situations. The Group aims to provide an environment in which employees can pursue professional goals while preserving the capacity to meet family and personal responsibilities.

In line with the Collective Agreement, all employees are entitled to benefits relating to family and personal circumstances, including maternity, parental, adoption and other leave arrangements. Of particular note is the entitlement for employees returning from maternity or parental leave to work half of their contracted working hours for one month while retaining full pay, supporting a gradual and stable return to the workplace. In addition, under the new Collective Agreement, employees, alongside existing entitlements to paid leave related to the birth or adoption of a child, a child starting school or kindergarten, and other family-related circumstances, are entitled to paid leave on their birthday.

HPB Group continues to strengthen and expand measures that support work-life balance. Employees have access to benefits such as remote working of up to 4, 6 or 12 working days per month, depending on the nature of the role. For positions where work organisation allows, flexible working hours are available, enabling employees to adjust the start of the working day to personal obligations. In addition, employees are entitled to additional annual leave days for each child up to the age of 15. Beyond flexibility in work organisation, HPB Group also provides financial support to employees' families through a range of benefits and assistance measures.

In accordance with S1-15, HPB Group regularly monitors and reports both on the availability of family-related leave entitlements for all employees and on the actual use of those entitlements, including a gender breakdown.

For the S1-15 metric, HPB Group applies a methodology based on official internal records from payroll processing and

HR administration systems. For each type of family-related leave, HPB Group records (i) the actual number of employees entitled to the leave during the year and (ii) the actual number of employees who used the entitlement. Records are maintained by gender, Group entity and leave type. This enables an assessment of both the availability and the effective utilisation of statutory rights and the effectiveness of measures supporting work-life balance.

Employees "entitled to family-related leave" include those who met the statutory eligibility conditions during the year, while employees "who used the entitlement" include those who commenced leave during the year. Individuals who are not in an employment relationship are excluded from the calculation.

A key methodological assumption is that the data are accurate and complete, as they are derived from reliable administrative systems and that all leave types are consistently recorded in line with statutory categories, on the assumption that entitlements are exercised in accordance with established procedures. Limitations may arise from delayed entries or less precise administrative records, and from the fact that data are not adjusted for the length of employment during the year, which may affect comparability for employees who were not employed throughout the entire year. The measurement has not been validated by an external body other than the assurance provider.

These indicators provide insight into actual leave utilisation practices and into the effectiveness of measures aimed at supporting work-life balance. HPB Group regularly monitors and reports both on the availability of family-related leave entitlements for all employees and on the actual use of those entitlements, including a gender breakdown.

Through the measures and benefits described above, HPB Group seeks to foster an organisational culture that values employee well-being and actively promotes a healthy balance between work and personal life - supporting an environment in which employees feel supported and motivated to develop their careers while sustaining family and personal priorities that are integral to quality of life.

In accordance with S1-15, HPB Group discloses: (i) the percentage of employees entitled to family-related leave and (ii) the percentage of employees who used such leave, disaggregated by gender.

Table: Work-life balance metrics

	2024				2025			
	Group		Bank		Group		Bank	
	Men	Women	Men	Women	Men	Women	Men	Women
Number of employees entitled to family leave	122	162	-	-	33	158	33	150
Employees entitled to family leave (%)	-	-	-	-	6.95	12.00	7.04	11.50
Number of employees who took family leave	19	162	-	-	33	158	33	150
Employees who took family leave (%)	-	-	-	-	100.00	100.00	100.00	100.00
Total number of employees	467	1,253	-	-	475	1,317	469	1,300

Table: Proportion of employees with the option to work remotely

	Group		Bank	
	Number of employees	Share (%)	Number of employees	Share (%)
Employees with contractually agreed remote working arrangements	914	51.00	894	50.54
Employees without contractually agreed remote working arrangements	878	49.00	875	49.46
Total number of employees	1,792	100.00	1,769	100.00

This table presents the share of HPB Group and Bank employees who have the option to work remotely under their employment contracts, shown in absolute numbers and percentages.

Categories include employees with contractually defined remote working and employees without contractually defined remote working, as well as total headcount as the basis for calculation. Data are based on official HR records and employment contracts defining the remote working option. For these purposes, "remote work" refers to work performed using information and communication technology, where HPB Group and

the employee agree that the employee may determine independently where the work is performed, which may vary and depend on the employee's preference.

No estimates are used; data reflect the position as at 31 December 2025. Remote working data have not been validated by an external body other than the assurance provider. As these indicators were not disclosed for 2024, comparative figures are not available.

S1-16 REMUNERATION METRICS (PAY GAP AND TOTAL REMUNERATION)

HPB Group operates a remuneration framework grounded in the principle of equal valuation of work and in transparent, gender-neutral criteria, in line with ESRS S1-16. The standard requires disclosure of the gender pay gap and the ratio of the highest-paid individual's total annual remuneration to the median total annual remuneration of employees, together with the relevant methodological explanations. Pay decisions are based on objective criteria, while the Remuneration Policy provides for regular monitoring of gender-based pay differences and the implementation of corrective measures where material deviations are identified.

In accordance with these requirements, HPB Group continuously monitors gender pay differences across employee categories, including identified staff, managers, members of the management body and other employees. The disclosures include headcount as at 31 December and the pay difference expressed as a percentage. Data are sourced from payroll systems and official HR records. No estimates or imputations are used; figures are based on actual paid remuneration.

The pay gap calculation methodology remained unchanged in 2024 and 2025, enabling direct year-on-year comparability. The fact that Bank-level data are available only from 2025 does not affect comparability of trends at Group level. The data have not been validated by an independent external body other than the assurance provider.

The pay gap is presented as a percentage in favour of men; a negative value therefore indicates that women receive a higher average pay than men within the relevant category. As there are no women in the "Management Board" category, a pay gap cannot be calculated, and the result is presented as n/a. This reflects the composition of the Management Board and does not represent a measurable gender pay gap, as a statistical comparison is not possible. Negative percentages in both years for the "Identified staff" category indicate that women in this category receive slightly higher average pay. A clear decreasing trend is also evident in the largest categories, "Other employees (managers)" and "Other employees (non-managers)".

Table: Remuneration metrics (gender pay gap)

Employee category	2024			2025		
	Number of employees		Gender pay gap (men's pay relative to women's)** (%)	Broj zaposlenika		Gender pay gap (men's pay relative to women's)** (%)
	M	W		M	W	
Management Board (HPB)	5	0	-	5	0	n/a
Identified staff* (excluding the HPB Management Board)	26	25	(4.60)	22	28	(6.57)
Other employees (managers)	70	136	11.90	69	139	9.51
Other employees (non-managers)	366	1,092	17.40	371	1,132	14.80

* Identified staff comprise, other than members of the Management Board and the Supervisory Board, all employees whose professional activities have a material impact on the risk profile on an individual or consolidated basis within the HPB Group, in accordance with the criteria set out in Article 27 of the Decision on Remuneration of Employees and Commission Delegated Regulation (EU) 2021/923. Identified staff include, in particular, members of senior management (B-1 directors and deputy executive directors), which also encompasses members of management boards or directors of HPB Group entities (HPB Invest and HPB Nekretnine). In addition, identified staff include certain employees at lower organisational levels who, by virtue of their responsibilities and authorities, assume material risks, as their authorities exceed 2% of the internal capital requirement. Identified staff also include the person responsible for the function of preventing money laundering and terrorist financing.

** Gender pay gap is calculated as: (average gross hourly wage of male employees – average gross hourly wage of female employees) / average gross hourly wage of male employees.

In line with the principles of the Remuneration Policy and obligations arising from the regulatory framework, including the forthcoming transposition of Directive (EU) 2023/970 on strengthening the application of the principle of equal pay through pay transparency, HPB Group defined an annual target to reduce the pay gap for Level 4 specialist roles by 2 percentage points. The target for 2025 was achieved.

Through regular monitoring, transparency and objective job valuation criteria, HPB Group continues to strengthen fairness and accountability in remuneration practices, reducing unjustified differences and supporting long-term pay equality and sustainability for all employees.

In accordance with S1-16, HPB Group discloses the ratio of the highest-paid individual's total annual remuneration to the median total annual remuneration of employees, in euro.

The ratio is calculated by comparing the total annual remuneration of the highest-paid individual with the median total annual remuneration of all other employees. Total remuneration comprises base salary and all supplements and allowances. The average gross hourly rate of base salary is calculated using the average monthly base salary, adjusted to a full-time equivalent (FTE) where necessary. The monthly salary is converted into an hourly rate by dividing it by the average monthly hours fund, after which an average hourly rate is calculated by entity, employee category and gender.

Total annual remuneration also includes supplements. Monthly supplements (e.g., car, parking, non-taxable allowance, kindergarten support, fixed supplements, meal allowance,

commuting allowance) are converted into an average monthly amount and then into an hourly rate. One-off and occasional payments (e.g., holiday bonus, Christmas bonus, Easter bonus, gifts for children, long-service awards, assistance payments, supplements for special working conditions, overtime, seniority allowance, on-call duty) are allocated across the annual hours fund to ensure comparability on an annual basis. The total supplements hourly rate is calculated per employee and then aggregated by employee groups.

Key assumptions are that payroll records are accurate, that the average monthly hours fund provides a reliable basis for converting remuneration into hourly rates, and that the FTE adjustment ensures comparability across employees with different working arrangements. The methodology is purely quantitative and does not assess qualitative drivers of remuneration differences.

Remuneration data are derived from HPB Group's internal payroll system and cover all employees in an employment relationship as at 31 December of the reporting year. All employee categories relevant for comparison are included, without estimates or extrapolations.

The methodology remained unchanged in 2024 and 2025, enabling direct comparability between periods. All indicators are based on average total annual remuneration by gender and employee category.

The data have not been validated by an external body other than the assurance provider.

Table: Ratio of the highest-paid individual's total annual remuneration to the median total annual remuneration of employees

	2024	2025	2024	2025
	Group		Bank	
Ratio of the highest-paid individual's total annual remuneration to the median total annual remuneration of employees	7.12	6.58	-	6.6

S1-17 INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

In accordance with S1-17, HPB Group reports on incidents, complaints and severe human rights violations relating to its own workforce. Data are collected from the official records maintained by the Employee Dignity Protection Committee, the Human Resources Management Division and other relevant organisational units, with strict adherence to personal data protection requirements and the confidentiality of proceedings.

In the 2025 reporting period, HPB Group recorded no cases of reported discrimination or harassment, and no complaints were submitted through the formal reporting channels. Accordingly, HPB Group incurred no related fines, penalties or compensation payments in the reporting year, and there are no amounts requiring reconciliation to the financial statements. Data are compiled on a consolidated basis from HR records and official complaint reporting channels. During processing, controls are applied to avoid double counting and to preserve the confidentiality of procedures.

For the purposes of this disclosure, incidents and complaints include all cases that, under internal acts and statutory definitions, fall within the scope of discrimination, harassment, mobbing, human rights infringements or unethical conduct. The reported results reflect actual status; the value of zero is not attributable to data limitations, but to the fact that no formal or informal reports meeting the recording criteria were received in 2025. Given that no relevant incidents were recorded in the reporting year, no additional methodological elaboration was required.

Furthermore, in 2025 HPB Group identified no cases of severe human rights violations, including forced labour, human trafficking or child labour, and confirms that no such cases occurred. Consequently, there are no related fines, penalties or compensation payments to disclose.

The methodology and key assumptions underlying these indicators are based on formal internal records and standardised definitions of incidents and complaints. As no cases were recorded in 2025, the data are not subject to additional methodological limitations and the metrics were not subject to external validation. The indicators are defined in line with ESRS requirements; as no monetary amounts are reported in this disclosure, currency provisions are not applicable. Overall, HPB Group confirms that no incidents, complaints or severe human rights violations were recorded in 2025 and that data collection was performed in accordance with the standard's requirements.

Bank-level data for 2024 are not presented separately, as reporting in that period was performed solely at Group level, without entity-level disaggregation. All Group-level data presented for that period represent complete and accurate records. The data have not been validated by an external body other than the assurance provider.

Table: Human rights-related incidents and complaints

	Total number of complaints and discrimination cases			
	2024		2025	
	Group	Bank	Group	Bank
Number of severe human rights incidents related to the workforce	0	–	0	0
Number of reported discrimination cases	5	–	0	0
Number of complaints submitted through channels available to own workforce	0	–	0	0

S4 Consumers and end-users

For HPB Group, the material topics under S4 encompass key aspects of relationships with consumers and end-users, with particular emphasis on information system security, privacy protection and social inclusion through access to financial services. These matters shape user trust, affect regulatory compliance and determine HPB Group's ability to meet the needs of different consumer groups across both digital and physical channels. Their materiality stems from their direct implications for reputation, operational stability and HPB Group's long-term development.

The material topics under S4 therefore include information system security, privacy protection and consumer social inclusion through access to financial products and services.

The topics addressed in this chapter are linked to ESRS 2 SBM-3, as they influence HPB Group's strategy, business model and decision-making processes. The material impacts, risks and opportunities under this topic and their interaction with HPB Group's strategy and business model are described in more detail in ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.

S4-1 POLICIES RELATED TO CONSUMERS AND END-USERS

HPB Group applies clearly defined policies and principles aimed at protecting consumers and end-users, while ensuring the transparent, responsible and ethical provision of banking and financial services. In line with key international frameworks—including the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises—HPB Group provides an overview of the policies and internal acts governing the rights, protection of interests and security of consumers and end-users, as well as employee conduct throughout the product and service lifecycle. During the reporting period, no instances of non-compliance with these principles were identified in HPB Group's own operations or across the value chain involving consumers and end-users.

HPB Group's policies apply to all consumers and end-users. They are designed to ensure equal access to information, fair treatment and protection of rights for all consumer and end-user groups, regardless of specific needs or levels of digital literacy.

These policies are directly linked to the material IROs within S4, including information system security, personal data protection and the availability of products and services. They set out the approaches for identifying, assessing and managing impacts that may affect consumers and end-users, as well as measures to remediate potential adverse impacts, particularly in the context of cybersecurity and personal data protection.

Information security policies

HPB Group implements information and cyber security policies designed to manage risks relating to the confidentiality, integrity and availability of data and to the overall security of the information system. These policies comprise a set of internal acts addressing information security, aligned with applicable legislation, regulatory requirements, recommendations issued by competent national authorities and relevant international standards. They are implemented through a combination of organisational, technical and process measures. The overarching objectives are to safeguard the personal data of consumers and end-users, prevent security incidents, and manage the material impacts, risks and opportunities identified in the area of information security, supported by regular monitoring through internal control mechanisms and key performance indicators.

The organisational unit responsible for information security, oversight of cyber threats and fraud prevention is the Corporate Security Division. Overall accountability for policy implementation rests with the Management Board, which approves the policies and oversees their application, while the Corporate Security Division and other competent organisational units ensure operational implementation.

The policies set out principles for security incident management, detection and response procedures, access control rules, security requirements for systems and infrastructure, and employee obligations in safeguarding data and digital channels. They are aligned with relevant international standards and third-party initiatives (including recommendations from competent national authorities and EU regulatory guidance), which HPB Group applies within its information security governance framework.



The internal acts are available to all HPB Group employees via the internal portal.

Implementation includes the continuous enhancement of technical controls, regular vulnerability assessments, training for employees and clients, and the improvement of business processes aimed at preventing fraud and money laundering. Policy effectiveness is monitored through indicators such as the number and nature of security incidents, the volume of training delivered and the effectiveness of preventive measures. Targets are oriented towards reducing incident occurrence, strengthening employee security awareness and enhancing system resilience. In shaping these policies, HPB Group takes into account the interests of key stakeholders, particularly consumers, end-users, regulators and supervisory authorities, through requirements for secure and transparent data processing and the protection of users of digital services.

Through these policies, HPB Group supports a high level of protection for consumers and end-users, safeguards the stability of digital services, and manages the material IROs identified in the area of information security.

Privacy and personal data protection policies

HPB Group implements a **Personal Data Protection Policy** and related internal acts to ensure the lawful, transparent and secure processing of personal data in accordance with the GDPR, the Act on the Implementation of the GDPR and other relevant requirements. These policies set out core data processing principles, data subject rights, employee obligations, appropriate technical and organisational safeguards, and procedures for responding to personal data breaches. They are designed to manage material impacts, risks and opportunities in the area of personal data protection—particularly those affecting consumers and end-users—and include arrangements for ongoing monitoring and regular control activities.

Implementation is overseen by the appointed Data Protection Officer (DPO), who performs their duties independently, monitors compliance, advises the organisation and supports the protection of the rights of clients, employees and business partners. The Management Board is responsible for adopting and approving the policy framework, while the DPO is responsible for operational oversight of implementation and for reporting to the highest level of management. The policies promote transparency towards consumers and end-users through publicly available information published on the [Group's website](#), including details on data processing activities, data subject rights and contact points for enquiries and complaints. In this manner, the policy framework is accessible to all potentially affected stakeholders, including data subjects, business partners and other service users.

Implementation includes the continuous enhancement of processes, monitoring of regulatory developments, the application of good practice, and regular employee training. Policy effectiveness is monitored through ongoing controls and metrics, including the number of requests to exercise GDPR rights, the

number and nature of data breaches, and the volume of training delivered. Measures are directed on a continuous basis towards reducing data breaches and strengthening transparency.

The policies are aligned with relevant international standards and supervisory guidance issued by European authorities, the recommendations of which HPB Group incorporates into its data protection governance. In developing and reviewing the policies, HPB Group takes into account the interests of key stakeholders, particularly consumers and end-users, whose expectations are reflected in the processing principles and communication practices.

Through this policy framework, HPB Group safeguards a high standard of privacy and personal data protection, reinforces the trust of consumers and end-users, and effectively manages the material IROs identified in this area.

Principles of accessibility and social inclusion

HPB Group regards access to financial products and services as a strategic priority and an essential component of customer experience. Accessibility is defined through the combined availability of physical channels across Croatia, the development of secure and user-friendly digital solutions, and the provision of services to all groups of consumers and end-users, including vulnerable and digitally less proficient users.

Supported by its longstanding cooperation with Croatian Post, HPB Group is among the most accessible banks in Croatia, with a presence extending to small and remote communities. This supports financial inclusion in rural and less densely populated areas and has been assessed as a material positive impact under the double materiality assessment.

Digital accessibility is equally important. In line with the strategic pillar of Digital Transformation, HPB Group continuously enhances its digital channels, enabling consumers and end-users to manage their finances more quickly and conveniently, while reducing the need for in-branch visits.

Accessibility also extends to access to knowledge. Through the “HPB for Financial Literacy” programme, HPB Group delivers free education for citizens and entrepreneurs, with a particular focus on young people, thereby supporting the development of financial literacy and strengthening the capacity of consumers and end-users to make informed financial decisions. Accessibility also extends to access to knowledge. Through the “HPB for Financial Literacy” programme, HPB Group delivers free education for citizens and entrepreneurs, with a particular focus on young people, thereby supporting the development of financial literacy and strengthening the capacity of consumers and end-users to make informed financial decisions. During 2025, a total of 20 educational, informational and advisory activities were delivered across Croatia, reaching 7,517 participants. HPB Group also launched the HPB Financial Academy, a digital platform providing educational content for the wider public. The programme was implemented in cooperation with key institutions, including the Croatian Chamber of Economy

(HGK), the Croatian Banking Association (HUB) and educational institutions.

Service quality–related policies

HPB Group implements the **Policy on the Protection of Consumers and Non-Consumers** as the overarching framework for ensuring a high standard of service quality, transparency and fair treatment for all users. The Policy sets out measures to prevent unfair business practices, unfair contractual terms, impermissible advertising and the provision of substandard services, and applies across all stages of the consumer relationship - from product offering and contracting through to the use of products and services. It further defines ongoing measures aimed at preventing, mitigating and remedying potential and actual adverse impacts on consumers, while ensuring fair and professional conduct at all times. Within this framework, measures are established to promote products that are appropriate to clients' needs and financial capacities, ensure professional and equitable treatment, enhance users' financial literacy and prevent conflicts of interest. The Policy further establishes a product oversight and governance framework designed to minimise potential risks to consumers. Its scope extends to all HPB Group activities, including relevant upstream and downstream elements of the value chain.

Particular emphasis is placed on the availability of clear product terms and conditions, transparency of information, and the user's right to receive a draft agreement and all relevant information prior to making a decision to enter into a contract.

Overall accountability for implementation rests with the Group's senior management. In developing and updating the Policy, HPB Group takes into account the interests of key stakeholders, including users, regulatory authorities, the professional community and relevant internal functions.

In implementing the Policy, and alongside the applicable legal framework, HPB Group draws, where appropriate, on generally accepted good-practice principles in consumer protection as developed by relevant European and international bodies and sector regulators.

The Policy is made available through internal communication channels and is actively communicated to organisational units involved in its implementation.

An additional layer is provided by the **Principles for Users of Products and Services**, as part of the Policy on the Management of Environmental, Social and Governance (ESG) Factors, which extend the application of high ethical standards to all HPB Group users. The Principles set out expectations relating to respect for human rights, the prevention of forced and child labour, environmental protection, the fight against corruption, tax responsibility, and the promotion of gender equality and non-discrimination. Consumers and end-users are expected to conduct their activities in line with internationally recognised standards and sustainability principles.

The Principles for Users of Products and Services are publicly available to all stakeholders on the [Group's website](#).

In accordance with ESRS 2.61 and ESRS 2 AR 20, implementation of these Principles is also linked to other thematic areas of the Sustainability Report, including environmental topics (ESRS E) and governance topics (ESRS G). In this way, the Policy complements the requirements of the thematic standards relating to responsible product governance, integrity and transparency, anti-corruption measures, and expectations regarding environmental and social impacts. This linkage ensures that consumer protection principles are reflected within HPB Group's broader ESG framework and are integrated with the relevant thematic sections of the report.

The principles of the Policy on the Protection of Consumers and Non-Consumers are also embedded in the employee performance measurement and remuneration framework. Performance criteria are anchored in service quality, employee competence and the sale of products aligned with consumer needs, while avoiding unfair practices. Service quality is derived from customer experience and reflects the level of user satisfaction with the service provided; it is measured through tools such as mystery shopping, CAWI surveys, exit interviews and similar methods. Measurement results inform the service quality index and KPIs that directly influence performance assessment, thereby ensuring that consumer interests are embedded in day-to-day operations.

HPB Group provides clients with clear information on the complaint-handling process and on the remedies available to them. This information is publicly accessible via the notice [Information on the submission and handling of complaints](#). The complaint management process is governed by an internal rulebook and by the publicly disclosed **Complaint Management Policy** available on the [Group's website](#).

Service quality effectiveness is monitored through indicators such as complaint resolution timeliness and the results of customer satisfaction and loyalty surveys. The measures implemented by HPB Group are aimed at further reducing substantiated complaints, enhancing customer satisfaction and continuously improving processes.

The Complaint Management Policy sets out the principles of timely, transparent and fair complaint resolution, with the objectives of reducing customer dissatisfaction, improving service quality and minimising operational and reputational risks. Oversight is ensured through regular analyses of complaint trends, resolution outcomes and the implementation of corrective actions.

The Policy applies across all HPB Group organisational units involved in the provision of banking and financial services, without limitation by product type, customer segment or location. It applies to both consumers and non-consumers.

Overall accountability for implementation rests with senior management, while operational execution and oversight are carried out by the business areas and organisational units responsible for service quality management and complaint handling – specifically, the Service Quality Management Office.

In implementing the Policy, the Bank draws on generally accepted regulatory guidance and consumer protection good practice arising from sectoral regulation and supervisory



authorities, which serve as a reference framework for assessing the effectiveness of the complaint management approach.

Key stakeholder interests are taken into account through the regular monitoring of customer feedback, analysis of complaints, and the results of satisfaction and recommendation surveys. These insights inform process adjustments and service enhancements. HPB Group remains committed to delivering an excellent service experience and strengthening the trust of consumers and end-users through the consistent application of its policies and the continuous improvement of customer experience.

Consumer human rights–related policies

HPB Group discharges its commitments to the protection of consumers' human rights through its **Principles on the Protection of Human and Children's Rights** and other internal acts governing privacy, data security, non-discrimination and fair access to services. Any potential non-compliance with human rights within the downstream value chain is reported and addressed through the established whistleblowing and irregularities reporting channels.

The scope of these Principles and the related policy framework covers all HPB Group business activities, including relevant parts of the downstream value chain where risks of human rights infringements may arise. These provisions apply to all client categories, without geographical limitation, and explicitly encompass vulnerable groups.

Overall responsibility for the establishment and implementation of the Principles rests with the Management Board, supported by the competent organisational units, in particular the Strategic Development and Business Transformation Division.

In implementing this policy framework, HPB Group draws, where appropriate, on internationally recognised human rights standards and initiatives, including the UN Guiding Principles on Business and Human Rights and generally accepted sustainability principles. The Principles on the Protection of Human and Children's Rights are publicly available to all stakeholders on the [Bank's website](#), thus ensuring transparency and accessibility regarding HPB Group's human rights expectations.

HPB Group safeguards consumers' rights to information, privacy and security, and to non-discriminatory access to financial products and services.

Engagement with consumers is supported through transparent communication, advisory support and accessible complaint channels. Access to remedy is ensured through clearly defined complaint-handling procedures, including the possibility of escalation to competent external institutions where appropriate.

S4-2 PROCESSES FOR ENGAGING WITH CONSUMERS AND END-USERS ABOUT IMPACTS

HPB Group maintains engagement arrangements with consumers and end-users aimed at managing the actual and potential impacts arising from its operations. Engagement is conducted through day-to-day service interactions, the complaint management process, and ongoing monitoring and improvement activities embedded in business processes. These arrangements are integrated into HPB Group's due diligence framework and enable the timely identification and management of relevant impacts.

HPB Group regularly evaluates the effectiveness of these arrangements by monitoring complaints and other customer requests, escalations, resolution timeliness and implementation of corrective actions, as well as by identifying recurring issues and considering supervisory recommendations.

Engagement outcomes are used to inform decision-making and continuous improvements to products and services, with competent organisational units accountable for implementation and for embedding outcomes into business practice.

HPB Group also undertakes targeted measures to better capture the perspectives of consumers and end-users who may be particularly sensitive to impacts, including older persons, persons with disabilities, users with lower levels of digital literacy, and users in rural areas. This includes tailored communication channels, simplified procedures, additional support and direct outreach via available physical and digital channels.

S4-3 PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR CONSUMERS AND END-USERS TO RAISE CONCERNS

HPB Group has established clear, accessible and transparent procedures enabling consumers and end-users to raise concerns relating to actual or potential adverse impacts of its operations, together with transparent mechanisms for remediation. These procedures are designed to ensure timely handling, an objective assessment of allegations and effective corrective actions, while safeguarding the rights of complainants. They form part of HPB Group's due diligence framework and apply to all material adverse impacts affecting consumers and end-users.

HPB Group has also established a fundamental framework for ethical and responsible business conduct with its suppliers. The Supplier Principles oblige business partners to maintain open and transparent communication with the Bank and to promptly report any non-compliance or events that may affect the fulfilment of contractual obligations. The document also requires suppliers to comply with all applicable laws, rules, and regulatory requirements, as well as to apply ethical and socially responsible business practices towards third parties within the value chain.

Although this framework contributes to managing potential negative impacts in the value chain, the Supplier Principles do not contain specific requirements obliging business partners to ensure the availability of complaint channels for consumers or end-users, nor do they set out procedures for monitoring the effectiveness of such channels. Consequently, mechanisms for identifying and communicating non-compliance do exist, but formal requirements related to the availability of channels for consumers or end-users have not yet been established.

Channels for raising concerns

Consumers and end-users may raise concerns through several available channels that constitute HPB Group's own mechanisms, including:

- written complaints concerning dissatisfaction with a purchased product, a service provided or the Bank's conduct, submitted by email, via the website, in branches or by post, in accordance with the Complaint Management Policy,
- complaints and reports relating to irregularities in operations, submitted to the designated Irregularities Reporting Officer and their deputy via antikorpucija@hpb.hr, or by post ,
- reports concerning breaches of the Code of Ethics, submitted to the Ethics Officer or their deputy via eticki.kodeks@hpb.hr, or by post ,
- enquiries and requests related to personal data protection, submitted via dpo@hpb.hr or by post.

These channels are available to all interested parties, includ-

ing third persons who may have information on irregularities or unethical conduct by employees. HPB Group considers that consumers, end-users and other stakeholders are appropriately informed about the available channels, as evidenced by their regular use through received complaints, grievances and irregularity reports. Information on all mechanisms and procedures is published transparently on the official website, ensuring accessibility and clarity.

HPB Group also facilitates alternative dispute resolution through mediation centres, providing consumers with an additional independent mechanism for raising concerns and obtaining remedy.

Measures to remediate adverse impacts

• Handling consumer complaints

Consumer complaints are handled in accordance with the Complaint Management Policy. HPB Group acknowledges receipt of the complaint, analyses the circumstances and gathers all relevant information, assesses whether the complaint is substantiated, and provides a response containing all required information within the applicable statutory deadline (10 or 15 days, depending on the type of service), in line with regulatory requirements. Based on the outcome of the assessment, HPB Group determines and implements measures to remedy any adverse impacts identified. For more complex complaints, the Bank issues an interim response within 10 days, explaining the reasons for the delay and indicating the expected timeframe for the final response, which must be provided no later than 35 days from receipt of the complaint. The objective is to ensure timely remediation of identified impacts, improve processes and prevent recurrence. HPB Group assesses the effectiveness of the remedy provided by monitoring the recurrence of similar complaint types and the effectiveness of corrective measures implemented.

• Procedures relating to operational irregularities

Reports of irregularities submitted by consumers, citizens or other interested third parties are processed in accordance with a work instruction which provides for: daily review of received reports by the designated Irregularities Reporting Officer; acknowledgement of receipt within seven days; verification of the allegations, including the collection of statements and supporting documentation; the formulation of an opinion and preparation of a report; initiation of corrective actions where an irregularity is confirmed; and notification of competent organisational units, the Management Board and the Human Resources Management Division where breaches are established.



The purpose of the process is the timely identification and remediation of irregularities that could adversely affect consumers and end-users, HPB Group's reputation or regulatory compliance.

• Procedures relating to breaches of the Code of Ethics

Reports concerning unethical or potentially corrupt conduct by employees are handled by the Ethics Officer or their deputy. The Ethics Officer acknowledges receipt within seven days, conducts a detailed review of the allegations, obtains statements from all relevant parties, independently assesses whether the report is substantiated, and prepares a report which is submitted to the Human Resources Management Division, the competent Management Board member and Compliance management. The Human Resources Management Division then proceeds in accordance with the internal act governing breaches of employment-related obligations.

This process safeguards the rights of all persons involved in the conduct that the reporting person considers to constitute a breach of the Code of Ethics.

• Requests and enquiries relating to personal data protection

Enquiries and requests relating to personal data protection are handled by the Data Protection Officer (DPO) in cooperation with other organisational units. Following assessment, the DPO determines the validity of the request and issues a response to the client. Time limits are prescribed by the GDPR, and each request must be resolved no later than one month from the date of receipt.

This process ensures the effective handling of clients' GDPR-related requests.

Protection of reporting persons and processing of anonymous reports

HPB Group processes all reports irrespective of whether the reporting person discloses their identity. Anonymous reports are also considered where they contain sufficient information to enable the case to be assessed and the relevant procedure to be conducted.

In all cases, HPB Group ensures the protection of the reporting person's identity, the safeguarding of personal data, and handling in accordance with applicable legislation on the protection of whistleblowers and the protection of personal data.

HPB Group has put in place policies and safeguards to protect reporting persons from retaliation or disadvantageous treatment. Information on these protections is communicated to users through publicly available channels. HPB Group has established policies that protect reporting persons from retaliation or any form of adverse treatment, and consumers and end-users are informed of these safeguards through publicly available channels.

How HPB Group responds to complaints from consumers and end-users

HPB Group has established a standardised process for receiving, analysing and resolving complaints submitted by consumers and end-users. Following receipt through available channels (branches, designated email addresses, contact forms or the call centre), the competent organisational unit performs an initial assessment and determines the required actions. Complaints are handled within the prescribed time limits, in line with internal rules and applicable regulatory obligations. Depending on the complexity of the matter, specialist functions may be involved, including Compliance, Service Quality and Legal. The complainant is informed of the outcome in a transparent manner. Findings from individual cases are used to enhance processes, improve customer experience and reduce the recurrence of similar adverse impacts. The complaint-handling framework also includes analytical reporting and an escalation mechanism for matters assessed as more material.

Recording, document retention and reporting

All complaints, grievances and reports are recorded in internal electronic registers maintained by the competent organisational units. Documentation is retained for the periods prescribed by internal acts, with restricted access and appropriate data protection safeguards. Case-handling outcomes are included in quarterly reports to the competent governance bodies of HPB Group.

Effectiveness and continuous improvement

HPB Group regularly evaluates the effectiveness of its remediation framework and channels for raising concerns through trend analyses of complaints and reports, monitoring of timelines and response quality, evaluation of corrective actions implemented, annual reviews of internal acts, and the monitoring of supervisory recommendations and the implementation of related improvements.

S4-4 TAKING ACTION ON MATERIAL IMPACTS ON CONSUMERS AND END-USERS, AND APPROACHES TO MANAGING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO CONSUMERS AND END-USERS, AND EFFECTIVENESS OF THOSE ACTIONS

HPB Group identifies and manages material impacts, risks and opportunities affecting consumers and end-users through a set of preventive, corrective and development-oriented measures. The material IROs identified relate to information system security, privacy protection and access to products and services. The measures are designed to prevent and mitigate adverse impacts, ensure access to remedy where adverse impacts occur, and generate positive outcomes for users.

Actions to prevent and mitigate adverse impacts

To prevent and mitigate the potential adverse impacts of cyber-attacks, HPB Group continuously implements a range of technical and organisational measures, without a predefined end date, including:

- regular vulnerability assessments and penetration testing,
- application of security standards and multi-layered security controls,
- use of tools for ransomware detection and data leakage prevention,
- security assessments prior to deploying new solutions into production,
- network segmentation, identity and access management, and endpoint protection.

Potential adverse impacts relating to the protection of personal data are mitigated through the implementation of the Personal Data Protection Policy, including strict access and data protection controls, transparent communication regarding data processing, and regular employee training on privacy and security.

These measures reduce the likelihood of adverse impacts on client privacy and data security.

HPB Group monitors the effectiveness of the measures implemented through its internal control system; oversight by the risk, compliance and data protection functions; analysis of complaint trends and user feedback; results of service quality assessments; and benchmarking against the banking sector. Monitoring results are used to support timely corrective actions, process adjustments and the continuous strengthening of consumer and end-user protection.

HPB Group seeks to avoid causing or contributing to adverse impacts by applying ethical and transparent practices in marketing and data processing, supported by strict compliance with the GDPR and internal rules that prevent misleading

communications, inappropriate sales practices or unauthorised use of personal data. Any potential tensions between business objectives and consumer protection are addressed through the involvement of the compliance, data protection and risk management functions, with priority consistently given to user interests and security. No such situations were identified during the reporting period.

Actions to ensure access to remedy

Where actual adverse impacts on consumers occur, HPB Group ensures access to remedy through:

- procedures for submitting consumer complaints via multiple available channels,
- procedures for reporting irregularities and breaches of the Code of Ethics,
- alternative dispute resolution through the HGK Mediation Centre, as well as any other body competent for alternative consumer dispute resolution, in accordance with applicable legislation governing alternative consumer dispute resolution.

HPB Group ensures that remedy processes are effective and accessible to users through clearly defined procedures established in internal acts.

To further enhance service quality, during 2025 HPB Group continued to deliver educational and corrective workshops aimed at improving client communication, strengthening standards of conduct and addressing gaps identified through service quality assessments. A total of 28 workshops were delivered during the year, including corrective workshops following service quality measurements, preparatory workshops (MS briefings), training on standards of conduct towards consumers and non-consumers, and workshops dedicated to high-quality telephone communication. Workshops were delivered through a blended format, via digital platforms and in person, enabling broad accessibility and the participation of employees across different organisational units.

Table: Employee workshops delivered to improve service quality

Title	Description	Channel	Total workshops delivered
Corrective activities	Corrective workshops focused on service quality following completed customer research/ measurement exercises	MS Teams / in person	22
Service quality and the importance of customer orientation – Sales Network Relationship Monitoring Team	Guidelines for high-quality telephone communication	MS Teams	1
MS briefing	Preparatory workshops on service quality	MS Teams	3
Standards of conduct towards clients	Familiarisation with the provisions of the updated version of the Standards of Conduct towards consumers and non-consumers (v2.0)	MS Teams	2
Total			28

In the area of complaint management, HPB Group continues to apply transparent and effective procedures for receiving and resolving client complaints. In 2025, complaints were received through multiple communication channels, including email, post, the Bank's centre, an online form on the official website and via online banking. Following a recommendation from the Croatian National Bank, as of 1 July 2025 the submission of complaints has been limited exclusively to the publicly disclosed official channels specified in the Complaint Management Policy, the Notice on the submission and handling of complaints, and the General Terms and Conditions. This change supports greater

transparency, consistent handling and regulatory compliance, while enabling more effective monitoring, recording and processing of client complaints.

The combination of continuous employee training and the consistent application of formal mechanisms for receiving and managing complaints is essential to strengthening service quality, reducing operational risks and reinforcing client trust. The outcomes of these activities provide an important input for planning further improvements to processes and service standards across HPB Group.

Table: Number of complaints and speed of complaint resolution

	2024	2025
Number of complaints received	1,673	1,626
Average complaint resolution time (days)	6.28	6.65

In addition to quantitative indicators relating to the number of complaints and resolution timeliness, HPB Group monitors further aspects of the effectiveness of its complaint management system, including the results of internal controls and internal audit reviews, stakeholder feedback, and comparative indicators (benchmarking) against the banking sector. These mechanisms support continuous process enhancement and reduce the recurrence of similar complaints.

Actions to realise positive impacts

HPB Group actively implements measures that deliver long-term positive outcomes for consumers and end-users.

Digital inclusion is a central element of HPB Group's approach to consumers and end-users. Through the systematic development of digital solutions, HPB Group enables simple, secure and widely accessible access to financial services, irrespective of users' location or level of digital proficiency. Digital channels are continuously enhanced to support faster and more intuitive banking, including authentication, account management, payments and other everyday financial needs. This approach strengthens service availability and quality and reinforces users' trust in digital banking as a reliable and secure channel.

Within the mHPB application, targeted enhancements were implemented to improve accessibility, particularly for blind and partially sighted users. Interactive elements are now assigned clearly labelled names recognisable by screen readers, and in-app navigation follows a logical and predictable focus order. Touch targets have been enlarged to facilitate easier use, and the authentication journey has been optimised for a broad range of users, including both standard and biometric sign-in methods. Flashing elements and intensive animations were removed, and critical information is not conveyed by colour alone, ensuring accessibility for users with sensitivities or perceptual difficulties. For key actions, additional review and confirmation steps were introduced, thereby reducing the likelihood of error.

HPB Group also introduced Google Pay, Apple Pay and Garmin Pay digital wallets, enabling contactless card payments via mobile phones, smartwatches and other devices. All three services use NFC technology and advanced security mechanisms such as tokenisation, ensuring that merchants never see the actual card number.

Alongside digital transformation, HPB Group makes a strong contribution to financial inclusion through long-standing **financial literacy** programs. These activities are delivered on an ongoing basis and address diverse target groups, including pupils, students, young entrepreneurs and primary school children, with the aim of strengthening understanding of financial products, responsible money management and the safe use of digital financial tools. Cooperation with educational institutions, student associations and business organisations further extends the reach of these initiatives, while participation in projects such as Start It Up and the FOI Career Week supports the development of entrepreneurial and professional competencies among young people.

During 2025, Hrvatska poštanska banka delivered 20 educational, informational and advisory activities nationwide, comprising educational workshops, online publications and participation in the "Challenge of Change" conference organised by the Association of Pension Fund Management Companies and Pension Insurance Companies. This approach combined direct engagement with citizens and broader digital reach, ensuring that content was accessible to the wider public and to different targeted groups. The activities covered key financial

literacy areas, including financial planning and management, financial education and advisory support, saving, fraud and misuse, payments, and financial products and services. In total, 7,517 persons were reached through these activities, including participants in educational sessions and the reach of media publications. Educational content was also published on the Bank's official website. At the end of 2025, HPB Group launched a dedicated financial literacy website – HPB financial Academy providing general information on core banking products and financial services, with the aim of strengthening citizens' financial literacy and facilitating easier access to reliable information, particularly for users with lower levels of financial knowledge. In addition to these initiatives, HPB Group observed tangible outcomes for consumers and end-users. Participants reported a higher level of understanding of basic banking products and digital financial tools, reflected in a reduced number of queries and complaints relating to topics covered by the education activities, and improved success in the use of digital services, particularly among younger users and citizens in smaller communities. Improved accessibility of financial content through the HPB Financial Academy website further contributed to easier access to information, especially for users with lower levels of financial literacy.

By combining digital innovation with educational programmes, HPB Group strengthens financial resilience, reduces barriers to accessing financial services and supports the long-term inclusion of consumers and end-users, particularly those in vulnerable or underrepresented groups.

In addition, to further **enhance accessibility** in smaller communities, in 2025 HPB Group opened the Ploče and Križevci centres, as well as HP Krapina, thereby further expanding the availability of the branch and ATM network in less densely populated areas.

Management of material risks and opportunities

HPB Group identifies cyberattacks and security incidents as a key risk area. The affected stakeholder groups include all users of digital products and services, with particular sensitivity for older persons and users with lower levels of digital proficiency.

Risks relating to personal data protection and information security are assessed within the framework for operational risk and ICT risk management. Materiality assessments are performed on an annual basis and, where necessary, on an ad hoc basis, and are presented to the Risk Committee and the Management Board.

Risk mitigation is pursued through measures including the strengthening of security controls, targeted awareness-raising and education for consumers and end-users, continued development of digital channels, and the expansion of physical accessibility.



Resources supporting implementation

Organisational capacities include information security specialists, the internally appointed Data Protection Officer (DPO), and teams responsible for service quality management and complaint handling, financial literacy, and the development of digital products and services. Together, these resources support the comprehensive implementation of measures to prevent, mitigate and remediate adverse impacts on consumers and end-users. Financial resources are directed towards digital infrastructure and security technologies, employee training as well as education initiatives for consumers and end-users,

monitoring systems, risk management tools and internal controls. Funding for managing material impacts is planned within annual budgets for IT security, digital infrastructure and training. Resource allocation is subject to regular monitoring of investment effectiveness and outcomes.

During the reporting period, implementation of the measures described did not require significant additional operating expenditure beyond the regular annual budgets.

S4-5 TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

HPB Group uses targets to manage material adverse impacts, promote positive impacts and ensure effective management of risks and opportunities relating to consumers and end-users.

A quantified target has been established in relation to the material topic of information system security.

For the other material topics within S4, HPB Group has not yet defined measurable outcome-based targets; accordingly, reporting focuses on monitoring the effectiveness of measures implemented, in line with ESRS 2 MDR-T, paragraph 81. Effectiveness is assessed through the monitoring of complaints, corrective actions implemented and consumer feedback, which together provide a basis for the continuous enhancement of the management of material impacts.

Information system security

In the area of information system security, HPB Group recognises the potential for adverse impacts on consumers and end-users, particularly in the event of cyberattacks or social engineering attempts. To mitigate these impacts, the Group has set an annual target relating to the number of security incidents. The target applies to the 2025 reporting year (1 January–31 December 2025) and is aligned with the EBA Guidelines on reporting major incidents under PSD2 (EBA/GL/2021/03) as well as with the Act on Cybersecurity of Operators of Essential Services and Digital Service Providers.

For 2025, the target was set at one (1) or fewer security incidents, which represents an absolute target expressed using the number of incidents as the measurement unit.

During the period, no incidents were recorded that met the threshold of significant criticality in accordance with Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA).

The target was determined on the basis of internal risk assessment, mandatory regulatory requirements (PSD2, DORA and the Act on Cybersecurity), and historical trends in security events, applying HPB Group’s information security risk tolerance principles.

To achieve the target, HPB Group implements planned technical and organisational measures, including continuous monitoring of security systems, regular resilience testing, updates to security rules, access controls, and recurring employee training on cyber threats and social engineering.

Progress is monitored through continuous surveillance of security events, internal reporting by the information security function, regular monthly and quarterly controls, and analysis of data on fraud attempts and suspicious activities recorded in incident detection systems.

The monitoring methodology is based on defined incident materiality criteria according to the internal categorization.

Implementation is supported by existing human and technical resources, including the information security team, incident detection and prevention systems, vulnerability monitoring tools and internal ICT oversight processes, without the need for material additional expenditure beyond the regular budget.

Relevant internal stakeholders—including risk management, compliance, internal audit and IT development—are engaged through regular coordination, committee reporting and the evaluation of security measures. External stakeholders are engaged as required through prescribed regulatory notifications and mandatory cooperation with competent authorities.

HPB Group did not engage in direct cooperation with consumers, end-users, or their legitimate representatives when determining target values, monitoring progress, or defining improvements. This target is based primarily on regulatory requirements and internal risk assessments rather than consumer feedback. In the future, the Group will, as needed and in line with evolving supervisory expectations, consider

involving relevant user groups in these processes.

During the reporting period, there were no changes to the target, the monitoring methodology or the criteria for determining the materiality of security incidents; the target remained fully aligned with regulatory definitions and internal risk assessment rules.

Privacy protection

Privacy protection is reflected primarily through the safeguarding of personal data. In this area, where adverse impacts have been identified, HPB Group implements measures aimed at:

- reducing the number of personal data breaches, with the objective of managing breaches in accordance with the GDPR and limiting the actual adverse impact should a breach occur, on an ongoing basis,
- maintaining transparency for consumers and end-users through the regular updating of information on data processing on the Group's website,
- enhancing consumer and end-user awareness of their rights through education and communication materials, on an ongoing basis,
- strengthening GDPR and regulatory compliance through regular internal reviews and oversight activities.

Personal data protection is an area characterised by exceptionally high customer expectations and stringent regulatory requirements. Transparent data processing, clear communication and robust controls are therefore essential to maintaining trust and preventing adverse impacts.

HPB Group does not currently set quantitative targets for privacy protection; however, it plans to consider the introduction of measurable targets in this area over the next two reporting periods. Until such targets are established, the Group monitors the effectiveness of its policies and measures through its existing oversight framework, including regular GDPR controls, internal audits, supervision by the data protection function, trend analyses of breaches and data subject requests, and compliance assessments. The Group's level of ambition includes zero tolerance for material personal data breaches and the continuous strengthening of security and organisational safeguards. Progress is monitored using qualitative indicators, including improvements in internal review outcomes, timely implementation of corrective actions and increased user awareness of their rights.

Access to products and services

HPB Group is focused on strengthening positive impacts in the area of access to products and services through measures aimed at:

- maintaining service availability in rural and less densely populated areas ,
- increasing the use of digital channels through the development of secure and user-friendly digital solutions,
- improving customer satisfaction with the availability and quality of services,
- enhancing the financial inclusion of vulnerable groups through the development of both digital and physical channels,
- strengthening customer resilience through financial literacy programmes and education.

Access to financial services is a prerequisite for social inclusion and for equitable participation in the economy. HPB Group plays a distinctive role in ensuring service availability in rural and less densely populated areas, while also advancing digital solutions that enable banking services to be used without the need to visit a branch.

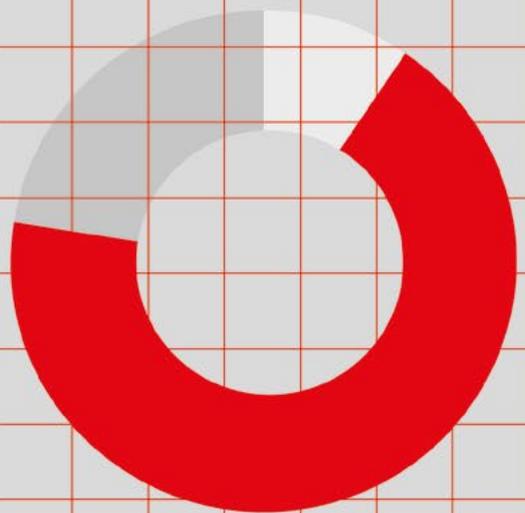
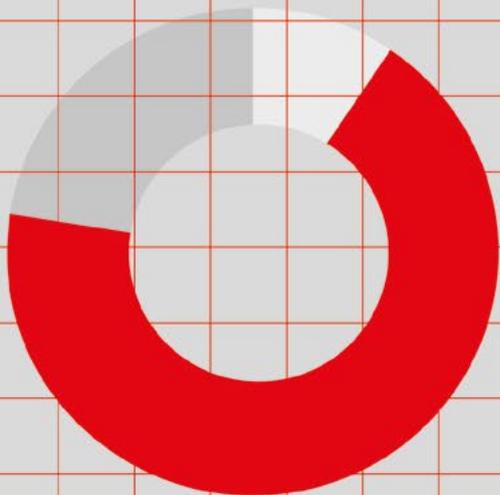
These measures are directed at strengthening accessibility, digital inclusion and financial literacy, thereby delivering long-term positive outcomes for consumers and end-users, as well as for the wider community.

HPB Group does not currently set formal quantitative targets in relation to access to products and services, as accessibility and inclusion are reflected through a combination of qualitative and quantitative indicators that are not readily standardised on an annual basis. HPB Group plans to consider the establishment of measurable targets over 2026–2027, in particular in relation to increased use of digital channels, service availability in less densely populated areas, and the inclusion of vulnerable groups.

Until such targets are introduced, the Group assesses effectiveness through internal reporting on the use of digital solutions, customer satisfaction survey results, and trends in complaints relating to accessibility. The level of ambition remains focused on continuously improving service accessibility for all users, removing barriers to the use of digital channels, and strengthening positive user outcomes. Progress is monitored through qualitative indicators, including enhancements to customer experience, the reduction of operational barriers, and improved accessibility for vulnerable groups.



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CORPORATE GOVERNANCE DISCLOSURES

G1 Business conduct

This chapter has been prepared in accordance with Commission Delegated Regulation (EU) 2023/2772, applying the disclosure requirements of G1 and linking them to the relevant requirements under ESRS 2.

This section of the Sustainability Report focuses on HPB Group's business conduct and its commitment to ethical, responsible and transparent business practices. Ethical conduct is a fundamental prerequisite for the long-term sustainability of the business model, the protection of stakeholder interests and the achievement of HPB Group's strategic objectives. Given the Bank's status as an issuer whose shares are admitted to trading on a regulated market, business conduct matters have been identified as material due to their influence on reputation, investor confidence and regulatory compliance.

In line with ESRS 2 IRO-1, the double materiality assessment for business conduct was carried out through the defined process for identifying and assessing impacts, risks and opportunities, as described in IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities.

The business conduct topics addressed in this chapter are linked to ESRS 2 SBM-3, as they inform HPB Group's strategy, business model and decision-making processes. The material IROs relating to business conduct and their interaction with the strategy and business model are presented in greater detail in ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model.

G1-1 BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

Policies adopted to manage material sustainability matters

Business conduct policies

HPB Group has adopted a **Code of Ethics**, which sets out clear and unambiguous principles, guidance and requirements for lawful, ethical and professional conduct in all dealings with the persons and entities with whom HPB Group engages in the course of its operations—clients, employees, the wider community, shareholders, regulatory authorities, contractual counterparties and competitors. The Code of Ethics is grounded in HPB Group's vision, mission and corporate values, support, responsibility, trust, innovation and value creation, and is continuously enhanced. Particular emphasis is placed on ensuring that all employees are familiar with, and develop awareness of, the ethical rules and values set out in the Code; accordingly, employees receive regular training, and the principles and values are periodically reviewed.

The Code of Ethics serves as the overarching policy framework for managing key business conduct topics, includ-

ing business ethics, the prevention of corruption and bribery, conflict of interest management, the protection of confidential information, respect for human rights, and responsible conduct towards stakeholders. It explicitly requires compliance with applicable laws, regulatory requirements and internal acts, and sets expectations for professional and ethical behaviour in all circumstances. In this way, material sustainability matters are embedded in day-to-day operations and decision-making.

The Code of Ethics, including any subsequent amendments, is adopted by the Management Board with the approval of the Supervisory Board, and is also endorsed and implemented by the management bodies of all other HPB Group entities. The Code is adopted following prior consultation with the Chief Trade Union Representative, acting in the capacity of the Bank's works council. In defining the Code, HPB Group takes into account the interests of key stakeholders, including clients, employees, investors, regulators and the wider community. Feedback is gathered through regular communication, irregularity reporting

mechanisms and dialogue with supervisory authorities, helping to ensure that the Code reflects stakeholder expectations and practical needs.

The Code of Ethics is published on the websites of HPB Group entities and is accessible to clients and other interested parties; it is also available to HPB Group employees via the [internal portal](#).

Any conduct contrary to the Code of Ethics—i.e., a breach of duties or unacceptable behaviour—is treated as a serious breach of employment-related obligations. Employees are aware that violations may give rise to internal and external disciplinary proceedings, court proceedings and sanctions that may arise from breaches of duty, unacceptable conduct and non-compliance with the Code of Ethics. Reports of breaches of the Code are received and handled by the Ethics Officer or their deputy, and the reporting procedure is publicly available on the [Bank's website](#).

Compliance with the Code of Ethics is monitored by the Compliance function, which, through its semi-annual and annual activity reports, informs the Management Board, the Risk Committee and the Supervisory Board of all reported breaches of the Code's provisions.

HPB also applies the **Corporate Governance Code** jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (ZSE). HPB Group operates in line with corporate governance good practice, the recommendations of the Code and the regulatory framework applicable to credit institutions, including capital markets regulation. It continuously enhances corporate governance and business transparency as a basis for safeguarding the interests of shareholders, investors, clients, employees and other stakeholders—taking into account the Group's organisation and structure, strategy and business objectives, effective oversight of the responsibilities of the Management Board and the Supervisory Board, and robust procedures for identifying, measuring, monitoring and reporting risks, supported by appropriate internal control mechanisms.

HPB Group regularly publishes an annual Corporate Governance Code Compliance Questionnaire. Through this questionnaire, HPB Group discloses information relating to corporate governance practices in general, as well as information on the company's strategy, taking into account the potential impacts of activities on the environment and the community, the promotion of ethical conduct, respect for human rights, and the fostering of an enabling and supportive working environment. This questionnaire is published on the Bank's website.

Business conduct policies also apply to suppliers, business partners and other third parties.

Conflict of interest management policies

In line with the Credit Institutions Act, the Act on the Prevention of Conflicts of Interest, the Capital Market Act, the Companies Act, and the CNB Decision on the Risk Management System, HPB Group has adopted a **Conflict of Interest Management**

Policy. The Policy sets out the core principles and arrangements for the identification, mitigation and, where necessary, prevention of actual or potential conflicts of interest. Its principles also extend to the management and prevention of conflicts of interest that may arise in connection with the provision of investment services to clients and the performance of investment activities related to dealings in financial instruments.

The Policy applies across all parts of HPB Group, including the parent entity and subsidiaries, and covers all employees, managers, members of the management body and relevant third parties. It applies to all business activities, including lending, investment and advisory activities and operational processes, and to all levels of the value chain over which HPB Group may exercise influence.

The Policy is aligned with applicable laws and supervisory requirements and is underpinned by recognised principles of sound corporate governance. In implementing the Policy, HPB Group takes into account the interests of key stakeholders – clients, employees, investors, regulators and business partners – so as to ensure that conflict of interest management remains transparent, effective and consistent with market expectations.

The Policy is adopted by the Management Board, following consultation with the Chief Trade Union Representative acting in the capacity of the works council, and is subject to the prior approval of the Supervisory Board. The Compliance function is responsible for receiving and handling all notifications, queries and requests relating to actual or potential conflicts of interest. The Policy is published and publicly available on the [Bank's website](#).

Whistleblower protection policies

The Rulebook on the Procedure for Reporting Irregularities establishes standards designed to ensure that employees can report irregularities without fear, including concerns regarding unlawful or non-compliant conduct by individuals whose actions may have caused, or may cause, harm to the Bank, its clients, other employees, or persons in a contractual relationship with the Bank. The Rulebook provides protection for individuals who, in good faith, report irregularities in their work environment. Its purpose is to ensure a secure, confidential and effective reporting framework, with full protection of reporters against retaliation.

The Rulebook applies to all employees of the Bank and HPB-nekretnine d.o.o. HPB Invest d.o.o. has established its own internal reporting and whistleblower protection framework which, proportionate to its size and business model, is aligned as far as possible with the Bank's internal reporting system. The Rulebook governs the appointment of the Confidential Reporting Officer and their deputy, as well as the internal reporting procedure, ensuring that all persons for whom the Bank and HPB-nekretnine d.o.o. constitute a work environment can submit reports in good faith without concern that doing so would adversely affect their employment status or position. The Rulebook defines irregularities as acts or omissions that are unlawful and relate to, inter alia, fraud, corruption, financial misconduct, breaches of national legislation, endangerment of

the public interest, or serious non-compliance with internal acts. In developing the Rulebook, the interests of key stakeholders, particularly employees, were taken into account to ensure that the reporting system is accessible, reliable and aligned with best practices.

Overall responsibility for implementation of the Rulebook rests with the Management Board. Reports are received by the appointed Confidential Reporting Officer and their deputy. Operational authority for establishing the facts, ranging from receipt of a report by the Confidential Reporting Officer through to the final report submitted to the Supervisory Board's Audit Committee, rests with the Irregularities Resolution Committee. The Committee comprises the Executive Director of the Compliance Division and the Directors of the Internal Audit Office and the Human Resources Management Division. The Audit Committee is vested with the authority and responsibility to oversee implementation of the Rulebook in practice, including the execution of fact-finding activities and evidence review, the control of the investigation process, and the proposal of appropriate measures and follow-up steps once the fact-finding procedure has been concluded. Investigators involved in examining reported irregularities are fully segregated from the management line that is the subject of the investigation. The Rulebook is available to employees via the internal portal, while instructions on how to submit a report of irregularities are published on the Bank's website.

Reports of suspected or identified irregularities submitted by third parties and other persons for whom HPB Group does not constitute a work environment are received and handled in accordance with the provisions of the Code of Ethics and are directed to the Irregularities Reporting Officer and their deputy. The procedure is likewise described and published on the [Bank's website](#).

Anti-corruption and anti-bribery policies

HPB Group has adopted an **Anti-Corruption Policy** designed to define and establish mechanisms for the identification, prevention and combatting of corruption as socially unacceptable conduct.

The Anti-Corruption Policy is the Group's foundational document setting out the principles, responsibilities and controls for preventing all forms of corruption, including bribery, solicitation of bribes, abuse of position, embezzlement, favouritism, procurement and recruitment manipulation, and the misuse of conflicts of interest for personal gain. The Policy applies across all organisational units of the Bank and HPB Group entities and reflects a zero-tolerance approach to corruption.

The Policy applies to all employees, managers and members of the management body, as well as to third parties across the value chain, including suppliers, contractual counterparties and other business partners, thereby ensuring the consistent application of the zero-tolerance principle throughout all business relationships.

It covers all business processes, including lending, investment, procurement, sales and advisory activities. The Policy

identifies key corruption risk areas, including public procurement, recruitment, asset management, relationships with clients and regulators, and dealings with third parties. In developing the Policy, HPB Group took into account the interests of key stakeholders - clients, employees, regulators, investors and the wider community.

Overall responsibility for the adoption and implementation of the Policy rests with the Management Board, subject to the approval and oversight of the Supervisory Board, while the execution of specific measures and activities is entrusted to the competent organisational units (including the Anti-Money Laundering, Counter-Terrorist Financing and Restrictive Measures Department, the Compliance function, the Internal Audit Office, and others, as applicable).

The Policy is aligned with the relevant legislation of the Republic of Croatia and recognised international anti-corruption standards, including the United Nations Convention against Corruption (UNCAC), to which Croatia is a signatory and the core obligations of which have been implemented in national legislation. It supports a lawful, ethical and professional approach across all business activities. As a credit institution majority-owned by the state, HPB Group is also subject to the implementation of activities prescribed by the Anti-Corruption Programme for Companies Majority-Owned by the State. In line with the objectives, measures and guidance set out in that Programme, HPB Group has developed and implemented an internal Action Plan and continues to carry out the necessary activities to strengthen integrity, accountability and transparency, create the conditions for preventing corruption at all levels, and reinforce the zero-tolerance approach.

During 2025, there were no confirmed cases of corruption or bribery, no confirmed breaches of the Code of Ethics, and no whistleblower reports relating to unacceptable conduct. Detailed information on procedures, guidance and reporting forms is publicly available on the Bank's and HPB Group entities' website.

The Anti-Corruption Policy is published and publicly available on the [Bank's website](#).

Corporate culture

HPB Group's corporate culture is being shaped through the strategic initiative "Mijenjamo kulturu za bolju budućnost" ("Changing our culture for a better future"), which is anchored in five core principles of organisational culture: taking ownership, a client-centric approach, removing obstacles, innovation and collaboration. The initiative is designed to foster a modern, inclusive and accountable working environment.

The administrative, management and supervisory bodies regularly consider organisational culture, values and behaviours—particularly in the context of ethics, integrity, transparency and accountability. These matters are addressed at meetings of the Management Board and the Supervisory Board, with culture treated as a key determinant of long-term sustainability and a material element of effective risk governance.

To support systematic culture management, the initiative

has defined 15 measures across several dimensions, clients, processes, organisational development and measurement. These measures are aimed at reinforcing the desired values and aligning behaviours with the five cultural principles.

The principal themes promoted within HPB Group's corporate culture include integrity, professionalism, accountability, respect, transparency, equal treatment, the avoidance of conflicts of interest, and ethical decision-making. These values are articulated in the Code of Ethics and underpin the day-to-day conduct of employees and managers.

The governance bodies actively provide direction in promoting corporate culture by communicating expected standards of conduct, adopting relevant policies and procedures, supporting training and capacity-building, and leading by example in the application of ethical principles. The Management Board regularly underscores the importance

of culture through internal communications, strategic documents and employee development programmes. Alongside formal processes, HPB Group continuously advances the desired culture through management training, the engagement of "culture ambassadors" with employees, and an active communications campaign delivered under the "Mijenjamo kulturu za bolju futuru" initiative.

To strengthen and sustain corporate culture, HPB Group employs a range of tools and incentives, including training on ethical conduct and integrity, leadership development programmes, internal campaigns under the culture initiative, and whistleblowing and reporting mechanisms that promote openness and trust. These instruments enable employees to participate actively in building the desired culture and to take ownership of its consistent application in everyday practice.

Measures and resources related to material sustainability matters

To support the effective implementation of the **Code of Ethics**, HPB Group applies a set of operational measures and control mechanisms. These include regular employee training on ethical conduct, conflicts of interest and anti-corruption; established channels for reporting irregularities and ensuring whistleblower protection; internal controls and oversight arrangements to monitor compliance; clear procedures governing gifts, entertainment and engagements with third parties; and a requirement to disclose actual and potential conflicts of interest. Taken together, these measures ensure that the Code's principles are embedded in day-to-day practice and that employees have the tools and support needed to act with integrity. While HPB does not maintain a stand-alone policy dedicated exclusively to ethics training, it provides continuous and regular capacity-building through professional training programmes and thematic learning modules.

Key measures are implemented on an ongoing basis across HPB Group's operations in the Republic of Croatia, covering all employees and all relevant organisational units. Expected outcomes include the further strengthening of an ethical culture, a reduced likelihood of irregularities and enhanced stakeholder confidence in the effectiveness of internal controls. Measures are applied continuously, while certain activities, such as training delivery, case handling and periodic monitoring, are conducted in annual or semi-annual cycles.

At present, there is no requirement to establish dedicated action plans, nor have cases been identified that would necessitate the provision of remedy to affected persons. Nevertheless, whistleblower protection mechanisms and complaint-handling arrangements provide for such a possibility should material adverse impacts arise. Within the existing framework, performance is monitored on a regular basis, including the volume and handling of irregularity reports and training coverage, thereby enabling the assessment of effectiveness and timely refinement of activities where appropriate.

HPB Group also applies an integrated set of measures to **prevent conflicts of interest** and the misuse of confidential

information. This includes mandatory disclosures relating to outside business activities, transactions in financial instruments, actual or potential conflicts of interest, and personal, professional and/or interest-based connections between employees of the Bank and/or HPB Group entities and/or third parties. Robust rules on gifts and benefits are in place, aligned with the Group's zero-tolerance approach to corruption, alongside measures to prevent market abuse and the misuse of inside information. The Code of Ethics, applicable to the Bank and all HPB Group entities, sets clear expectations for ethical conduct and requires adherence to high professional standards. Conflict-of-interest management is further reinforced through a clear organisational structure, segregated reporting lines and, where relevant, physical separation of certain organisational units, in particular those providing investment services. Internal procedures ensure that transactions are not executed by employees who are personally, professionally or otherwise connected to the parties for whose benefit a transaction is undertaken. In addition, the Rulebook on preventing conflicts of interest in the provision of investment services defines procedures for the reporting of personal transactions in financial instruments by relevant persons and for situations in which employees have access to inside or confidential information, with the aim of preventing inappropriate conduct and safeguarding client interests. All conflict-of-interest notifications are documented and handled in accordance with clearly defined procedures, ensuring transparency and the timely implementation of corrective measures.

These measures apply to all employees and organisational units across HPB Group. Secure, where applicable, anonymous, reporting channels are in place to enable the safe communication of potential irregularities, notwithstanding that no material adverse impacts have been identified.

HPB Group provides multiple channels for **reporting irregularities**, including electronic submission, written reports by post, telephone reporting, and the option of a personal meeting with the Confidential Reporting Officer or their deputy. These channels are available to employees and other persons

for whom HPB Group constitutes a work-related environment. Reports are received and handled confidentially, in accordance with a standardised procedure. The Confidential Reporting Officer and their deputy are qualified employees who have been trained to handle reports securely and to safeguard the identity of the reporting person. HPB Group provides robust protection for reporting persons, related persons, reported persons and all participants in the procedure, with the aim of fostering an environment that encourages the reporting of irregularities. Internal acts provide protective measures against retaliation, discrimination or penalisation, as well as safeguards against malicious or unfounded allegations. Employees receive regular training on the reporting procedure, their rights and obligations, and the importance of reporting suspicious conduct that could cause harm to HPB Group, clients or other stakeholders.

These measures apply across all organisational units and to all employees, as well as to all persons within HPB Group's work-related environment, and are implemented continuously throughout the year. The established channels and procedures provide reporting persons with access to protection and remedy, although no cases with material adverse impacts were recorded during the reporting period. Progress compared with prior periods is reflected in the continued delivery of awareness-raising training and the sustained use of the established communication channels.

In implementing its **Anti-Corruption Policy** HPB Group applies a set of measures aimed at strengthening integrity, accountability and transparency in its operations. This includes

intensified internal and external oversight, the application of clear and transparent criteria for assessing effectiveness, and the establishment of clear rules governing the appointment of members of the Management Board and the Supervisory Board. Particular attention is devoted to reinforcing mechanisms for preventing conflicts of interest at the highest governance levels, as well as to oversight of sponsorships and donations. Anti-corruption arrangements are further strengthened through the enhancement of employee integrity and competence, increased transparency of business processes, and the provision of comprehensive protection for whistleblowers. This supports an environment in which irregularities can be reported safely and risks of corrupt conduct can be identified and addressed in a timely manner. To reduce exposure to corruption risks over the long term, HPB Group continuously delivers training on ethical conduct, the harmful effects of corruption, conflict-of-interest management and the rights of reporting persons. These activities contribute to the development of a culture of integrity and accountability at all levels of the organisation.

Planned activities include further standardisation of procedures and the strengthening of control mechanisms, which will be implemented on an ongoing basis over the next period. The measures apply to all organisational units and all governance levels across HPB Group, throughout the Republic of Croatia. The established whistleblowing mechanisms also ensure access to protection for persons who might be affected by adverse impacts, although no such cases were recorded.

Indicators relating to material sustainability matters

In the context of the **Code of Ethics**, HPB Group monitors indicators such as the number of training sessions delivered and employees covered, the number of reports of irregularities received, confirmed conflicts of interest, identified breaches of ethical principles, and the corrective actions taken. Data are compiled from internal records (training system, reporting register, conflict-of-interest records and internal control documentation). The principal limitations relate to reliance on internal sources and qualitative assessments by the competent functions. Data are collected through a combination of IT systems and manual inputs: the training system records employee participation automatically, while conflicts of interest, reports of irregularities and breaches of ethical principles are recorded manually by authorised persons within the competent organisational units. Validation of the recorded data is performed by designated process control owners (Compliance, Human Resources and Internal Audit), who review records for completeness and accuracy prior to consolidation.

The indicators are not verified by an external body; rather, they are subject to internal oversight and controls. Each indicator is defined so as to reflect its purpose unambiguously. Where a financial unit of measure would apply, the presentation currency of the financial statements (euro) would be used.

To support transparency and enable the monitoring of the effectiveness of the **Conflict of Interest Management Policy**,

HPB Group tracks indicators including the number of conflicts of interest reported, the number of external business activities declared, the number of reports received and processed in relation to inside information, the number of trainings delivered and employees covered, and the number of confirmed breaches of the policy and related corrective actions.

For each indicator, clear titles and descriptions are specified and established measurement methodologies and key assumptions are applied, including any limitations. Operational internal definitions are currently derived from existing processes and records, as the full set of metrics has not yet been formalised in a single document containing reference definitions and standardised units of measure, scope and calculation formulas. Data are collected through a combination of IT systems (e.g., the training system) and manual entries within the relevant organisational units. Authorised persons enter the data, and process control owners verify completeness and accuracy prior to consolidation.

These indicators have not been validated by an external body other than the assurance provider. Indicators are presented using clearly defined units of measure and, where the unit of measure is a currency, the presentation currency of the Group's financial statements (euro) is applied. HPB Group continues to enhance and formalise its methodology in order to ensure full standardisation in line with ESRS requirements in future periods.

HPB Group monitors the following indicators to assess



the effectiveness of internal acts governing the **reporting of irregularities**: the number of reports of irregularities received, the number of reports processed and closed, the number of confirmed irregularities and corrective actions taken, the number of trainings delivered, and employees covered, and the number of cases in which protection against retaliation was activated. HPB Group does not obtain external certifications for these indicators, beyond standard internal data collection and verification procedures. Where an indicator would be expressed in a currency, the presentation currency of the Group's financial statements (euro) would be applied.

To assess the effectiveness of the **Anti-Corruption Policy**, HPB Group monitors indicators such as the number of trainings delivered and employees covered, the number of reports received relating to suspected corruption, and the number of confirmed cases and corrective actions taken. HPB Group does not rely on external certifications for these indicators, beyond standard internal procedures for verifying data accuracy. Where an indicator would be expressed in a currency, the presentation currency of the Group's financial statements (euro) would be applied.

Monitoring the effectiveness of policies and measures against targets

HPB Group applies qualitative target expectations in the area of business conduct, derived from the **Code of Ethics**, the Conflict of Interest Management Policy, the Anti-Corruption Policy and the whistleblower protection framework. These targets are directed towards maintaining consistently high standards of ethical behaviour, ensuring broad employee training coverage, providing timely and effective handling of reports and cases, and upholding a zero-tolerance stance towards corruption and bribery. While these targets are not currently expressed in numerical terms, their linkage to the underlying policies is clearly established, and progress is monitored through internal controls, case handling processes and training participation. The targets apply across HPB Group's operations in the Republic of Croatia and are implemented on an ongoing basis, without a predetermined end date. They are reviewed at least annually, taking into account supervisory expectations and developments in practice. As baseline and reference values have not yet been formally defined, monitoring is currently grounded in operational indicators and established compliance processes. The targets are not science-based, as they relate to ethics and conduct; however, they are aligned with the national and European regulatory frameworks applicable to the financial sector. Stakeholder perspectives are incorporated indirectly through inputs such as reports of irregularities and the operation of whistleblower protection mechanisms. To date, no material changes have been made to the targets or to the monitoring approach; any future adjustments will be disclosed transparently. Current performance is assessed through the analysis of reports and cases, findings from internal control activities, and training coverage, with policies, training programmes and operating procedures enhanced as required to maintain the intended standards of integrity and business transparency.

To support the effectiveness of the **Conflict of Interest Management Policy**, HPB Group sets qualitative expectations aimed at: sustaining a high level of training coverage, ensuring timely handling of all identified or reported conflicts, strengthening preventive measures, and maintaining a high degree of transparency in business relationships. Progress against these expectations is monitored through the compliance framework, case handling records and periodic reporting, which together enable continuous evaluation of effectiveness and the

refinement of processes, controls and training programmes. The Compliance function reports to the Management Board and the Supervisory Board upon the emergence of material matters or as required, and at least semi-annually, thereby ensuring regular and transparent oversight consistent with European standards.

At present, HPB Group has not established measurable, time-bound outcome targets in this area and therefore applies a qualitative approach to assessing progress. The Group will assess, in the forthcoming period, whether there is a need to introduce such targets. Until then, effectiveness is monitored through established procedures, regular reporting and qualitative indicators, with the level of ambition remaining the maintenance of a high integrity standard and the continuous strengthening of prevention and control, supported by trend comparisons across reporting periods.

HPB Group sets qualitative target expectations to support the effectiveness of its **whistleblower protection framework**, including: the accessibility and reliability of reporting channels, timely and impartial handling of all reports, zero tolerance for retaliation, ongoing strengthening of employee awareness, and the reduction of irregularities through preventive measures and training. As measurable and time-bound targets have not yet been defined, progress is currently assessed qualitatively against the objectives of the framework and the degree of implementation in practice. These expectations apply across all employees and organisational units, with progress monitored against prior reporting periods. The Group will consider the feasibility of introducing measurable targets; until then, effectiveness is assessed through established procedures, regular reporting and qualitative indicators such as training coverage, timeliness of case handling and instances in which anti-retaliation protection was activated. The level of ambition remains the preservation of high accessibility and confidence in the reporting system, alongside the continuous enhancement of preventive measures.

HPB Group sets qualitative target expectations to support the effectiveness of its **Anti-Corruption Policy**, including maintaining zero tolerance for corruption, ensuring a high level of employee training coverage, timely handling of all reports, continuous reduction of exposure to corruption risks,

strengthening internal controls and oversight mechanisms, and maintaining full regulatory compliance. Measurable, time-bound outcome targets have not yet been established; accordingly, progress is monitored qualitatively against the objectives of the Policy and through operational indicators and trend analysis against previous reporting periods. Targets apply to all HPB Group employees and organisational units. HPB Group will assess, in the forthcoming period, whether measurable targets and associated time horizons should be introduced.

Policy effectiveness is monitored through regular reporting to the Management Board, internal controls and internal audit

activity, and periodic updates to the Policy in line with regulatory developments and best practices.

The implementation of business conduct policies and related measures has not required significant additional operating expenditure or capital expenditure, as activities are delivered through the existing Compliance function and other relevant organisational units, and within the scope of regular costs for training, oversight and the maintenance of control mechanisms. No material additional investments are expected in the next period.

G1-3 PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

HPB Group maintains a firm and unequivocal commitment to preventing and combating corruption in all its forms, including bribery, the solicitation of undue advantage, abuse of position, misappropriation, improper influence in recruitment and procurement processes, and the misuse of conflicts of interest for private gain. Corruption is recognised as a harmful social phenomenon that erodes fundamental societal values. More broadly, it may be understood as any misuse of public or entrusted authority, whether in the public or private sphere, for personal benefit or the benefit of related parties, including the offering or acceptance, directly or indirectly, of money or other advantages to induce or reward the performance, or non-performance, of a function or activity.

Anti-corruption safeguards are embedded across organisational units and governance levels. The objective is to sustain and strengthen employee awareness of corruption risks and to uphold a culture in which such conduct is unequivocally unacceptable. Internal acts, policies and procedures define expected standards of behaviour and are reinforced through regular training and robust oversight arrangements.

HPB Group applies a strict zero-tolerance approach to corruption and unethical conduct. Any direct or indirect giving or receiving of undue advantage is prohibited. Employees are required to report promptly any suspicion of corrupt behaviour, with the identity of reporting persons protected. Reporting channels are also available to third parties, and substantiated breaches may result in disciplinary measures and/or the termination of relationships with external counterparties.

Enhanced controls are applied in areas assessed as carrying elevated risk, including donations and sponsorships, gifts and hospitality, supplier relationships, investment services, recruitment, outside business activities and real estate transactions. These processes are governed by strict controls, transparent criteria and due diligence measures, where relevant, including verification of identity, reputation and exposure to money-laundering risk. Donations and sponsorships are not granted to political entities, natural persons or organisations whose association could impair HPB Group's reputation.

Rules on gifts and benefits expressly prohibit the acceptance of inappropriate benefits. Relationships with suppliers are founded on competence, integrity and transparent selection criteria, with particular emphasis on avoiding conflicts of interest. HPB Group does not enter into cooperation arrangements with entities connected to employees or members of their immediate families.

In relation to investment services, HPB Group operates a robust control framework comprising strict procedures, segregation of duties and physical separation of functions, and clearly delineated mandates and responsibilities. Recruitment is conducted on a transparent basis and without undue influence, while outside business activities are regulated through internal acts. Transactions involving real estate are carried out exclusively on market terms and are subject to defined approval levels and role segregation, designed to prevent misuse.

Facilitation payments are prohibited. Exceptions are permitted only in extraordinary circumstances where personal safety or health is at risk and are subject to mandatory reporting and oversight by the Compliance function.

The Code of Ethics establishes the standards of lawful, ethical and professional conduct applicable to all stakeholder relationships and is supported by dedicated implementation measures. Conflict-of-interest prevention is integrated throughout the organisation through relevant policies, procedural safeguards and regular employee training.

The remuneration framework is aligned with regulatory requirements and HPB Group's long-term sustainability objectives and is designed to avoid incentives for excessive or imprudent risk-taking. Risk management is supported by continuous monitoring, assessment and reporting, while transparency is ensured through accurate transaction recording, independent audit arrangements and the regular disclosure of financial and corporate information.

To ensure effective implementation and oversight of anti-corruption rules, HPB Group maintains formal processes for the reporting, handling and escalation of irregularities, including the following mechanisms:

- internal reporting of irregularities,
- reporting of irregularities by third parties,
- reporting of breaches of the Code of Ethics.

Information on reporting procedures is publicly available on HPB Group's website, ensuring that all stakeholders have access to clear, reliable and accessible channels for reporting suspected unethical conduct.

Training and awareness

HPB Group's Anti-Corruption Policy provides for mandatory internal training on ethical and anti-corruption conduct for all employees. The training curriculum covers, inter alia, integrity, conflict-of-interest management and the reporting of irregularities. Training is delivered on an ongoing basis through the established programmes of the Compliance function and is expanded, where necessary, in response to regulatory developments and identified risk exposures.

The Anti-Corruption Policy also sets out a structured reporting arrangement for informing the Management Board and the Supervisory Board of the outcomes of reported irregularities, through clearly defined responsibilities within the Compliance monitoring function and established oversight mechanisms.

HPB Group ensures that all policies relating to ethical conduct and the prevention of corruption, bribery and conflicts of interest

are accessible and readily understood by relevant stakeholders. These policies are communicated through the internal portal, mandatory employee training (including onboarding modules for new employees), regular internal communications, and, by way of public disclosure, through the publication of relevant policies and instructions for reporting irregularities on the Bank's website, thereby ensuring accessibility also to third parties. This approach supports a consistent understanding among employees, managers and external stakeholders of applicable obligations, prohibitions and consequences of non-compliance, as well as of the channels available for reporting irregularities. Accordingly, HPB Group delivers mandatory training on anti-corruption prevention, ethical conduct, conflict-of-interest management and the protection of reporting persons. Training programmes include modules on recognising corrupt practices and preventive controls, reporting procedures and the rights of reporting persons, as well as on inside information and the prohibition of market manipulation.

Employees are trained through periodic online programmes, while new employees complete initial induction training. Governance bodies (the Management Board and the Supervisory Board) are also included in relevant training, including training on integrity and responsible governance, in line with regulatory expectations. On this basis, all functions, including those with elevated exposure to corruption and conflict-of-interest risks, are covered by mandatory training, with 100% coverage.

Table: Training activities for the detection and prevention of corruption and bribery

Employee category	2025			
	Management positions*		Other employees**	
	Group	Bank	Group	Bank
Number of employees completing training	254	246	1,428	1,419
Total number of employees	269	260	1,523	1,509
Training duration by delivery method (hours)	3,567.5	3,527.5	17,045.5	17,011
Classroom training (hours)	177	177	429	429
Computer-based training (hours)***	3,298	3,258	16,073.5	16,039
Voluntary computer-based training (hours)	92.50	92.50	543	543

* Management positions include the Management Board, management positions and assistant management positions.
** Other employees include professional/specialist and administrative positions.
*** Computer-based training includes e-Classroom training modules.

The table presents data on mandatory and voluntary anti-corruption training for all categories of HPB Group and Bank employees in employment as at 31 December 2025. Data are presented for two employee cohorts: (i) managerial positions (Management Board, senior management and supporting managerial functions) and (ii) other employees (professional and administrative roles). Classroom training (hours) refers to training delivered live, either in person or online, with an instructor in real time. Computer-based training covers mandatory digital

learning modules required by the employer. Voluntary computer-based training relates to optional online learning undertaken by employees on their own initiative.

A comparison with 2024 is not presented, as a revised tabular format is applied for 2025 and employee categories have been redefined compared with the prior year, accordingly, the 2024 figures are not methodologically comparable with the current presentation.

Data are sourced from internal learning management

systems. Training duration is stated in hours and includes time spent in instructor-led sessions, e-learning modules and voluntary courses.

No estimates were used; the table includes only actual participants. The data have not been validated by an independent external body other than the assurance provider.

G1-4 INCIDENTS OF CORRUPTION OR BRIBERY

During the reporting period, HPB Group recorded no cases of corruption or bribery. No substantiated irregularities were identified, and no internal or external investigations, proceedings or other matters arose that would indicate breaches of anti-corruption legislation or the Group's internal standards.

Furthermore, there were no court proceedings, judgments or sanctions relating to corrupt practices involving HPB Group or its employees, and no monetary fines were imposed. Accordingly, no corruption- or bribery-related remedial actions were required in 2025. The internal control, oversight and whistleblowing framework operated throughout the period without any identified incidents.

Table: Indicators of breaches of anti-corruption and anti-bribery requirements

		Total number of confirmed cases of corruption or bribery	Number of convictions in cases of corruption or bribery	Number of employees dismissed and/or sanctioned due to corruption or bribery	Number of contracts terminated due to corruption or bribery	Amount of monetary fines (EUR)
Bank	2024	0	0	0	0	0
	2025	0	0	0	0	0
Group	2024	0	0	0	0	0
	2025	0	0	0	0	0

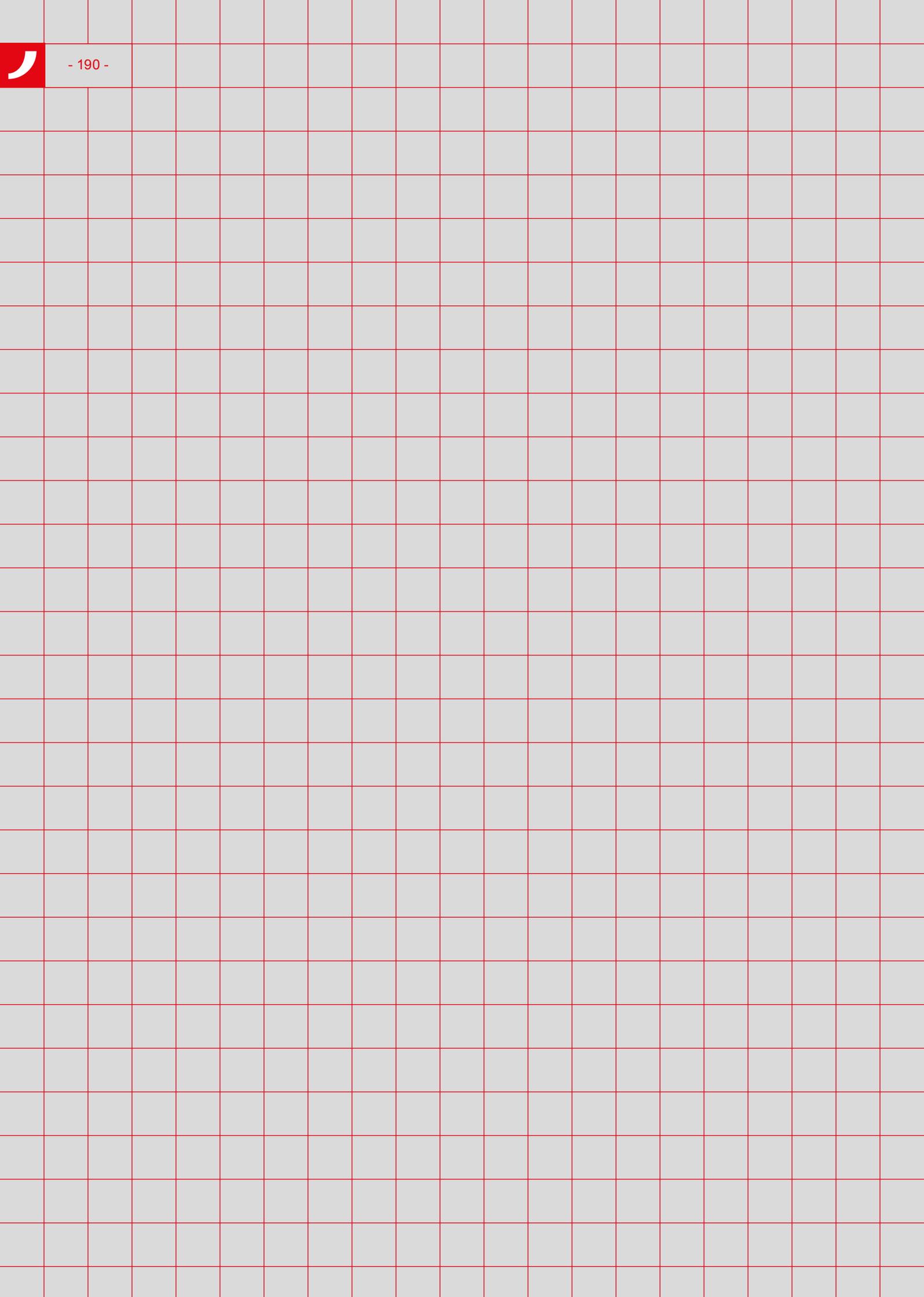
Corruption and bribery indicators are derived from systematic monitoring of all reports received, internal case registers and the outcomes of investigations conducted within the compliance framework. An "incident" is defined as any report received and subject to preliminary assessment that indicates a potential risk of corrupt conduct by employees or third parties in relation to the Bank, including, for example, attempted bribery, the offering or acceptance of undue advantage, improper influence or other conduct that could constitute a breach of law or internal ethical standards.

Data are captured through a combination of IT-based records (the irregularities reporting register, internal control systems and HR case records) and manual entries by competent functions during investigations. Each potential incident is recorded upon receipt and is tracked through a standardised workflow comprising preliminary assessment, investigation, fact-finding and the determination of appropriate measures.

Operational data are entered by the competent functions: Compliance, Internal Audit and Human Resources Management, depending on the nature of the matter. Data validation is performed through completeness, accuracy and consistency checks by control functions and line management, while Compliance provides the final confirmation of aggregated indicators prior to consolidation for reporting purposes.

As the indicators are based exclusively on internal records and received reports, they inherently depend on reporting levels, the quality of available evidence and the professional judgement of the competent functions. No external verification of these indicators is performed. The reported metrics are sourced from official Compliance records. All "0" values reflect the actual outcome of the reporting period and do not indicate the absence of mechanisms or record-keeping; rather, they confirm that no reports were received and no breaches meeting the criteria for classification as corruption or bribery were identified or substantiated through internal or external procedures.

In addition, in 2025 HPB Group identified no severe human rights violations associated with corruption or bribery, forced labour, human trafficking or other unlawful practices. Consequently, no penalties, fines or compensation payments arose. The indicators are prepared on the basis of standardised internal definitions of incidents, complaints and breaches, ensuring consistency of data capture. Given that no cases were recorded in the reporting year, no corrections or methodological adjustments were required. The disclosed data have not been validated by an independent external body other than the assurance provider and are based solely on internal records and monitoring systems.



**Independent practitioner's
limited assurance report on
HRVATSKA POŠTANSKA
BANKA, dioničko društvo's
consolidated
Sustainability Report**



Independent practitioner’s limited assurance report on HRVATSKA POŠTANSKA BANKA, dioničko društvo’s consolidated Sustainability Report

To the shareholders of HRVATSKA POŠTANSKA BANKA, dioničko društvo

Limited assurance conclusion

We have conducted a limited assurance engagement on the consolidated sustainability report of HRVATSKA POŠTANSKA BANKA, dioničko društvo (the “Bank”), included in the Sustainability Report of the Management report (the “consolidated Sustainability Report”), as at 31 December 2025 and for the year then ended.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated Sustainability Report is not prepared, in all material respects, in accordance with Articles 32 and 36 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Bank to identify the information reported in the consolidated Sustainability Report (the “Process”) is in accordance with the description set out in note IRO-1 – DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES; and
- compliance of the disclosures in BP-1 GENERAL BASIS FOR PREPARING THE SUSTAINABILITY STATEMENT section of the consolidated Sustainability Report with Article 8 of EU Regulation 2020/852 (the “Taxonomy Regulation”).

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Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance engagements other than audits or reviews of historical financial information* (“ISAE 3000 (Revised)”), issued by the International Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner’s responsibilities section of our report.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities for the consolidated Sustainability Report

Management Board of the Bank is responsible for designing and implementing a process to identify the information reported in the consolidated Sustainability Report in accordance with the ESRS and for disclosing this Process in note IRO-1 – DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES of the consolidated Sustainability Report. This responsibility includes:

- understanding the context in which the Group’s activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group’s financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management Board of the Bank is further responsible for the preparation of the consolidated Sustainability Report, in accordance with Articles 32 and 36 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- disclosing a statement in BP-1 GENERAL BASIS FOR PREPARING THE SUSTAINABILITY STATEMENT of the consolidated Sustainability Report, in compliance with Article 8 of the Taxonomy Regulation;
- designing, implementing and maintaining such internal control that Management Board determines is necessary to enable the preparation of the consolidated Sustainability Report that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

Inherent limitations in preparing the consolidated Sustainability Report

Reporting on sustainability matters in accordance with ESRS requires the use of information from the Group's value chain, which is only available to a limited extent. As described in note BP-2 DISCLOSURES IN SPECIAL CIRCUMSTANCES – Sources of estimation and uncertainty of outcomes of the consolidated Sustainability Report, the Management Board of the Bank must therefore rely on third-party data and information, and make assumptions and estimates to determine the sustainability information disclosed in the consolidated Sustainability Report. The completeness and accuracy of such sustainability information is therefore subject to significant inherent uncertainties.

In reporting forward-looking information in accordance with the ESRS, Management Board of the Bank is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the consolidated Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the consolidated Sustainability Report as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the consolidated Sustainability Report, in relation to the Process, include:

- Obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Bank's description of its Process set out in note IRO-1 – DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES^{Error! Bookmark not defined.}

Our other responsibilities in respect of the consolidated Sustainability Report include:

- Identifying where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to where material misstatements are likely to arise in the consolidated Sustainability Report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the consolidated Sustainability Report. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the consolidated Sustainability Report, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
 - performing inquiries to understand the process of identifying the organisational boundaries, value chain and stakeholders and sources of the information used by Management Board (e.g., stakeholder engagement, business plans and strategy documents);
 - assessing key assumptions made by Management Board in determining scales and thresholds used in identifying material topics; and
 - reviewing the Bank's internal documentation of its Process.
- Evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Bank was consistent with the description of the Process set out in note IRO-1 – DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES.

In conducting our limited assurance engagement, with respect to the consolidated Sustainability Report, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its consolidated Sustainability Report by:
 - Obtaining an understanding of the Group's control environment, processes and information system relevant to the preparation of the consolidated Sustainability Report, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control.
 - Assessing the Bank's internal documentation of the sustainability reporting process.
- Evaluated whether the information identified by the Process is included in the consolidated Sustainability Report.
- Evaluated whether the structure and the presentation of the consolidated Sustainability Report is in accordance with the ESRS.
- Performed inquiries of relevant personnel and analytical procedures on selected information in the consolidated Sustainability Report.
- Performed substantive assurance procedures on selected information in the consolidated Sustainability Report.
- Where applicable, compared disclosures in the consolidated Sustainability Report with the corresponding disclosures in the financial statements and the Management report.

- Evaluated the methods, assumptions and data for developing estimates and forward-looking information.
- Assessed the Bank's internal policies disclosed in the consolidated Sustainability Report.
- Obtained an understanding of the Bank's process to assess the preconditions for exercising the "Opt-out" option in accordance with the Article 1 p 6 (e) of the (EU) 2026/73 Delegated Act and evaluated the corresponding disclosure in the consolidated Sustainability Report.

The engagement partner on the assurance engagement resulting in this independent practitioner's report is Slaven Kartelo.

Original report is signed in Croatian language

PricewaterhouseCoopers d.o.o.
Heinzlova 70, Zagreb
26 March 2026

Slaven Kartelo
Certified auditor

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





Statement of Management's Responsibilities for the Preparation and Approval of the Annual Financial Statements

The Management Board is responsible for the preparation of both consolidated and separated financial statements for Hrvatska poštanska banka, public limited company ("the Bank"), for each fiscal year. These documents must accurately and impartially reflect the financial condition, operational results, and cash flow activities of both the Group and the Bank, in accordance with the International financial reporting standards applicable in European union. Additionally, Management Board is responsible for keeping proper accounting records that are necessary for the preparation of these financial statements at any given moment.

Beyond the financial reports, Management Board is responsible for the preparation and content of the Annual Report and the Management Report on the status of the Group and the Bank in accordance with the Accounting Act (Official Gazette Nos. 85/24, 145/24, and 151/25), the Statement on the application of the corporate governance code, as well as other information in accordance with the Accounting Act, and for the preparation and content of financial statement formats structured according to the Decision on the structure and content of annual financial statements of credit institutions (Official Gazette No. 80/25) presented in the appendix. The Management Board has a general responsibility to take all necessary measures to safeguard the assets of the Bank and the Group and to implement mechanisms for the prevention and detection of fraud and other irregularities. The Management Board is further responsible for selecting and consistently applying appropriate accounting policies in accordance with the International financial reporting standards applicable in European union, exercising sound and prudent judgment and estimates, and preparing the financial statements on a going concern basis unless it is no longer appropriate to assume that the Bank will continue its operations.

In accordance with the provisions of Articles 32 and 36 of the Accounting Act (Official Gazette Nos. 85/24, 145/24, and 151/25), which implement Article 29(a) of EU Directive 2013/34/EU, the Management Board is responsible for the preparation of the consolidated Sustainability Report in accordance with the European Sustainability Standards. The Management Board is responsible for the Sustainability Report, which forms an integral part of the HPB Group's Annual Report, ensuring that on a consolidated basis it includes all important information necessary to understand the impact of the HPB Group on sustainability matters, as well as information needed to understand how sustainability matters affect the development, business results, and position of the HPB Group. The presentation of this information is based on the regulatory framework prescribing requirements and guidelines for disclosure regarding corporate sustainability reporting, and the applied sustainability reporting guidelines are specified in the Sustainability Report in the chapter 'General Information – Basis for Preparation'.

Furthermore, Management must present the Annual Report, encompassing the annual financial statements, to the Supervisory Board for its consent. Upon receiving approval from the Supervisory Board, the financial statements gain the joint ratification of both the Management and the Supervisory Board, solidifying their endorsement and implementation.

The accompanying consolidated and standalone financial statements presented on following pages, alongside the financial statement formats structured according to the Decision on the structure and content of annual financial statements of credit institutions (Official Gazette No. 80/25) presented in the appendix, have received the endorsement of the Bank's Management as of March 26, 2025. Subsequently, these documents have been forwarded to the Supervisory Board for its review and approval.

As a formal acknowledgment, the financial statements have been officially endorsed by designated signatories, as outlined below:

Signed on behalf of Hrvatska poštanska banka plc.:

Marko Badurina

President of the Management Board

Tadija Vrdoljak

Member of the Management Board

Ivan Soldo

Member of the Management Board

Anto Mihaljević

Member of the Management Board

Josip Majher

Member of the Management Board





**Independent
auditor's report
on the audit of the
consolidated and
separate financial
statements**



Independent Auditor's Report

To the Shareholders of HRVATSKA POŠTANSKA BANKA, dioničko društvo

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the *consolidated and separate* financial statements present fairly, in all material respects, the consolidated and separate financial position of HRVATSKA POŠTANSKA BANKA, dioničko društvo (the “Bank”) and its subsidiaries (together - the “Group”) as at 31 December 2025, and the Group’s and the Bank’s consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 19 March 2026.

What we have audited

The Group’s consolidated and the Bank’s separate financial statements comprise:

- the consolidated and separate statement of financial position as at 31 December 2025;
- the consolidated and separate statement of profit or loss for the year then ended;
- the consolidated and separate statement of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, comprising material accounting policy information and other explanatory information.

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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group and the Bank in accordance with the ethical requirements of Regulation (EU) No 537/2014 that are relevant to audits of financial statements of public interest entities, the ethical requirements of the Auditing Law that are relevant to audits of financial statements in the Republic of Croatia and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the ethical requirements of Regulation (EU) No 537/2014, the ethical requirements of the Auditing Law and the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Bank and its controlled entities in the period from 1 January 2025 to the date of issuing this report.

Our audit approach

Overview



- Overall materiality for the Group and the Bank: EUR 5.8 million, which represents 1% of net asset of the Group and the Bank.
-
- We conducted audit work at one reporting unit.
 - Our audit scope addressed 100% of the Group's interest income and 100% of the Group's absolute value of underlying profit before tax.
-
- The Group and the Bank: Estimate of expected credit losses for Loans and Receivables from Customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Overall Group and Bank materiality	The Group and the Bank: EUR 5.8 million
How we determined it	The Group and the Bank: 1 % of net asset
Rationale for the materiality benchmark applied	<p>We chose a net asset as the benchmark due to its importance in measuring the credit institution stability. This metric is closely monitored by both regulator and shareholders and there is a strong focus on regulatory compliance measured by the capital adequacy.</p> <p>We chose 1% which is consistent with quantitative materiality thresholds used for credit institutions.</p>

Key audit matters

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

Key audit matter

Estimate of credit loss allowances for loans and receivables from customers (the Group and the Bank)

Refer to section Expected credit loss in the note Financial instruments (Note 8, 9, 10, 11), Note 10 Loans and receivables from customers and Note 2.1 Credit risk to the financial statements for detailed information on the expected credit losses (“ECL”) for loans and receivables from customers.

As at 31 December 2025, the Group and the Bank had credit loss allowances for loans and advances to customers of EUR 186 million.

We focused on this area during the audit due to the significance of the amounts involved for the separate and consolidated financial statements and also because the management makes complex and subjective judgements over both the timing and size of the expected credit losses, which makes it a complex area of accounting.

For loans where there is no significant increase in credit risk since initial recognition credit loss allowances are collectively measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred, credit loss allowances are measured as lifetime expected credit losses.

In these cases, the ECL is determined by using the key assumptions being the probability of an account falling into arrears and subsequently defaulting (“PD”), definition of significant increase in credit risk, exposure at the moment of default (“EAD”) and the estimated losses from defaulted loans (“LGD”). Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios.

For defaulted loans considered to be significant at customer level, ECL is determined on an individual basis. In these cases, ECL is determined by using key assumptions being the scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral (where applicable) for the estimated credit loss calculation.

How our audit addressed the key audit matter

Our audit approach was as follows:

- We obtained our understanding of the ECL calculation methodology applied by the Group and the Bank, obtained the understanding of model adjustments made as a result of the management’s assessment of the macroeconomic impact and assessed their compliance with the IFRS 9 requirements. We engaged our credit risk technical experts to assist us in undertaking this assessment.
- We evaluated significant control activities in credit risk management and lending business processes and tested key controls, specifically with respect to the approval of loans and ongoing loan monitoring.
- We tested on a sample basis accuracy and completeness of critical data used as input in the ECL calculation engine (probability of default, loss given default and customers ratings) by comparing them to source systems.
- We assessed the process of incorporating the forward-looking information in the ECL estimates.
- We tested, on a sample basis, the correct stage allocation according to the relevant significant increase in credit risk and default criteria.
- We performed independent calculation of ECL on a sample basis to confirm the accuracy of ECL calculation.
- We verified the reconciliation of the output of the ECL calculation tool with the accounting records.
- We tested, on a sample basis, the adequacy of individual loan loss allowances, assessing the reasonableness of forecasted scenarios and the estimated expected cash flows.
- We have assessed the disclosures related to credit loss allowances for loans and receivables from customers in the financial statements, with respect to their adequacy and compliance with the International Financial Reporting Standards as adopted by the European Union.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Reporting on other information, including the Management Report and the Corporate Governance Report

Management is responsible for the other information. The other information comprises the Management Report (including the Sustainability Report), the Corporate Governance Report and other information included in the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information, including the Management Report and the Corporate Governance Report.

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

With respect to the Management Report (excluding sustainability reporting) and the Corporate Governance Report, we also performed procedures required by the Accounting Act of the Republic of Croatia. Those procedures include considering whether the Management Report (excluding sustainability reporting) is prepared in accordance with the requirements of Articles 22 and 24 of the Accounting Act and whether the Corporate Governance Report includes the information specified in Articles 22 and 25 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;
- the Management Report, excluding the sustainability reporting has been prepared in accordance with the requirements of Articles 22 and 24 of the Accounting Act;
- the Corporate Governance Report includes the information specified in Articles 22 and 25 the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and the Bank and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report (excluding Sustainability Report) and Corporate Governance Report and other information included in the Annual Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Other legal and regulatory requirements

Based on the Decision on the structure and content of annual financial statements of credit institutions (Official Gazette 80/2025), "Decision"), the Management Board of the Bank prepared the forms presented in the section *Regulatory Financial Statements for the Croatian National Bank* of the Annual Report (the "Forms"), which are entitled the Balance Sheet as at 31 December 2025, Profit and Loss, Other Comprehensive Income, Statement of Changes in Equity and the Cash flow Statement of the Bank for the period then ended, together with information to reconcile the Forms to the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Bank's management is responsible for the preparation of the Forms and information on reconciliation. They do not represent an integral part of the audited financial statements, but contain information required by the Decision. The financial information in the Forms is based on the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as presented on pages 215 to 349, adjusted for the purposes of the Decision.

Report on compliance of the format of the consolidated and separate financial statements with the requirements of the European Single Electronic Format ("ESEF") Regulation

We have been engaged based on our agreement by the management of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated and separate financial statements included in the attached electronic file ["hrvatskapostanska-2025-12-31-1-en.zip"] of the Group and the Bank for the year ended 31 December 2025 (the "Presentation of the Financial Statements").

Description of subject matter and applicable criteria

The Presentation of the Financial Statements has been applied by the management of the Bank to comply with the requirements of Article 462 paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20, 83/21, 151/22, 85/24 and 126/25) (the “Capital Market Act”) and with the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”).

The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation and the Capital Market Act.

The requirements described above determine the basis for application of the Presentation of the Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

The Bank’s management is responsible for the Presentation of the Financial Statements in accordance with the ESEF Regulation and the Capital Market Act.

This responsibility includes the selection and application of appropriate markups in XBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation and the Capital Market Act.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of the consolidated and separate financial statements in accordance with the format resulting from the ESEF Regulation and the Capital Market Act.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Financial Statements complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

We conducted a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Financial Statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect a material misstatement (significant non-compliance with the requirements).

Quality management requirements and professional ethics

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Financial Statements, including the preparation of the XHTML format and marking up the [separate and consolidated] financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated and separate financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Financial Statements complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

Our conclusion is not an opinion on the true and fair presentation of the financial statements presented in electronic format. In addition, we do not express any form of assurance on the other information disclosed in the documents in the ESEF format.

Appointment

We were first appointed as auditors of the Group and the Bank on 9 May 2025. The consolidated and separate financial statements of the Group and the Bank were audited by us for the first time.

The engagement partner on the audit resulting in this independent auditor's report is Siniša Dušić.

Original report is signed in Croatian language

PricewaterhouseCoopers d.o.o.
Heinzlova 70, Zagreb
26 March 2026

Siniša Dušić
Member of the Management Board, Certified auditor

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



Financial Reports



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Consolidated and Separate Statement of Financial Position for the year ended December 31, 2025

EUR '000	Notes	GROUP		BANK	
		31/12/2025	31/12/2024	31/12/2025	31/12/2024
ASSETS					
Cash and Cash Equivalents	5	2,400,420	3,798,745	2,400,414	3,798,740
Loans and Receivables from Banks	6	4,491	2,284	4,491	2,284
Financial Assets at Fair Value through Profit and Loss	7	65,258	66,619	65,156	66,513
Financial Assets at Fair Value through Other Comprehensive Income	8	5,813	5,462	5,813	5,462
Debt securities at Amortized Cost	9	2,197,444	1,032,259	2,197,444	1,032,259
Loans and Receivables from Customers	10	3,695,186	2,868,701	3,695,186	2,868,701
Investment in subsidiaries	12	-	-	1,495	1,495
Deferred tax assets, net	16	3,950	4,423	3,813	4,423
Tax Prepayment	16	716	9	710	-
Derivatives - hedge accounting	11	9,864	-	9,864	-
Other Assets	17	97,891	32,246	98,182	32,214
Property, Equipment and asset with right of use	13	57,130	51,301	57,022	51,211
Investment Property	14	4,586	4,826	4,586	4,386
Intangible Assets	15	19,662	14,912	19,660	14,911
TOTAL ASSETS		8,562,411	7,881,787	8,563,836	7,882,599
LIABILITIES					
Financial Liabilities at Fair Value through Profit and Loss	18	22	542	22	542
Deposits from Banks	19	82,925	76,798	82,925	76,798
Customer Deposits	20	7,102,104	6,656,134	7,103,123	6,656,828
Borrowings and Lease liabilities	21	672,398	456,928	672,398	456,928
Provisions for commitments and contingencies	22	41,402	41,483	41,329	41,401
Income tax liability	25	6,048	-	-	6,048
Derivatives - hedge accounting	11	4,381	-	4,381	-
Other Liabilities	23	83,401	84,341	83,240	84,236
TOTAL LIABILITIES		7,986,658	7,322,274	7,987,418	7,322,781
EQUITY					
Share Capital	24	161,970	161,970	161,970	161,970
Reserves for own shares deducted with treasury shares	24	583	594	583	594
Statutory Reserve	24	8,099	8,099	8,099	8,099
Other Reserves	24	80,985	80,614	80,985	80,614
Fair Value Reserve	24	4,775	4,479	4,775	4,479
Revaluation Reserve	24	6,387	5,004	6,387	5,004
Retained Earnings	24	312,954	298,753	313,619	299,058
TOTAL EQUITY		575,753	559,513	576,418	559,818
TOTAL LIABILITIES AND EQUITY		8,562,411	7,881,787	8,563,836	7,882,599

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Consolidated and Separate Statement of Profit or Loss for the year ended December 31, 2025

EUR '000	Notes	GROUP		BANK	
		2025	2024	2025	2024
Interests Income using the effective interest method	26	226,270	258,608	226,264	258,604
Other interest income		1,682	2,507	1,682	2,507
Interests Expense	27	(73,692)	(83,164)	(73,704)	(83,169)
Other similar expense		(231)	(218)	(231)	(218)
Net Interest Income		154,029	177,733	154,011	177,724
Fees and Commissions Income	28	77,993	77,303	77,218	76,789
Fees and Commissions Expense	29	(39,750)	(41,410)	(39,721)	(41,417)
Net Fees and Commissions Income		38,243	35,893	37,497	35,372
Net Gains/(Losses) from Financial Instruments at Fair Value through Profit and Loss	30	5,856	5,603	5,856	5,602
Realized Gains on Disposal of Debt Securities at Fair Value through Other Comprehensive Income	31	30	28	30	28
Gains from hedge accounting	11	221	-	221	-
Other Operating Income	32	4,920	5,838	4,258	5,129
Trading and Other Income		11,027	11,469	10,365	10,759
General and Administrative Expenses	33	(108,012)	(99,478)	(106,187)	(98,295)
Depreciation and Amortization	13.15	(13,731)	(13,371)	(13,659)	(13,290)
Expected credit losses and impairment of non-financial assets	34	(3,558)	(14,364)	(3,558)	(14,364)
Provisions for Liabilities and Expenses	22	(6,092)	(7,832)	(6,092)	(7,759)
Operating expenses		(131,393)	(135,045)	(129,496)	(133,708)
PROFIT BEFORE TAX		71,906	90,050	72,377	90,147
Income Tax expense	35	(13,137)	(16,515)	(13,248)	(16,515)
PROFIT FOR THE YEAR		58,769	73,535	59,129	73,632
Earnings per share – Basic and Diluted		29.03 €	36.32 €	29.21 €	36.37 €

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Consolidated and Separate Statement of Other Comprehensive Income for the year ended December 31, 2025

EUR '000	GROUP		BANK	
	2025	2024	2025	2024
Profit for the Year	58,769	73,535	59,129	73,632
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Revaluation Reserve	1,688	-	1,688	-
Equity instruments in assets carried at other comprehensive income - net change in fair value	360	1,075	360	1,075
Income Tax Relating to Items That Will Not Be Reclassified Subsequently	(369)	(238)	(369)	(238)
	1,679	837	1,679	837
Net Other Comprehensive Gains for the Year, net of tax	1,679	837	1,679	837
Total Comprehensive Income for the Year	60,448	74,372	60,808	74,469

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended December 31, 2025

GROUP	Notes	Share Capital	Own Shares	Reserve for Own Shares	Other Reserves	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Total
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2024		161,970	-	594	87,404	3,642	5,004	274,916	533,530
Equity instruments in assets carried at other comprehensive income - net change in fair value	24	-	-	-	-	1,075	-	-	1,075
Deferred Tax	24	-	-	-	-	(238)	-	-	(238)
Net other comprehensive income, net of tax		-	-	-	-	837	-	-	837
Net profit for the period		-	-	-	-	-	-	73,535	73,535
Total Comprehensive Income for 2024		-	-	-	-	837	-	73,535	74,372
Purchase of treasury shares	24	-	4	-	-	-	-	-	4
Share based payment	24	-	(4)	-	-	-	-	-	(4)
Dividend	24	-	-	-	-	-	-	(48,389)	(48,389)
- Transfer to Statutory Reserves and other reserves	24	-	-	-	1,309	-	-	(1,309)	-
Balance as at 31 December 2024		161,970	-	594	88,713	4,479	5,004	298,753	559,513
Balance at 1 January 2025		161,970	-	594	88,713	4,479	5,004	298,753	559,513
Revaluation Reserve	24	-	-	-	-	-	1,688	-	1,688
Equity instruments in assets carried at other comprehensive income - net change in fair value	24	-	-	-	-	360	-	-	360
Deferred Tax	24	-	-	-	-	(64)	(305)	-	(369)
Net other comprehensive income, net of tax		-	-	-	-	296	1,383	-	1,679
Net profit for the period		-	-	-	-	-	-	58,769	58,769
Total Comprehensive Income for 2025		-	-	-	-	296	1,383	58,769	60,448
Purchase of treasury shares	24	-	(20)	-	-	-	-	-	(20)
Share based payment	24	-	9	-	-	-	-	-	9
Distribution of 2024 Profit		-	-	-	-	-	-	-	-
Dividend		-	-	-	-	-	-	(44,197)	(44,197)
Transfer to Statutory Reserves and other reserves		-	-	-	371	-	-	(371)	-
Balance as at 31 December 2025		161,970	(11)	594	89,084	4,775	6,387	312,954	575,753

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Separate Statement of Changes in Equity for the year ended December 31, 2025

BANK	Notes	Share Capital	Own Shares	Reserve for Own Shares	Other Reserves	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Total
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2024		161,970	-	594	87,404	3,642	5,004	275,124	533,738
Equity instruments in assets carried at other comprehensive income - net change in fair value	24	-	-	-	-	1,075	-	-	1,075
Deferred Tax	24	-	-	-	-	(238)	-	-	(238)
Net other comprehensive income, net of tax		-	-	-	-	837	-	-	837
Net profit for the period		-	-	-	-	-	-	73,632	73,632
Total Comprehensive Income for 2024		-	-	-	-	837	-	73,632	74,469
Purchase of treasury shares	24	-	4	-	-	-	-	-	4
Share based payment	24	-	(4)	-	-	-	-	-	(4)
Dividend	24	-	-	-	-	-	-	(48,389)	(48,389)
- Transfer to Statutory Reserves and other reserves	24	-	-	-	1,309	-	-	(1,309)	-
Balance as at 31 December 2024		161,970	-	594	88,713	4,479	5,004	299,058	559,818
Balance at 1 January 2025		161,970	-	594	88,713	4,479	5,004	299,058	559,818
Revaluation Reserve	24	-	-	-	-	-	1,688	-	1,688
Equity instruments in assets carried at other comprehensive income - net change in fair value	24	-	-	-	-	360	-	-	360
Deferred Tax	24	-	-	-	-	(64)	(305)	-	(369)
Net other comprehensive income, net of tax		-	-	-	-	296	1,383	-	1,679
Net profit for the period		-	-	-	-	-	-	59,129	59,129
Total Comprehensive Income for 2025		-	-	-	-	296	1,383	59,129	60,808
Purchase of treasury shares	24	-	(20)	-	-	-	-	-	(20)
Share based payment	24	-	9	-	-	-	-	-	9
Distribution of 2024 Profit		-	-	-	-	-	-	-	-
Dividend	24	-	-	-	-	-	-	(44,197)	(44,197)
Transfer to Statutory Reserves and other reserves	24	-	-	-	371	-	-	(371)	-
Balance as at 31 December 2025		161,970	(11)	594	89,084	4,775	6,387	313,619	576,418

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended December 31, 2025

GROUP EUR '000	Notes	2025	2024
Cash Flows from Operating Activities			
Profit Before Taxation		71,906	90,050
Adjusted by:			
- Depreciation and Amortization	13, 15	13,731	13,371
- Net profit/loss on exchange rate differences from the revaluation of monetary assets and liabilities		428	(607)
- Net Impairment Losses on Loans and Receivables from Customers and Other assets		3,558	14,364
- (gains) / losses on provisions for liabilities and charges	22	6,092	7,832
- Net change on Financial Assets at Fair Value	30	(5,645)	(5,405)
- Net interest income		(154,028)	(177,734)
- Dividend income		(242)	(225)
Changes in Operating Assets and Liabilities			
Loans and Receivables from Banks		(2,207)	-
Financial Assets at Fair Value through Profit and Loss		1,361	(11,213)
Financial Assets at amortized cost		(1,165,185)	(176,402)
Financial Assets at fair value through other comprehensive income		(351)	(1,068)
Loans and Receivables from Customers		(826,485)	41,235
Other assets		(65,650)	20
Deposits from Banks		6,127	25,413
Customer Deposits		445,970	784,093
Other Liabilities		(6,324)	(25,742)
Interest received		227,951	261,115
Interest paid		(73,923)	(83,381)
Net cash flow from operating activities before taxes		(1,522,916)	755,716
Income Tax Paid		(20,006)	(17,081)
Net cash flow from operating activities		(1,542,922)	738,635
Cash Flows from Investing Activities			
Purchase of Property, Equipment and Intangible Assets		(16,448)	(13,975)
Sale of Property, Equipment and Intangible Assets		609	3,623
Dividends Received		242	225
Net Cash flow from Investing Activities		(15,597)	(10,127)
Cash Flows from Financing Activities			
Dividend Paid		(48,389)	(5,284)
Increase in Borrowings		479,488	50,416
Repayments of Borrowings		(267,502)	(75,060)
Lease payments		(3,696)	(3,608)
Net Cash flow from Financing Activities		159,901	(33,536)
Foreign exchange effect on Cash and Cash Equivalents		-	6
Net Increase in Cash and Cash Equivalents		(1,398,618)	694,978
Cash and Cash Equivalents at the Beginning of the Year	37	3,810,348	3,115,370
Cash and Cash Equivalents at the End of the Year	37	2,411,730	3,810,348

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Separate Cash Flow Statement for the year ended December 31, 2025

BANK EUR '000	Notes	2025	2024
Cash Flows from Operating Activities			
Profit Before Taxation		72,377	90,147
Adjusted by:			
- Depreciation and Amortization	13, 15	13,659	13,290
- Net profit/loss on exchange rate differences from the revaluation of monetary assets and liabilities		428	(607)
- Net Impairment Losses on Loans and Receivables from Customers and Other assets		3,558	14,364
- (gains) / losses on provisions for liabilities and charges	22	6,092	7,759
- Net change on Financial Assets at Fair Value	30	(5,645)	(5,405)
- Net interest income		(154,010)	(177,724)
- Dividend income		(242)	(225)
Changes in Operating Assets and Liabilities			
Loans and Receivables from Banks		(1,922)	-
Financial Assets at Fair Value through Profit and Loss		1,357	(11,213)
Financial Assets at amortized cost		(1,165,185)	(176,402)
Financial Assets at fair value through other comprehensive income		(351)	(1,068)
Loans and Receivables from Customers		(826,485)	41,235
Other assets		(65,973)	(902)
Deposits from Banks		6,127	25,413
Customer Deposits		446,295	784,332
Other Liabilities		(7,008)	(24,800)
Interest received		227,945	261,111
Interest paid		(73,935)	(83,387)
Net cash flow from operating activities before taxes		(1,522,918)	755,918
Income Tax Paid		(20,006)	(17,081)
Net cash flow from operating activities		(1,542,924)	738,837
Cash Flows from Investing Activities			
Investment in subsidiaries		-	(200)
Purchase of Property, Equipment and Intangible Assets		(16,448)	(13,975)
Sale of Property, Equipment and Intangible Assets		609	3,623
Dividends Received		242	225
Net Cash flow from Investing Activities		(15,597)	(10,327)
Cash Flows from Financing Activities			
Dividend Paid		(48,389)	(5,284)
Increase in Borrowings		479,488	50,416
Repayments of Borrowings		(267,502)	(75,060)
Lease payments		(3,696)	(3,608)
Net Cash flow from Financing Activities		159,901	(33,536)
FX changes on cash and cash equivalents		-	6
Net Increase in Cash and Cash Equivalents		(1,398,619)	694,980
Cash and Cash Equivalents at the Beginning of the Year	37	3,810,343	3,115,363
Cash and Cash Equivalents at the End of the Year	37	2,411,724	3,810,343

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

Notes to the Financial statements for the year ended December 31, 2025

1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Hrvatska Poštanska Bank p.l.c. Zagreb ("Bank") is a joint stock company incorporated and domiciled in the Republic of Croatia, Jurišićeva 4, Zagreb. The Bank is the parent of the Hrvatska Poštanska Bank Group ("the Group").

Bank is the parent company of the Hrvatska poštanska banka Group ("Group", "HPB Group"), which includes the following subsidiaries consolidated according International Financial Reporting Standards (IFRS) adopted in European Union:

	Industry	State	Ownership as of 31 December 2025	Ownership as of 31 December 2024
HPB Invest Ltd.	Investment Funds Management	Croatia	100%	100%
HPB-nekretnine Ltd.	Real Estate Agency and Construction	Croatia	100%	100%

An overview of investments in HPB subsidiaries is presented in note 12, while the consolidation basis is described in note 1, item d). These financial statements comprise separate and consolidated financial statements of the Bank as defined in IFRS 10 "Consolidated Financial Statements" and International Accounting Standard 27 "Separate Financial Statements".

The main accounting policies applied in the preparation of these financial statements are presented in following notes. Where accounting policies coincide with the accounting principles of International Financial Reporting Standards adopted in European Union, in the description of the Group's accounting policies, individual standards may be referred to, and unless otherwise stated, these are the Standards that were in effect at 31 December 2025.

The accompanying financial statements are prepared in accordance with statutory requirements and only as general information and are not intended for any particular purpose or transaction. Therefore, users are advised not to rely exclusively on them in making any decisions, and to conduct further examinations prior to making a decision.

a) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") applying the going concern principle.

Significant accounting policies applied in preparation of these financial statements are set out hereafter.

Basis of preparation

These financial reports represent the general-purpose financial reports of the Bank and Group.

The financial reports are prepared on the fair value basis for financial assets and liabilities at fair value through profit or loss, at fair value through other comprehensive income, derivative financial instruments and property and repossessed assets. Other financial assets and liabilities, and non-financial assets and liabilities, are stated at amortized or historical cost.

In preparing the financial reports, management is required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of commitments and contingencies at the reporting date, as well as amounts of income and expense for the period. Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under current circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of applicable standards that have significant effects on financial reports and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

Notes to the Financial statements for the year ended December 31, 2025**1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS (continued)****b) New Standards, Interpretations and Changes to Published Standards****First application of new amendments to existing standards in force for the current reporting period**

Initial In the period starting on 1 January 2025, the following amendments to the existing standards published by the International Accounting Standards Board ("IASB") and adopted by the European Union are in force:

- Amendments to IAS 21 Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).

The adoption of these amendments to the existing standards did not lead to significant changes in the financial statements of the Group and the Bank.

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

The following amendments shall take effect for the annual reporting period starting on 1 January 2026 and are endorsed by EU:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards (issued in July 2024 and effective from 1 January 2026).
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024 and effective from 1 January 2026).

The Group and the Bank dont expect the significant impact of new standards and amendments to its financial statements.

The following amendments shall take effect for the annual reporting period starting on 1 January 2026 but are not yet endorsed by EU:

- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).

Based on a preliminary assessment, the Group and the Bank do not expect that the adoption of IFRS 18 will have a material impact on the operating profit or loss presented in the statement of profit or loss. In accordance with IFRS 18, income and expenses in the statement of profit or loss are required to be classified into defined categories (operating, investing and financing) based on their nature and their role within the entity's business model. Compared to the current presentation of the Group's and Bank's statement of profit or loss, no significant changes expected since it is considered that operating income will continue to be presented within operating results, including interest income and fee income. The impact of other requirements of IFRS 18 on the financial statements of the Group and the Bank is still being assessed. The Group and the Bank do not expect that the adoption of the other standards referred to above will have a material impact on the financial statements of the Group and the Bank in future periods.

- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027),
- Amendments to IFRS 19 Subsidiaries without public accountability: Disclosures (issued on 21 August 2025 and effective from 1 January 2027),
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025),
- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016),
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

The Bank and the Group dont expect the significant impact of new standards and amendments to its financial statements.

**Notes to the Financial statements** for the year ended December 31, 2025**1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS (continued)****c) Functional and Presentation Currency**

Items included in the financial statements of the Bank are presented in euro which is the currency of the primary economic environment in which the Bank and Group operates (functional currency)

d) The basis for consolidation

The financial statements are presented for the Bank and the Group. The Group's financial statements consist of the consolidated financial statements of the parent company and its subsidiaries over which it has control: HPB-nekretnine Ltd., Real Estate Company and HPB Invest Ltd., Investment Fund Management Company. All subsidiaries are 100% owned by their parent company, which are also based in Croatia.

As part of consolidation, assets, liabilities, equity, revenues and expenses between Group members are eliminated entirely.

e) Foreign Currencies

Transactions in foreign currencies are translated into EUR at the rate of exchange applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into EUR at the foreign exchange rate applicable at that date. Foreign exchange differences arising on translation are recognized in the P&L report. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated in EUR at the foreign exchange rates applicable at the dates when the fair values were determined. Non-monetary assets and items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not recalculated. The fair value of monetary assets through other comprehensive income denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

The official middle exchange rate as of December 31, 2025 was: 1 EUR = 1.175700 USD

The official middle exchange rate as of December 31, 2024 was: 1 EUR = 1.044400 USD

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT**

This note details the Bank's and Group risk exposures as well as the methods applied by the management to identify, measure and manage those risks for the purpose of preserving capital. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk, interest rate risk in the Bank's non-trading book, market risk and operational risk.

An integrated system of risk management is established at the Bank and Group level by introducing a set of policies, procedures, and manuals, determining the limits of risk levels acceptable to the Bank and monitoring their implementation.

The responsibility for determining the framework of the Bank's and Group risk management lies with the Bank's Management Board which has delegated the risk management tasks to the Assets and Liabilities Management Committee, Credit Committee and Operational Risk Management Committee.

2.1. Credit risk

The Bank is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties.

The risk that counterparties to financial instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank evaluates debtors' creditworthiness, and in order to minimize credit risk, obtains appropriate collateral.

At reporting date, the Bank's credit risk exposure to derivative financial instruments classified as at fair value through profit or loss is presented by the positive fair value of these instruments, as recorded in the report of financial position.

The Bank is exposed to credit risk primarily through loans and receivables from customers. The amount of credit exposure in this regard, as well as held to maturity debt securities recognized at amortized cost, is represented by the carrying amounts of the assets on the balance sheet. In addition, the Bank is exposed to the credit risk through off-balance sheet items, i.e. through commitments arising from unused facilities and guarantees issued, as disclosed in Note 38.

Credit risk management comprises assessment of placements' credit risk, subsequent monitoring, supervision, and evaluation of recoverability of placements and off-balance sheet commitments, as well as formation of required impairments and provisions for identified losses on placements and off-balance sheet commitments and reporting to the Management Board of the Bank.

Assessment of the individual credit risk exposure comprises the following:

- debtors' creditworthiness,
- debtors' timeliness in meeting their obligations,
- collateral quality.

Monitoring of credit risk includes continuous assessment whether elements exist which would indicate a deterioration of the client's financial position or an increase in risk due to the decrease of collateral value.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk (continued)

2.1.1. Credit risk rating

For provision calculation for credit loss losses, the Bank has established an internal model system that assigns to clients the appropriate PD and internal rating, for both segments retail and corporate. Two different models are used in corporate segment - for small clients and medium/large clients. The corresponding PD of a client is calculated according to the model and is mapped on an internally defined master scale with a specified spread of probability of default as shown in the table below:

Associated internal rating	Associated Comparable Rating of International Rating Agency S&P / Moody's	Associated PD interval (lower limit included)
1	AA+ / Aa1	0.00% – 0.09%
2	A- / A3	0.09% – 0.19%
3	BBB / Baa2	0.19% – 0.31%
4	BBB / Baa2	0.31% – 0.51%
5	BBB- / Baa3	0.51% – 0.82%
6	BB / Ba2	0.82% – 1.33%
7	BB / Ba2	1.33% – 2.14%
8	BB- / Ba3	2.14% – 3.46%
9	B / B2	3.46% – 5.59%
10	CCC+ / Caa1	5.59% – 9.04%
11	CCC+ / Caa1	9.04% – 14.60%
12	CC / Ca-C	14.60% – 100%
DEFAULT	D / D	100%

The Bank applies a "model-based" approach to the development of internal models. In this approach, credit risk scores are assigned by internally developed statistical models with limited involvement of loan officers. Statistical models include qualitative and quantitative information that provide the best prediction based on historical data on clients in default.

Quantitative Modelling Department regularly monitors, and Valuation and Validation Methodologies Department validates established internal rating models and tests them on real data. Where applicable, counterparties are assigned external ratings from independent international rating agencies, such as S&P, Moody's and Fitch. The mentioned ratings are publicly available. The external credit rating and corresponding probability of default (PD) range are applied to exposures to sovereigns, banks and investments in debt securities.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Quality of the loan portfolio at amortized cost in corporate segment as of December 31, 2025:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	-	-	-	-
2	-	-	-	-
3	505,529	910	-	506,439
4	14,263	1,476	-	15,739
5	256,470	5,232	-	261,702
6	184,756	12,295	-	197,051
7	280,579	39,062	-	319,641
8	236,679	54,901	-	291,580
9	77,624	33,210	-	110,834
10	36,882	26,809	-	63,691
11	2,011	5,934	-	7,945
12	-	17,130	-	17,130
DEFAULT	-	-	68,601	68,601
Gross exposure	1,594,793	196,959	68,601	1,860,353
Expected credit loss	(14,406)	(9,923)	(43,489)	(67,818)
Net exposure	1,580,387	187,036	25,112	1,792,535

Quality of off-balance portfolio in corporate segment as of December 31, 2025:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	-	-	-	-
2	5	-	-	5
3	84,658	-	-	84,658
4	42,065	1,586	-	43,651
5	246,136	585	-	246,721
6	114,184	910	-	115,094
7	137,258	3,993	-	141,251
8	72,181	13,925	-	86,106
9	66,763	8,387	-	75,150
10	29,599	23,376	-	52,975
11	194	307	-	501
12	-	1,474	-	1,474
DEFAULT	-	-	3,651	3,651
Gross exposure	793,044	54,542	3,651	851,237
Expected credit loss	(7,306)	(2,211)	(350)	(9,867)
Net exposure	785,738	52,332	3,301	841,371

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Additionally, Bank has an off-balance sheet exposure of EUR 479,190 thousands (31.12.2024. EUR 348.259 thousands) related to uncommitted credit lines which are not credit guarantee exposure that is eligible for expected credit losses calculation.

Quality of the loan portfolio at amortized cost in corporate segment as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	-	-	-	-
2	88	-	-	88
3	332,309	5,390	-	337,699
4	16,364	17	-	16,381
5	151,566	2,206	-	153,772
6	212,629	9,427	-	222,056
7	182,131	6,520	-	188,651
8	138,227	36,458	-	174,685
9	48,595	56,835	-	105,430
10	10,353	19,140	-	29,493
11	3,072	17,315	-	20,387
12	-	44,543	-	44,543
DEFAULT	-	-	76,333	76,333
Gross exposure	1,095,334	197,851	76,333	1,369,518
Expected credit loss	(9,083)	(12,410)	(46,816)	(68,309)
Net exposure	1,086,251	185,441	29,517	1,301,209

Quality of off-balance portfolio in corporate segment as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	3,259	-	-	3,259
2	11	-	-	11
3	73,155	1,003	-	74,158
4	48,281	735	-	49,016
5	138,894	3,114	-	142,008
6	75,291	1,015	-	76,306
7	34,879	1,033	-	35,912
8	34,023	3,085	-	37,108
9	3,064	7,530	-	10,594
10	21,386	5,364	-	26,750
11	520	1,677	-	2,197
12	-	9,735	-	9,735
DEFAULT	-	-	452	452
Gross exposure	432,763	34,291	452	467,506
Expected credit loss	(3,649)	(2,249)	(92)	(5,990)
Net exposure	429,114	32,042	360	461,516

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Quality of the loan portfolio at amortized cost in retail segment as of December 31, 2025:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	37,244	1,740	-	38,984
2	792,019	11,431	-	803,450
3	295,302	19,744	-	315,046
4	241,570	25,137	-	266,707
5	111,052	16,784	-	127,836
6	79,744	27,968	-	107,712
7	18,918	16,500	-	35,418
8	16,825	36,880	-	53,705
9	16,078	25,695	-	41,773
10	12,987	53,210	-	66,197
11	4,402	21,904	-	26,306
12	-	13,839	-	13,839
DEFAULT	-	-	124,139	124,139
Gross exposure	1,626,141	270,832	124,139	2,021,112
Expected credit loss	(3,451)	(16,579)	(98,431)	(118,461)
Net exposure	1,622,690	254,253	25,708	1,902,651

Quality of off-balance portfolio in retail segment as of December 31, 2025:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	3,535	42	-	3,577
2	111,635	813	-	112,448
3	40,617	852	-	41,468
4	25,243	1,281	-	26,524
5	17,837	1,618	-	19,455
6	12,043	3,078	-	15,121
7	1,984	1,013	-	2,996
8	800	1,234	-	2,034
9	6,632	691	-	7,323
10	615	1,544	-	2,159
11	301	776	-	1,077
12	-	236	-	236
DEFAULT	-	-	968	968
Gross exposure	221,242	13,178	968	235,388
Expected credit loss	(546)	(709)	(686)	(1,941)
Net exposure	220,696	12,468	282	233,447

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Quality of the loan portfolio at amortized cost in retail segment as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	35,177	2,067	-	37,244
2	486,653	7,612	-	494,265
3	222,058	8,191	-	230,249
4	248,135	15,422	-	263,557
5	138,178	17,145	-	155,323
6	84,436	33,151	-	117,587
7	16,775	21,432	-	38,207
8	16,633	31,623	-	48,256
9	12,972	27,657	-	40,629
10	23,400	58,355	-	81,755
11	7,258	26,584	-	33,842
12	-	24,600	-	24,600
DEFAULT	-	-	124,088	124,088
Gross exposure	1,291,675	273,839	124,088	1,689,602
Expected credit loss	(5,443)	(22,242)	(94,426)	(122,110)
Net exposure	1,286,232	251,597	29,662	1,567,492

Quality of off-balance portfolio in retail segment as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
<i>Internal Rating</i>				
1	2,418	42	-	2,460
2	36,730	408	-	37,138
3	14,844	491	-	15,335
4	14,416	517	-	14,933
5	9,466	693	-	10,159
6	5,790	1,680	-	7,470
7	1,147	1,028	-	2,175
8	912	770	-	1,682
9	6,214	448	-	6,662
10	376	1,090	-	1,466
11	206	500	-	706
12	-	392	-	392
DEFAULT	-	-	952	952
Gross exposure	92,519	8,059	952	101,530
Expected credit loss	(527)	(512)	(639)	(1,678)
Net exposure	91,992	7,547	313	99,852

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)**

Cash and cash equivalents as well as loans and receivables from banks refer to assets deposited in accounts with the Croatian National Bank, which has an external credit rating of A3, as well as assets with domestic and foreign banks with an external credit rating ranging from Ba3 to A1, according to Moody's rating agency.

Debt securities measured at amortized cost refer to government bonds of the Republic of Croatia with an external credit rating of A3 and treasury bills of the Republic of France with an external credit rating of Aa3, according to the rating agency Moody's.

Loss Given Default (LGD)

Loss Given Default (LGD) represents an estimate of the expected loss resulting from the occurrence of a probability of default, expressed as a percentage of the exposure. The model is based on internal historical data and is developed separately for each segment.

For the retail segment, the model distinguishes between secured (cash collateral 100%, Lombard loans), residential mortgage, and unsecured exposures, as shown in the table below:

RETAIL	LGD
RETAIL_OTHER	44.40%
RETAIL_HOUSING	29.50%
RETAIL_SECURE	10.00%

For the corporate segment, the LGD is based on internal historical data on the recovery of receivables arising after the date of default and is divided into secured exposures (secured only by state guarantees, HAMAG and HBOR guarantees, or deposits with more than 70% collateral coverage), while all other collateral instruments and unsecured exposures fall under the "other" category, as shown in the table below.

CORPORATE	LGD
CORP_OTHER	49.40%
CORP_SECURE	10.00%
SOVEREIGN	45.00%

The Bank applies a **model-based approach** for LGD model development, relying on internal historical data on the recovery of receivables after the occurrence of default. Under this approach, loss estimates are determined using internally developed statistical models that take into account the type and coverage of collateral, recovery channels, and actual cash flows realized during the recovery process.

The models are developed separately for secured and unsecured exposures within individual segments, with the objective of achieving the most accurate calculation of expected credit losses.

The Quantitative Modeling Directorate regularly monitors the established internal LGD models, while the Valuation Methodology and Validation Directorate validates them and tests them using actual data.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Quality of the portfolio in the retail segment by LGD as of December 31, 2025:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
LGD				
RETAIL_SECURE	2,027	227	33	2,287
RETAIL_OTHER	987,814	186,537	109,837	1,284,188
RETAIL_HOUSING	857,542	97,246	15,237	970,025
Gross	1,847,383	284,010	125,107	2,256,500
Expected Credit Loss	(3,997)	(17,288)	(99,117)	(120,402)

Quality of the portfolio in the retail segment by LGD as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
LGD				
RETAIL_SECURE	1,596	95	21	1,712
RETAIL_OTHER	736,479	189,451	113,769	1,039,699
RETAIL_HOUSING	646,119	92,352	11,250	749,721
Gross	1,384,194	281,898	125,040	1,791,132
Expected Credit Loss	(5,970)	(22,754)	(95,065)	(123,789)

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Quality of the portfolio in the corporate segment by LGD as of December 31, 2025:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
LGD				
CORP_SECURE	151,350	91,430	5,367	248,147
CORP_OTHER	1,637,246	159,161	59,630	1,856,036
SOVEREIGN	599,241	910	7,255	607,406
Gross	2,387,837	251,501	72,252	2,711,590
Expected credit loss	(21,712)	(12,134)	(43,839)	(77,685)

Quality of the portfolio in the corporate segment by LGD as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
LGD				
CORP_SECURE	64,930	59,843	6,051	130,824
CORP_OTHER	1,048,031	165,877	67,050	1,280,959
SOVEREIGN	415,136	6,422	3,683	425,242
Gross	1,528,097	232,142	76,785	1,837,024
Expected credit loss	(12,732)	(14,659)	(46,908)	(74,299)

Significant deterioration of credit risk

HPB has established criteria for the allocation of exposure to Stage 2, which include a combination of relative and absolute indicators of a significant increase in credit risk from initial recognition in accordance with relevant regulatory expectations and IFRS 9 standards. The criteria include:

- a relative change, at the transaction level, of PD at the reporting date compared to PD at the date of initial recognition, both calculated using internal models,
- absolute criteria, such as 30 days past due, EWS List, the last applicable rating grade, recoveries from Stage 3 status,
- Forborne performing classification, which will transfer an individual transaction to Stage 2 for a period of 24 months (starting from the moment of classification).

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)

Forward-looking information (FLI)

In accordance with relevant regulations and guidelines, the Bank includes forward-looking information - FLI in its own process of calculating expected credit losses for clients in the corporate and retail segments. The aforementioned approach is used to adjust the Bank's internally established rating models in order to assess what impact of observed and expected trends in the general macroeconomic environment may have on the Bank's expected credit losses in the corporate and retail segments.

Bank's sources of forward-looking information are publications and research papers published by relevant and respected institutions such as central banks, various national entities, universities, etc. The latest calculation of the mentioned approach was applied in December 2025, and its impact on the Bank's expected credit losses was based on the official publications of Croatian National Bank, namely "Macroeconomic Trends and Forecasts" and "Financial Stability".

Based on the aforementioned publications, the Bank created three scenarios (neutral, positive and negative), in which movements of the following variables were used:

- Administrative unemployment rate (UNEMPLOYMENT),
- Real rate of change in fixed capital investment (INVESTMENT),
- Real rate of change of gross domestic product (GDP).

Compared to the previous year, the Bank, in order to better incorporate the recent macroeconomic environment into the calculation of expected credit losses, projects the next three years of macroeconomic variables. The values of the macroeconomic variables are presented in the table below.

INDEPENDENT VARIABLE	POSITIVE SCENARIO	NEUTRAL SCENARIO	NEGATIVE SCENARIO
2026			
INVESTMENT	3.3%	3.1%	2.8%
GDP	3.2%	2.9%	2.4%
UNEMPLOYMENT	4.3%	4.5%	4.9%
GDP_LAG1Y	3.3%	3.3%	3.3%
UNEMPLOYMENT_LAG1Y	4.7%	4.7%	4.7%
2027			
INVESTMENT	3.2%	3%	2.7%
GDP	3%	2.7%	2.2%
UNEMPLOYMENT	4.3%	4.5%	4.9%
GDP_LAG1Y	3.2%	2.9%	2.4%
UNEMPLOYMENT_LAG1Y	4.3%	4.5%	4.9%
2028			
INVESTMENT	3.1%	2.9%	2.6%
GDP	2.81%	2.51%	2.02%
UNEMPLOYMENT	4.3%	4.5%	4.9%
GDP_LAG1Y	3%	2.7%	2.2%
UNEMPLOYMENT_LAG1Y	4.3%	4.5%	4.9%

Macroeconomic variables applied in 2024 and their corresponding values:

INDEPENDENT VARIABLE	POSITIVE SCENARIO	NEUTRAL SCENARIO	NEGATIVE SCENARIO
2025			
INFLATION	2.2%	2.6%	4.3%
INVESTMENT	3.6%	2.4%	2.0%
UNEMPLOYMENT_LAG1Y	5.8%	5.8%	5.8%
UNEMPLOYMENT_LAG2Y	6.1%	6.1%	6.1%

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.1. Credit risk rating (continued)**

A one-year lag (LAG1Y) for the independent variables GDP and UNEMPLOYMENT means that, in order to explain the dependent variable in year Y, observations of these independent variables from year Y-1 are used. For example, the average unemployment rate in 2025 is used to explain the default rate in 2026.

For each of the above three scenarios, the Bank calculated the impact of the scenarios on the PD used to calculate expected credit losses for the two specified customer segments, as a ratio of the average PD portfolio calculated after the application of the scenario and the average PD portfolio calculated before the application of the scenario. When this ratio is greater than 1, the mentioned scenario will result in a higher PD and consequently an increase in the calculated expected credit losses. Therefore, if this ratio is less than 1, the above scenario will result in a lower PD and a decrease in the calculated expected credit losses.

Effect of the approach, which includes forward-looking information, is calculated by the weighted average of the impact of three scenarios, with the weights assigned as follows (in coordination with the Office for Strategic Development):

- Negative scenario: 10% (2024: 5%),
- Neutral scenario: 60% (2024: 55%),
- Positive scenario: 30% (2024: 40%).

In addition, due to the macroeconomic uncertainty arising from the invasion on Ukraine, the Bank increased the final effect (the ratio of the average PD portfolio after the application of the scenario to the average PD portfolio before the application of the scenario) by establishing a Management Overlay calculated by additional analysis and projection of the portfolio movement with regard to early warning signals. For the purpose of calculating the Management Overlay, it is assumed that clients included in the report of clients showing early warning signs of deterioration in credit quality, and marked in yellow and red, have transitioned to default status.

The final effect of the approach consists of a point-in-time (PIT) correction factor calculated on the basis of macroeconomic forecasts and the previously mentioned Management Overlay.

Maximum Exposure to Credit Risk before Consideration of Collateral

The table below shows the maximum exposure of the Bank and Group to credit risk at December 31, 2025 and the maximum exposure of the Group and the Bank to credit risk at December 31, 2024, not considering the collateral, if any. The exposures presented below are net of impairment losses and provisions.

Maximum Exposure	Note	GROUP		BANK	
		2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Giro Account with CNB and Other Banks	5	2,261,808	3,664,900	2,261,802	3,664,895
Loans and Receivables from Banks	6	4,491	2,284	4,491	2,284
Investments measured at amortized cost	9	2,197,444	1,032,259	2,197,444	1,032,259
Loans and Receivables from Customers	10	3,695,186	2,868,701	3,695,186	2,868,701
Fees Receivables		2,596	2,903	2,596	2,903
Off-Balance Sheet Exposure	38	1,139,808	569,030	1,139,808	569,030
Undisbursed Lending Commitments		767,137	329,450	767,137	329,450
Guarantees		371,442	239,380	371,442	239,380
Other Contingent Liabilities		1,229	200	1,229	200
Total Credit Exposure		9,301,333	8,140,077	9,301,327	8,140,072

Exposure to the state and the CNB is presented in Note 36.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk

GROUP 2025	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	3,220,935	4,664	2,200,187	2,261,828	2,163
Stage 2	467,790	-	-	-	328
Stage 3	192,740	-	-	188	612
Total Gross	3,881,465	4,664	2,200,187	2,262,016	3,103
Stage 1 Provisions	(44,359)	(173)	(2,743)	(25)	(21)
Stage 3 Provisions	(141,920)	-	-	(188)	(486)
Total expected losses	(186,279)	(173)	(2,743)	(213)	(507)
Total	3,695,186	4,491	2,197,444	2,261,803	2,596

GROUP 2024	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	2,387,009	2,323	1,033,579	3,664,921	2,658
Stage 2	471,690	-	-	-	205
Stage 3	200,421	-	-	203	522
Total Gross	3,059,120	2,323	1,033,579	3,665,124	3,385
Stage 1 Provisions	(49,174)	(39)	(1,320)	(21)	(30)
Stage 3 Provisions	(141,245)	-	-	(203)	(433)
Total expected losses	(190,419)	(39)	(1,320)	(224)	(482)
Total	2,868,701	2,284	1,032,259	3,664,900	2,903

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)

BANK 2025	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	3,220,935	4,664	2,200,187	2,261,828	2,163
Stage 2	467,790	-	-	-	328
Stage 3	192,740	-	-	188	612
Total Gross	3,881,465	4,664	2,200,187	2,262,016	3,103
Stage 1 Provisions	(44,359)	(173)	(2,743)	(25)	(21)
Stage 3 Provisions	(141,920)	-	-	(188)	(486)
Total expected losses	(186,279)	(173)	(2,743)	(213)	(507)
Total	3,695,186	4,491	2,197,444	2,261,803	2,596

BANK 2024	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	2,387,009	2,323	1,033,579	3,664,916	2,658
Stage 2	471,690	0	0	0	205
Stage 3	200,421	0	0	203	522
Total Gross	3,059,120	2,323	1,033,579	3,665,119	3,385
Stage 1 Provisions	(49,174)	(39)	(1,320)	(21)	(30)
Stage 3 Provisions	(141,245)	-	-	(203)	(433)
Total expected losses	(190,419)	(39)	(1,320)	(224)	(482)
Total	2,868,701	2,284	1,032,259	3,664,895	2,903

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)

In accordance with applicable acts, the Bank utilizes the following common types of collateral: bank guarantees; HAMAG (Croatian Agency for SMEs, Innovation and Investments) and other corporate guarantees; bills of exchange accepted by a bank; pledged property and equipment; insurance policies; pledged shares, bonds, commercial papers, and units in open-ended investment funds; assignment of receivables (cessions) from corporate clients and the Government; pledged concessions; pledged industrial and intellectual property; and other common financial execution instruments (bills of exchange and promissory notes).

Collateral value is reviewed along the lines of internal policies and procedures, and in accordance with good business practice, current market trends as well as the Decision on Classifying Placements and Off-Balance Sheet Liabilities of Credit Institutions. The value of residential real estate is monitored in accordance with regulations.

Asset Type	Collateral Type	GROUP		BANK	
		2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Kredit i potraživanja od komitenata	Deposits	24,218	13,216	24,218	13,216
	Guarantees and Warranties of the Republic of Croatia	642,543	402,328	642,543	402,328
	Real Estate - Non-Business Purposes	1,055,214	795,090	1,055,214	795,090
	Real Estate - Business Purposes	424,028	383,955	424,028	383,955
	Movable Property (equipment, supplies, vehicles, ships etc.)	100,486	48,481	100,486	48,481
	Equity investments (Single-Stocks and Funds)	4,209	5,593	4,209	5,593
	Land	70,951	82,502	70,951	82,502
Total		2,321,648	1,731,165	2,321,648	1,731,165

Collateral value that covers loans by categories are presented in tables 2.1.2.a), b), and c).

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)

The gross amount of fully recoverable placements, where a payment delay of more than 90 days has not been established and no impairment allowance is made on an individual basis at the date of preparation of the financial statements and the coverage of the relevant collateral at its fair value, expressed as a percentage of net loans is as follows:

(a) Stage 1 – expected credit losses in 12 months (risk category A1)

GROUP 2025 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	514,670	1,007,837	1,042,938	5,609	2,251	647,629	3,220,934	4,664	2,200,187	2,261,828	2,163
Expected Portfolio Based Losses	(1,176)	(12,686)	(1,221)	(5)	(37)	(2,732)	(17,857)	(173)	(2,743)	(188)	(11)
Net Placements	513,494	995,151	1,041,717	5,604	2,214	644,897	3,203,077	4,491	2,197,444	2,261,640	2,152
Collateral Value	6,883	976,914	859,144	5,449	131	153,932	2,002,453	-	-	-	-
% of collateral coverage for gross placements	1.34	96.93	82.38	97.14	5.83	23.77	62.17	-	-	-	-

GROUP 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	342,152	698,379	701,492	27,878	2,506	614,602	2,387,009	2,323	1,033,579	3,664,916	2,734
Expected Portfolio Based Losses	(1,157)	(7,375)	(1,498)	(69)	(37)	(4,388)	(14,524)	(39)	(1,320)	(21)	(30)
Net Placements	340,995	691,004	699,994	27,809	2,469	610,214	2,372,485	2,284	1,032,259	3,664,895	2,628
Collateral Value	2,018	698,379	640,927	27,603	107	28,977	1,398,011	-	-	-	-
% of collateral coverage for gross placements	0.59	100.00	91.37	99.01	4.27	4.71	58.57	-	-	-	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)

BANK 2025 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	514,670	1,007,837	1,042,938	5,609	2,251	647,629	3,220,934	4,664	2,200,187	2,261,828	2,163
Expected Portfolio Based Losses	(1,176)	(12,686)	(1,221)	(5)	(37)	(2,732)	(17,857)	(173)	(2,743)	(25)	(11)
Net Placements	513,494	995,151	1,041,717	5,604	2,214	644,897	3,203,077	4,491	2,197,444	2,261,803	2,152
Collateral Value	6,883	976,914	859,144	5,449	131	153,932	2,002,453	-	-	-	-
% of collateral coverage for gross placements	1.34	96.93	82.38	97.14	5.83	23.77	62.17	-	-	-	-

BANK 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	342,152	698,379	701,492	27,878	2,506	614,602	2,387,009	2,323	1,033,579	3,664,916	2,658
Expected Portfolio Based Losses	(1,157)	(7,375)	(1,498)	(69)	(37)	(4,388)	(14,524)	(39)	(1,320)	(21)	(30)
Net Placements	340,995	691,004	699,994	27,809	2,469	610,214	2,372,485	2,284	1,032,259	3,664,895	2,628
Collateral Value	2,018	698,379	640,927	27,603	107	28,977	1,398,011	-	-	-	-
% of collateral coverage for gross placements	0.59	100.00	91.37	99.01	4.27	4.71	58.57	-	-	-	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)
(b) Stage 2 – lifetime expected credit losses

The gross balance and the coverage of those assets with collateral at fair value, presented as a percentage of net placements is as follows:

GROUP 2025 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Fees Receivables
Gross Placements	2,043	192,086	107,363	219	178	165,902	467,791	328
Expected Portfolio Based Losses	(30)	(9,768)	(7,161)	(5)	(9)	(9,529)	(26,502)	(11)
Net Placements	2,013	182,318	100,202	214	169	156,373	441,289	317
Collateral Value	817	139,727	94,736	191	-	24,060	259,531	-
% of collateral coverage for gross placements	40.00	72.74	88.24	87.09	-	14.50	55.48	-

GROUP 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Fees Receivables
Gross Placements	6,125	185,612	96,979	4,696	164	178,114	471,690	205
Expected Portfolio Based Losses	(181)	(11,710)	(7,998)	(326)	(13)	(14,422)	(34,650)	(19)
Net Placements	5,944	173,902	88,981	4,370	151	163,692	437,040	186
Collateral Value	-	158,626	91,462	4,696	20	4,175	258,979	-
% of collateral coverage for gross placements	-	85.46	94.31	100.00	12.20	2.34	54.90	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)

BANK 2025 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Fees Receivables
Gross Placements	2,043	192,086	107,363	219	178	165,902	467,791	328
Expected Portfolio Based Losses	(30)	(9,768)	(7,161)	(5)	(9)	(9,529)	(26,502)	(11)
Net Placements	2,013	182,318	100,202	214	169	156,373	441,289	317
Collateral Value	817	139,727	94,736	191	-	24,060	259,531	-
% of collateral coverage for gross placements	40.00	72.74	88.24	87.09	-	14.50	55.48	-

BANK 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Fees Receivables
Gross Placements	6,125	185,612	96,979	4,696	164	178,114	471,690	205
Expected Portfolio Based Losses	(181)	(11,710)	(7,998)	(326)	(13)	(14,422)	(34,650)	(19)
Net Placements	5,944	173,902	88,981	4,370	151	163,692	437,040	186
Collateral Value	-	158,626	91,462	4,696	20	4,175	258,979	-
% of collateral coverage for gross placements	-	85.46	94.31	100.00	12.20	2.34	54.90	-

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)****(c) Stage 3 – default status**

Tables below show the amount of loans with expected credit losses, as well as coverage of these placements by corresponding collateral at fair value in percentage and in relation to net placements as following:

GROUP	Loans to Customers						Giro Account Other Banks	Fees Receivables
	2025 EUR '000	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans		
Gross Placements	47,938	15,762	281	653	128,106	192,740	188	612
Total expected losses	(30,470)	(8,247)	(242)	(418)	(102,543)	(141,920)	(188)	(486)
Net Placements	17,468	7,515	39	235	25,563	50,820	-	126
Collateral Value	42,791	14,473	171	-	2,230	59,665	-	-
% of collateral coverage for gross placements	89.26	91.82	60.85	0.00	1.74	30.96	-	-

GROUP	Loans to Customers						Giro Account Other Banks	Fees Receivables
	2024 EUR '000	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans		
Gross Placements	54,884	12,087	402	638	132,410	200,421	203	522
Total expected losses	(31,409)	(4,843)	(273)	(408)	(104,312)	(141,245)	(203)	(433)
Net Placements	23,475	7,244	129	230	28,098	59,176	-	89
Collateral Value	54,884	11,305	294	-	7,692	74,175	-	-
% of collateral coverage for gross placements	100.00	93.53	73.13	-	5.81	37.01	-	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)

BANK								
Loans to Customers								
2025 EUR '000	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Giro Account Other Banks	Fees Receivables
Gross Placements	47,938	15,762	281	653	128,106	192,740	188	612
Total expected losses	(30,470)	(8,247)	(242)	(418)	(102,543)	(141,920)	(188)	(486)
Net Placements	17,468	7,515	39	235	25,563	50,820	-	126
Collateral Value	42,791	14,473	171	-	2,230	59,665	-	-
% of collateral coverage for gross placements	89.26	91.82	60.85	-	1.74	30.96	-	-

BANK								
Loans to Customers								
2024 EUR '000	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Giro Account Other Banks	Fees Receivables
Gross Placements	54,884	12,087	402	638	132,410	200,421	203	522
Total expected losses	(31,409)	(4,843)	(273)	(408)	(104,312)	(141,245)	(203)	(433)
Net Placements	23,475	7,244	129	230	28,098	59,176	-	89
Collateral Value	54,884	11,305	294	-	1,661	68,144	-	-
% of collateral coverage for gross placements	100.00	93.53	73.13	-	1.25	34.00	-	-

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.2. Assets Exposed to Credit Risk (continued)****(d) Renewed and restructured loans to customers**

Renewal of a loan is approved to customers because of common and current financing needs of their business activities.

Loans are most often restructured when borrowers' business operations are disrupted, with considerable changes made to the previously agreed lending terms and conditions.

GROUP AND BANK	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross Loans to Customers								
Corporate	1,026	7,132	38,058	46,216	10	33,273	32,539	65,822
Of which modif	968	524	471	1,963	967	394	459	1,820
Retail	2,108	7,284	12,732	22,124	2,274	9,992	12,124	24,390
Of which modif	6,611	584	28	7,223	2,656	447	26	3,129
Total	3,134	14,416	50,790	68,340	2,284	43,265	44,663	90,212
Of which modif	7,579	1,108	499	9,186	3,623	841	485	4,949

Changes to the contractual terms of loans related to stage 1 loans include loans that have been renewed or refinanced under more favourable market conditions, without any deterioration in the credit risk of those loans.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk (continued)

2.1.3. Credit Risk Concentration by Industry

An analysis of the concentration of credit risk by industry is presented in the table below:

GROUP	2025 EUR '000	2024 EUR '000
Public administration, Defence and Compulsory Social Security	67,860	128,216
Manufacturing	363,157	248,100
Construction	473,909	257,054
Transportation and Storage	144,688	94,238
Wholesale and Retail Trade; Motor Vehicles and Motorcycles Repair	195,666	159,408
Professional, Scientific and Technical Activities	50,538	42,701
Accommodation and Food Service Activities	139,961	146,352
Agriculture, Forestry and Fishing	48,722	51,979
Information and Communication	33,755	13,272
Electricity and Gas Supply and Air-Conditioning	109,927	45,419
Arts, Entertainment and Recreation	7,706	8,721
Administrative and Auxiliary Services	16,052	14,493
Financial and insurance services	65,616	62,395
Real estate business	83,975	36,649
Other	55,577	56,172
Interest	3,244	4,350
Total Gross Corporate Loans	1,860,353	1,369,518
Retail Loans	2,008,301	1,677,249
Interest	12,811	12,353
Total Gross Retail Loans	2,021,112	1,689,602
Collateralized	2,321,648	1,731,165
Expected Credit Losses	(186,279)	(190,419)
Total	3,695,186	2,868,701

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.1. Credit risk > 2.1.3. Credit Risk Concentration by Industry (continued)

BANK	2025 EUR '000	2024 EUR '000
Public administration, Defence and Compulsory Social Security	67,860	128,216
Manufacturing	363,157	248,100
Construction	473,909	257,054
Transportation and Storage	144,688	94,238
Wholesale and Retail Trade; Motor Vehicles and Motorcycles Repair	195,666	159,408
Professional, Scientific and Technical Activities	50,538	42,701
Accommodation and Food Service Activities	139,961	146,352
Agriculture, Forestry and Fishing	48,722	51,979
Information and Communication	33,755	13,272
Electricity and Gas Supply and Air-Conditioning	109,927	45,419
Arts, Entertainment and Recreation	7,706	8,721
Administrative and Auxiliary Services	16,052	14,493
Financial and insurance services	65,616	62,395
Real estate business	83,975	36,649
Other	55,577	56,172
Interest	3,244	4,350
Total Gross Corporate Loans	1,860,353	1,369,518
Retail Loans	2,008,301	1,677,249
Interest	12,811	12,353
Total Gross Retail Loans	2,021,112	1,689,602
Collateralized	2,321,648	1,731,164
Expected Credit Losses	(186,279)	(190,419)
Total	3,695,186	2,868,701



Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT (continued)

2.2. Liquidity Risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of its positions. The main categories of liquidity risk to which the Bank is exposed are as follows:

- liquidity funding risk (structural liquidity risk): risk that the Bank will not be able to meet efficiently its expected and unexpected present and future cash and collateral requirements without impacting its day-to-day operations or its own financial result,
- market liquidity risk, risk that the Bank will not be able to offset its positions or liquidate positions at market price due to a market disturbance or the market being insufficiently deep.

The Bank manages liquidity risk in accordance with the legal and regulatory requirements. In addition to those requirements, liquidity risk management is governed by the following internal regulations:

- Risk Management Policy,
- Liquidity Risk Management Manual,
- Risk appetite.

The system for managing liquidity risk, in line with defined policies, includes:

- risk profile, estimation and measurement of liquidity risk exposure,
- setting liquidity risk exposure limits during defined periods including intradaily,
- ensure liquidity risk management in EUR and a total of all currencies in the Bank's book,
- ensure that an adequate level of liquidity buffers is maintained,
- include appropriate allocation mechanisms.

Liquidity risk management is realized through:

- operational management of daily liquidity,
- operational management of short-term liquidity,
- structural liquidity management.

Operational management of daily and short-term liquidity is performed through:

- maintenance, planning and projecting coverage coefficient (LCR) within prescribed limit.

Structural liquidity management is performed through:

- maintaining positions in accordance with liquidity risk exposure limits,
- maintaining of Net Stable Funding Ratio (NSFR) in accordance with defined limits,
- diversification of sources of funding.

Strategic Risks and Risk Control Division is reporting monthly about liquidity risk and liquidity risk exposure limits during sessions of Assets and Liabilities Management Committee.

The Bank submits to the Croatian National Bank a monthly regulatory report on liquidity coverage. The prescribed quantitative requirements include: the amount of liquid assets (C72), the amount of potential outflows (C73), the amount of potential inflows (C74) and the calculation of liquidity coverage (C76).

The Bank maintained all positions for which the prescribed regulatory limits were set within 2023 within the prescribed regulatory limits.

The Financial Markets Sector prepares a monthly inflow and outflow plan for Board meetings.

Responsibility for liquidity risk management rests with the Bank's Management Board. The Bank's Asset and Liability Committee is authorized by the Management Board to manage liquidity risk. The Committee makes decisions and conclusions regarding liquidity management in its sessions. Each sector to which these decisions and conclusions made by the committee relate, is obliged to enact them.

As a part of liquidity risk management system, authority, responsibilities and procedures in conditions of liquidity crisis are determined separately.

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT > 2.2. Liquidity Risk (continued)**

The Bank prescribes and conducts stress tests of its liquidity. The Strategic Risk and Risk Control Division conducts stress tests taking into account Bank-specific factors (internal factors) and market factors (external factors). Stress resilience tests are conducted over the liquidity coverage ratio.

The net stable sources of financing ratio (NSFR), which is an indicator of the Bank's structural liquidity, as at 31 December 2025 is 202% (2024: 254%) At the same time, the liquidity coverage ratio (LCR) is 208% (2024: 261%)

2.2.1. Maturity Analysis

A maturity analysis of assets and liabilities, as well as equity, of the Bank and Group, based on their remaining contractual maturity, except for financial assets at fair value through profit and loss that are analysed as current based on their classification and the Bank's and Group's trading intention, as at December 31, 2025 and December 31, 2024, is presented in the tables below.

Although significant negligent maturity mismatches have been reported in the first analysed periods, the Bank does not expect the outflow of deposits in contractual terms in accordance with its own historical experience and knowledge of the customers.

Non-maturity assets that relate to investments in subsidiaries, real estate and equipment, investment property and intangible assets are presented in the maturity category over 3 years. Financial assets related to investments in stocks and mutual funds, also without maturity, are presented in the maturity category up to 30 days.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.2. Liquidity Risk > 2.2.1. Maturity Analysis (continued)

GROUP 2025 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	2,400,420	-	-	-	-	2,400,420
Loans and Receivables from Banks	2,019	-	-	2,472	-	4,491
Financial Assets at Fair Value through P&L	30,074	397	5,983	8,756	20,048	65,258
Financial Assets at FV through OCI	5,813	-	-	-	-	5,813
Financial Assets at Amortized Cost	14,662	61,497	657,591	563,394	900,300	2,197,444
Loans to and Receivables from Customers	183,397	128,289	686,528	932,940	2,448,058	4,379,212
Derivatives - hedge accounting	3,400	-	-	-	6,464	9,864
Other Assets	95,877	1,731	283	-	-	97,891
TOTAL ASSETS	2,735,662	191,914	1,350,385	1,507,562	3,374,870	9,160,393
LIABILITIES						
Financial Liabilities at FV through P&L	22	-	-	-	-	22
Deposits from Banks	25,425	-	57,500	-	-	82,925
Customer Deposits	5,882,939	495,869	588,119	136,793	25,227	7,128,947
Borrowings	245,072	2,718	26,271	298,049	106,793	678,903
Lease liabilities	314	621	2,381	5,090	6,881	15,287
Derivatives - hedge accounting	4,381	-	-	-	-	4,381
Other Liabilities	34,072	48,874	455	-	-	83,401
TOTAL LIABILITIES	6,192,225	548,082	674,726	439,932	138,901	7,993,866
MATURITY GAP	(3,456,563)	(356,168)	675,659	1,067,630	3,235,969	1,166,527
CUMMULATIVE MATURITY GAP	(3,456,563)	(3,812,731)	(3,137,072)	(2,069,442)	1,166,527	2,333,054
OFF-BALANCE	268,431	72,645	320,415	146,166	332,151	1,139,808
<i>guaranties</i>	30,637	29,457	136,577	108,652	67,347	372,670
<i>Undrawn credit lines</i>	237,794	43,188	183,838	37,514	264,804	767,138

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.2. Liquidity Risk > 2.2.1. Maturity Analysis (continued)

GROUP 2024 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	3,798,745	-	-	-	-	3,798,745
Loans and Receivables from Banks	2,284	-	-	-	-	2,284
Financial Assets at Fair Value through P&L	31,720	45	2,026	10,060	22,768	66,619
Financial Assets at FV through OCI	5,462	-	-	-	-	5,462
Financial Assets at Amortized Cost	56,480	1,374	200,844	227,256	546,305	1,032,259
Loans to and Receivables from Customers	172,791	94,454	643,058	791,069	1,736,061	3,437,433
Other Assets	27,062	2,028	-	2,945	211	32,246
TOTAL ASSETS	4,094,545	97,901	845,928	1,031,330	2,305,345	8,375,049
LIABILITIES						
Financial Liabilities at FV through P&L	542	-	-	-	-	542
Deposits from Banks	29,799	-	-	-	47,000	76,798
Customer Deposits	5,157,103	622,434	706,264	187,234	20,065	6,656,134
Borrowings	81,093	3,649	55,707	225,816	90,716	456,928
Lease liabilities	261	539	2,337	4,607	4,059	11,803
Other Liabilities	31,507	52,467	367	-	-	84,341
TOTAL LIABILITIES	5,300,305	679,089	764,675	417,657	161,840	7,286,546
MATURITY GAP	(1,205,760)	(581,188)	81,253	613,673	2,143,505	1,088,503
CUMMULATIVE MATURITY GAP	(1,205,760)	(1,786,948)	(1,705,695)	(1,092,022)	1,051,483	2,139,986
OFF-BALANCE	104,857	43,008	209,426	87,344	124,395	569,030
<i>guaranties</i>	<i>34,040</i>	<i>16,082</i>	<i>82,174</i>	<i>78,151</i>	<i>29,133</i>	239,580
<i>Undrawn credit lines</i>	<i>70,817</i>	<i>26,926</i>	<i>127,252</i>	<i>9,193</i>	<i>95,263</i>	329,450

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.2. Liquidity Risk > 2.2.1. Maturity Analysis (continued)

BANK 2025 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	2,400,414	-	-	-	-	2,400,414
Loans and Receivables from Banks	2,019	-	-	2,472	-	4,491
Financial Assets at Fair Value through P&L	29,972	397	5,983	8,756	20,048	65,156
Financial Assets at FV through OCI	5,813	-	-	-	-	5,813
Financial Assets at Amortized Cost	14,662	61,497	657,591	563,394	900,300	2,197,444
Loans and Receivables from Customers	183,397	128,289	686,528	932,940	2,448,058	4,379,212
Derivatives - hedge accounting	3,400	-	-	-	6,464	9,864
Other Assets	96,168	1,731	283	-	-	98,182
TOTAL ASSETS	2,735,845	191,914	1,350,385	1,507,562	3,374,870	9,160,576
LIABILITIES						
Financial Liabilities at FV through P&L	22	-	-	-	-	22
Deposits from Banks	25,425	-	57,500	-	-	82,925
Customer Deposits	5,883,958	495,869	588,119	136,793	25,227	7,129,966
Borrowings	245,072	2,718	26,271	298,049	106,793	678,903
Lease liabilities	314	621	2,381	5,090	6,881	15,287
Derivatives - hedge accounting	4,381	-	-	-	-	4,381
Other Liabilities	33,911	48,874	455	-	-	83,240
TOTAL LIABILITIES	6,193,083	548,082	674,726	439,932	138,901	7,994,724
MATURITY GAP	(3,457,238)	(356,168)	675,659	1,067,630	3,235,969	1,165,852
CUMMULATIVE MATURITY GAP	(3,457,238)	(3,813,406)	(3,137,747)	(2,070,117)	1,165,852	2,331,704
OFF-BALANCE	268,431	72,645	320,415	146,166	332,151	1,139,808
<i>guaranties</i>	30,637	29,457	136,577	108,652	67,347	372,670
<i>Undrawn credit lines</i>	237,794	43,188	183,838	37,514	264,804	767,138

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.2. Liquidity Risk > 2.2.1. Maturity Analysis (continued)

BANK 2024 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	3,798,740	-	-	-	-	3,798,740
Loans and Receivables from Banks	2,284	-	-	-	-	2,284
Financial Assets at Fair Value through P&L	31,614	45	2,026	10,060	22,768	66,513
Financial Assets at FV through OCI	5,462	-	-	-	-	5,462
Financial Assets at Amortized Cost	56,479	1,374	200,844	227,256	546,305	1,032,258
Loans and Receivables from Customers	172,791	94,454	643,058	791,069	1,736,061	3,437,433
Other Assets	27,030	2,028	-	2,945	211	32,214
TOTAL ASSETS	4,094,401	97,901	845,928	1,031,330	2,305,345	8,374,905
LIABILITIES						
Financial Liabilities at FV through P&L	542	-	-	-	-	542
Deposits from Banks	29,799	-	-	-	47,000	76,799
Customer Deposits	5,157,103	622,434	706,264	187,234	20,065	6,693,100
Borrowings	81,093	3,649	55,707	225,816	90,716	456,981
Lease liabilities	261	539	2,337	4,607	4,059	11,803
Other Liabilities	31,402	52,467	367	-	-	84,236
TOTAL LIABILITIES	5,300,200	679,089	764,675	417,657	161,840	7,323,461
MATURITY GAP	(1,205,799)	(581,188)	81,253	613,673	2,143,505	1,051,444
CUMMULATIVE MATURITY GAP	(1,205,799)	(1,786,987)	(1,705,734)	(1,092,061)	1,051,444	2,102,888
OFF-BALANCE	104,857	43,008	209,426	87,344	124,395	569,030
<i>guaranties</i>	<i>34,040</i>	<i>16,082</i>	<i>82,174</i>	<i>78,151</i>	<i>29,133</i>	239,580
<i>Undrawn credit lines</i>	<i>70,817</i>	<i>26,926</i>	<i>127,252</i>	<i>9,193</i>	<i>95,263</i>	329,450



Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT (continued)

2.3. Market Risk

The exposure to market risk occurs in balance sheet and off-balance sheet positions recognized at market (fair) value:

- financial assets at fair value through profit and loss account,
- financial assets at fair value through other comprehensive income,
- positions denominated in foreign currency (including placements and liabilities linked to foreign currencies).

All trading instruments are subject to market risk, which is the risk that future changes in market conditions may make an instrument less valuable or more onerous (i.e. impaired). Trading financial instruments are recognized at fair value, and all changes in market conditions directly affect trading income. The Bank manages their use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed through acquisitions or disposals of financial instruments in accordance with the risk limits set in Market Risk Management Guidelines and the Management Board's Decision on the limits of exposure to market risks.

Market risk management of the Bank is conducted in accordance with regulatory requirements, as is defined by internal policies and procedures regarding market risks which are regularly revised by the Risk Management Division.

Strategic Risks and Risk Control Division daily calculates market risk exposure figures, usage of exposure to market risk limits and capital requirements for exposure to market risks.

In the measurement of the market risk exposure, the Bank relies on regulations set out by the Croatian National Bank and monitors:

- Capital requirement calculated by the standard method calculated in accordance with the Directive (EU) no. 575/2013 of European Parliament and Council,
- Value at Risk (VaR) which represents the maximum potential loss that the Bank could incur as a result of changes in market risk factors (interest rates, exchange rate, share prices and fund unit prices) for a period of retaining the same position for 10 days at statistical accuracy of 99%. VaR is calculated at the end of the day and does not include daily exposure arising from a change in position. To calculate VaR, a database containing 250 historical figures is used.

In addition, the Bank internally follows:

- measure of interest sensitivity (BPV limits), i.e. change in price with respect to change in yield by a basis point,
- measure of the limit in relation to the nominal amount.

The Strategic Risk and Risk Control Division reports daily on the utilization of market risk exposure limits to the Management Board, the Financial Markets Division, the Financial Management Division and the Assets and Liabilities Management Office, and monthly to the Assets and Liabilities Management Committee.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.3. Market Risk (continued)

a) Financial assets at fair value through profit and loss account

The table below shows the movements in those measures at December 31, 2025 and December 31, 2024.

2025	GROUP		BANK	
	Position EUR '000	VaR	Position EUR '000	VaR
FX Risk	4,749	(128)	4,749	(128)
Debt Securities Position Risk	34,959	(342)	34,959	(342)
Equity Securities Position Risk	5,350	(406)	5,350	(406)
Investment Fund Position Risk	24,196	(460)	24,196	(460)
Correlation Effect	-	607	-	607
Market Risk		(729)		(729)
2024	Position EUR '000	VaR	Position EUR '000	VaR
FX Risk	2,624	(45)	2,624	(45)
Debt Securities Position Risk	38,528	(495)	38,528	(495)
Equity Securities Position Risk	5,182	(371)	5,182	(371)
Investment Fund Position Risk	22,305	(279)	22,305	(279)
Correlation Effect	-	435	-	435
Market Risk		(755)		(755)

b) Financial assets at fair value through other comprehensive income

Given that the Group and the Bank do not have a significant amount of assets classified in the category of financial assets valued at fair value through other comprehensive income as of 31 December 2025 and 31 December 2024, it is considered that there is no significant impact of market risk on these assets.



Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT (continued)

2.4. Interest Rate Risk in the Bank's Non-Trading Book

Interest rate risk in the Bank's non-trading book is a risk which can have a negative effect on economic value of the Bank's book and earnings (net interest income), because of variation of market interest rates.

The Bank manages interest rate risk in its non-trading book in accordance with the legal and regulatory requirements. In line with the Croatian National Bank's Decision on the Management of Interest rate risk in the Bank's and Group's non-trading book, it is required to submit quarterly reports to the Croatian National Bank about the interest rate risk in the bank's non-trading book.

Apart from those regulations, managing interest rate risk in the Bank's non-trading book is regulated by:

- Risk Management Policy, and
- Manual on Managing Interest Rate Risk in the Bank's non-trading book.

The Manual defines the management process, evaluation methods and measures of exposure to interest rate risk in the Bank's non-trading book, as well as exposure limits, manner and frequency of reporting about the Bank's exposure to that. The Bank and Group assesses interest rate risk in the bank's non-trading book by observing this risk from two perspectives:

- Perspective of economic value: a potential market value decrease of the Bank's non-trading book because of interest rate movements in the market,
- Profit perspective: a potential decrease of net interest income because of movements in market interest rates.

Perspective of Economic Value of Capital

When assessing the exposure to interest rate risk arising from transactions in the book of positions that are not traded from the perspective of the economic value of capital, the Bank allocates interest-sensitive positions of the bank's book in time zones, distinguishing positions with fixed interest rate, variable interest rate and estimates the change in the market value of the bank's book due to the simulated change in interest rates. The bank calculates the ratio of the change in the economic value of the bank's book and Tier 1 capital and maintains it in the ratios of the regulatory requirement. The change in the economic value of banking book as at 31 December 2025 for the Bank amounted to EUR 54,027 thousand or 9.87% of Tier 1 capital (2024: EUR 39,339 thousand or 7.64% of Tier 1 capital).

In addition to the above, when assessing the exposure to interest rate risk arising from transactions that are kept in the book of non-traded positions from the perspective of the economic value of the capital, the Bank also assesses it based on the value at risk (VaR) of the portfolio.

Profit Perspective

The prospect of earnings includes a potential decrease in net interest income in case of changes in interest rates on the market. When calculating interest rate risk from a profit perspective, the Bank taking into account the potential impact of changes in interest rates from a profit perspective in a time period of up to 1 year and assuming a constant balance sheet, monitors the maximum impact on net interest income due to a sudden parallel shift of the yield curve by +/- 200 basis points. The potential change in net interest income at the end of 2025 amounts to EUR 7,942 thousand or 1.4% Tier 1 capital (2024: EUR 24,063 thousand on consolidated level).

Likewise, the Bank conducts a minimum yearly test of stress resistance based on more significant intensity of changes in interest rates. Strategic Risks and Risk Control Division reports to the Bank for the Management of Interest Rate Risk in the Bank's Book of Assets and Liabilities Management.

Notes to the Financial statements for the year ended December 31, 2025**2. RISK MANAGEMENT** (continued)**2.5. Foreign Exchange Risk**

The Bank and the Group are exposed to FX risk through transactions in foreign currencies.

Foreign currency exposure arises from credit, deposit-taking, investment and trading activities. It is monitored daily in accordance with legislation and internally set limits, for each currency and for the total balance sheet denominated in or linked to foreign currency.

The Bank manages their currency risk by setting principles and limits for foreign currency exposures and monitoring exposures against these limits. The Bank directs their business activities towards trying to minimize the gap between assets and liabilities denominated in or linked to a foreign currency and maintaining daily business activities within the internal and regulatory limits.

Considering the introduction of the euro as the official currency from 1 January 2023, the Bank is not materially exposed to FX risk. Thus, the foreign exchange risk has almost completely disappeared.

The amounts of total assets and liabilities of the Bank and the Group as at 31 December 2025 and 31 December 2024 in domestic and foreign currencies are presented in the tables below.

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.5. Foreign Exchange Risk (continued)

GROUP 2025 EUR '000	EUR	USD	CHF	Other Foreign Currencies	Total
ASSETS					
Cash and Amounts Due from Banks	2,383,666	6,038	3,035	7,681	2,400,420
Loans and Receivables from Banks	2,508	1,983	-	-	4,491
Financial Assets at Fair Value through P&L	65,258	-	-	-	65,258
Financial Assets at Fair Value through OCI	928	4,885	-	-	5,813
Financial Assets at Amortized Cost	2,197,444	-	-	-	2,197,444
Loans to and Receivables from Customers	3,695,186	-	-	-	3,695,186
Deferred tax assets, net	3,950	-	-	-	3,950
Tax Prepayment	716	-	-	-	716
Derivatives - hedge accounting	9,864	-	-	-	9,864
Other Assets	97,881	-	-	10	97,891
Properties, Equipment and assets with the right of use	57,130	-	-	-	57,130
Investment Properties	4,586	-	-	-	4,586
Intangible Assets	19,662	-	-	-	19,662
TOTAL ASSETS	8,538,779	12,906	3,035	7,691	8,562,411
LIABILITIES					
Financial Liabilities at Fair Value through P&L	22	-	-	-	22
Deposits from Banks	82,592	-	164	169	82,925
Customer Deposits	6,989,526	66,336	26,962	19,280	7,102,104
Borrowings	672,398	-	-	-	672,398
Provisions for Liabilities and Expenses	41,390	4	-	8	41,402
Income tax liability	25	-	-	-	25
Derivatives - hedge accounting	4,381	-	-	-	4,381
Other Liabilities	83,314	72	13	2	83,401
Total Equity and reserves	575,753	-	-	-	575,753
TOTAL LIABILITIES, EQUITY AND RESERVES	8,449,401	66,412	27,139	19,459	8,562,411
NET FOREIGN EXCHANGE POSITION	89,378	(53,506)	(24,104)	(11,768)	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.5. Foreign Exchange Risk (continued)

GROUP 2024 EUR '000	EUR	USD	CHF	Other Foreign Currencies	Total
ASSETS					
Cash and Amounts Due from Banks	3,784,301	6,076	2,801	5,567	3,798,745
Mandatory Reserve with the Croatian National Bank	40	2,244	-	-	2,284
Loans and Receivables from Banks	66,619	-	-	-	66,619
Financial Assets at Fair Value through P&L	475	4,987	-	-	5,462
Financial Assets at Fair Value through OCI	1,032,259	-	-	-	1,032,259
Financial Assets at Amortized Cost	2,868,297	404	-	-	2,868,701
Loans to and Receivables from Customers	4,423	-	-	-	4,423
Tax Prepayment	9	-	-	-	9
Other Assets	32,218	19	-	9	32,246
Properties, Equipment and assets with the right of use	51,301	-	-	-	51,301
Investment Properties	4,826	-	-	-	4,826
Intangible Assets	14,912	-	-	-	14,912
TOTAL ASSETS	7,859,680	13,730	2,801	5,576	7,881,787
LIABILITIES					
Deposits from Banks	542	-	-	-	542
Customer Deposits	76,509	-	163	126	76,798
Borrowings	6,526,532	94,435	26,961	8,206	6,656,134
Provisions for Liabilities and Expenses	456,928	-	-	-	456,928
Deferred Tax Liabilities, net	41,476	1	-	6	41,483
Income tax liability	6,048	-	-	-	6,048
Other Liabilities	84,252	76	13	-	84,341
Total Equity	559,513	-	-	-	559,513
TOTAL LIABILITIES AND EQUITY	7,751,800	94,512	27,137	8,338	7,881,787
NET FOREIGN EXCHANGE POSITION	107,880	(80,782)	(24,336)	(2,762)	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.5. Foreign Exchange Risk (continued)

BANK 2025 EUR '000	EUR	USD	CHF	Other Foreign Currencies	Total
ASSETS					
Cash and Amounts Due from Banks	2,383,660	6,038	3,035	7,681	2,400,414
Loans and Receivables from Banks	2,508	1,983	-	-	4,491
Financial Assets at Fair Value through P&L	65,156	-	-	-	65,156
Financial Assets at FV through OCI	928	4,885	-	-	5,813
Financial Assets at Amortized Cost	2,197,444	-	-	-	2,197,444
Loans and Receivables from Customers	3,695,186	-	-	-	3,695,186
Investments in Subsidiaries	1,495	-	-	-	1,495
Deferred tax assets, net	3,813	-	-	-	3,813
Tax Prepayment	710	-	-	-	710
Derivatives - hedge accounting	9,864	-	-	-	9,864
Other Assets	98,172	-	-	10	98,182
Property and Equipment	57,022	-	-	-	57,022
Investment Properties	4,586	-	-	-	4,586
Intangible Assets	19,660	-	-	-	19,660
TOTAL ASSETS	8,540,204	12,906	3,035	7,691	8,563,836
LIABILITIES					
Financial Liabilities at Fair Value through P&L	22	-	-	-	22
Deposits from Banks	82,592	-	164	169	82,925
Customer Deposits	6,990,545	66,336	26,962	19,280	7,103,123
Borrowings	672,398	-	-	-	672,398
Provisions for Liabilities and Expenses	41,317	4	-	8	41,329
Derivatives - hedge accounting	4,381	-	-	-	4,381
Other Liabilities	83,153	72	13	2	83,240
Total Equity and reserves	576,418	-	-	-	576,418
TOTAL LIABILITIES, EQUITY AND RESERVES	8,450,826	66,412	27,139	19,459	8,563,836
NET FOREIGN EXCHANGE POSITION	89,379	(53,506)	(24,104)	(11,769)	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT > 2.5. Foreign Exchange Risk (continued)

BANK 2024 EUR '000	EUR	USD	CHF	Other Foreign Currencies	Total
ASSETS					
Cash and Amounts Due from Banks	3,784,296	6,076	2,801	5,567	3,798,740
Loans and Receivables from Banks	40	2,244	-	-	2,284
Financial Assets at Fair Value through P&L	66,513	-	-	-	66,513
Financial Assets at FV through OCI	476	4,987	-	-	5,462
Financial Assets at Amortized Cost	1,032,259	-	-	-	1,032,259
Loans and Receivables from Customers	2,868,297	404	-	-	2,868,701
Investments in Subsidiaries	1,495	-	-	-	1,495
Tax Prepayment	4,423	-	-	-	4,423
Other Assets	32,186	19	-	9	32,214
Property and Equipment	51,211	-	-	-	51,211
Investment Properties	4,386	-	-	-	4,386
Intangible Assets	14,911	-	-	-	14,911
TOTAL ASSETS	7,860,493	13,730	2,801	5,575	7,882,599
LIABILITIES					
Financial Liabilities at Fair Value through P&L	542	-	-	-	542
Deposits from Banks	76,509	-	163	126	76,798
Customer Deposits	6,527,226	94,435	26,961	8,206	6,656,828
Borrowings	456,928	-	-	-	456,928
Provisions for Liabilities and Expenses	41,393	1	-	6	41,401
Income tax liability	6,048	-	-	-	6,048
Other Liabilities	84,147	76	13	-	84,236
Total Equity and reserves	559,818	-	-	-	559,818
TOTAL LIABILITIES, EQUITY AND RESERVES	7,752,611	94,512	27,137	8,339	7,882,599
NET FOREIGN EXCHANGE POSITION	107,882	(80,783)	(24,336)	(2,764)	-

Notes to the Financial statements for the year ended December 31, 2025

2. RISK MANAGEMENT (continued)

2.6. Capital Management

The Bank manages capital in line with internal capital adequacy assessment (ICAAP). It establishes significant risks to which it is exposed or estimates that it may be exposed, calculate or estimate the required capital requirements for exposure to particular risks and establish the total required (internal) capital for the current and subsequent period in accordance with the business plan. In accordance with capital requirements so expressed, capital planning is carried out whereby items of available capital are considered exclusively to items recognized for the purpose of calculating the regulatory capital.

Regulatory minimum rate of total capital adequacy prescribed by law on 31.12.2025 is 8 percent. The regulatory obligation to maintain the rate of protective layers of capital is prescribed for the rate of protective layer for capital preservation of 2.5 percent (2024: 2.5 percent), protective layer for structural systemic risk of 1.5 percent (2024: 1.5 percent) and a protective layer for systemically important credit institutions in the Republic of Croatia in the amount of 1.0 percent (2024: 1.0 percent) and a protective layer for the countercyclical systemic risk of the Republic of Croatia in the amount of 1.5 percent (2024: 1.5 percent). During 2025 and 2024, the Bank continuously fulfilled all regulatory capital requirements.

2.7. Managing environmental, social and governance risks

The management of environmental, social and governance risks is described in the Sustainable Business Report.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Group makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in the Group's portfolio exposed to credit risk represents the major source of estimation uncertainty. This and other key sources of estimations uncertainty, that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Expected credit losses

The Group continuously monitors creditworthiness of its customers. In accordance with the requirements of the CNB, the need to reduce the value of the balance sheet and the provision for off-balance sheet exposure to credit risk is estimated quarterly for large exposures or monthly for a portfolio of exposures below EUR 150 thousand. Impairment losses are mainly recognized in relation to the net book value of loans to legal entities and households (presented in Note 10), and as provisions for liabilities and expenses arising from off-balance sheet exposures to customers, most often in the form of approved guarantees, letters of credit and approved unused loans (presented in notes 22 and 38). Impairment losses are also considered for credit exposure to banks and for other assets not carried at fair value and where the primary impairment risk is not a credit risk. Impairment policy of placements is explained in notes Financial instruments (notes 7, 8, 9, 10).

Following table represent the summary of expected credit losses of loans to and receivables from customers, as well as provisions for off-balance sheet exposures:

GROUP AND BANK	Note	2025 EUR '000	2024 EUR '000
Expected Credit Losses of Loans to and Receivables from Customers	10	186,279	190,419
Provisions for Off-Balance Sheet Exposures	22	12,462	7,673
Total		198,741	198,092

Notes to the Financial statements for the year ended December 31, 2025**3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)****Loans and receivables from customers - impairment losses**

The Group and the Bank estimates creditworthiness of its customers and, in accordance with it, estimates impairment losses per balance sheet exposures and provisions for liabilities related to off-balance potential liabilities, whether exposures with no default status or exposure with default status, whereby relevant CNB regulations are taken into account which prescribe credit losses and is based on the International Financial Reporting Standard 9.

Expected credit losses policy is presented in detail in the note 2.1.1.

At the end of the year, gross value of impaired assets placed into stage 3, as well as recognized impairment of these exposures, were as follows:

GROUP AND BANK	2025 EUR '000	2024 EUR '000
Gross Exposures	193,540	201,146
Impairment Loss	142,594	141,881
Impairment Rate	73.68%	70.54%

Any additional increase in the impairment rate by one percentage point of gross exposure as at 31 December 2025 would result in an increase in expected credit losses for the Bank and the Group in amount of EUR 1,935 thousand (2024: EUR 2,013 thousand).

Market Value of Pledged Property and Foreclosed Asset

As disclosed above (note 2.1.2 (c)), loans and receivables from customers include exposures with a book value of EUR 192,740 thousand (2024: EUR 200,420 thousand) classified by the Group and the Bank as impaired due to the disadvantage of payment, which is secured by a pledge over real property, plant and equipment. In assessing the recoverability of pledges based on real estate in a pledge, the market value of the property in the collateral is reduced and reduced to the present value using the impairment factor and the collection deadlines in accordance with CNB regulation.

Provisions for Court Cases Initiated Against the Group

In calculating provisions for court, expenses the Group discounts expected future cash flows with respect to the liabilities using the CNB's discount rate.

The Group recognizes provisions as a result of legal proceedings started against the Group which are certain to result in an outflow of funds to settle claims against the Group and if the amounts can be reliably estimated. Provisions are recognized at the level of individual lawsuits filed against the Group and based on an internal legal assessment and consultation with law firms with which the Group cooperates. The management estimated the amount of provisions for unconverted and converted loans taking into account publicly available information, court verdicts and expert opinions of the law firm. Taking into account the current number of lawsuits filed against the Group and the time between the filing of the lawsuit and the pronouncement of the final judgment, the Group made a decision on the amount of the provision. The Group believes that the current level of provisions is sufficient to settle all claims arising from lawsuits related to CHF loans. If the number of lawsuits on CHF loans increased by 10% compared to the current number of lawsuits filed against the Group, the provision level would increase by EUR 1.6 million, taking into account the currently expected probability of losing these disputes.

Please refer to Note 22 Provisions for Liabilities and Expenses for details regarding CHF loan litigations initiated against the Group.



Notes to the Financial statements for the year ended December 31, 2025

4. SEGMENT REPORTING

A segment is a distinguishable component of the Group and the Bank that is engaged either in providing products or services (business segment) which achieves economic benefits or costs, including the transactions with other parts of the Group and the Bank. The Group did not use internal transfer prices in determining the success of the segments.

The Group identified four major segments: banking with legal entities - divided into two sub-sectors (business with large companies and the public sector, small and medium-sized businesses), banking with retail, financial markets (including treasury and investment banking with custody) and other. The description of business segments and their financial review is presented in this Note.

Group's operations, its total assets as well as the majority of its clients are based in Croatia.

Basic information on segments is presented in relation to the Group's business segments. The primary format of business segments is based on the internal reporting structure. As the Group does not allocate overhead expenses and equity to segments, segment profitability is not reported.

Business Segments

The Group comprises following primary reportable segments:

- **Corporate Banking**

Includes loans, deposits and other transactions and balances with corporate customers including distribution of products and services,

Corporate banking is divided into two sub-segments:

- large companies and public sector including government and other state bodies ,
- small and medium enterprises.

- **Retail Banking**

Includes loans, deposits, direct (card) business, other transactions with retail customers and uninterrupted functioning and development of all direct distribution channels of products and services of the Bank.

- **Financial Markets**

Group financing operations and the aggregate liquidity and foreign exchange risk activities in respect of borrowings, transactions with debt securities, use of derivatives and investments in liquid assets. It also includes asset management, securities custody and brokerage services.

- **Other**

Includes other effects not allocated to other segments and effects related to assets and liabilities management operations.

The Group does not apply internal transfer prices in determining the financial results of segments in these financial reports. Internal transfer prices are a tool which the Group uses in reporting management.

The Bank regularly monitors performance by geographic regions, based on the locations of business centers for retail and corporate clients, as well as the locations of large clients and the public sector.

Classification of individual sectors for the purpose of presenting results and position of segments in this Note differs from other parts of the financial reports. This primarily refers to the owner of small enterprises, who are part of Corporate Banking in the report of segmentation, while in the financial reports part of positions related to the Retail Banking.

At least monthly, the Bank's Management Board reviews the management reports of each individual segment. There are no transactions between segments.

Notes to the Financial statements for the year ended December 31, 2025

4. SEGMENT REPORTING (continued)

GROUP 2025 EUR '000	Corporate	Retail	Financial Market	Other	Total
Net Interest Income	28,008	48,531	86,279	(8,789)	154,029
Net Fees and Commissions Income	14,208	21,969	584	(1,482)	38,243
Trading and Investment Income	-	-	5,886	-	5,886
Other Income	-	-	221	-	221
Operating Income	644	278	-	3,998	4,920
Prihod iz poslovanja	42,860	70,778	92,970	(3,309)	203,299
General and Administrative Expenses	(10,247)	(35,322)	(2,542)	(59,901)	(108,012)
Depreciation	-	-	-	(13,731)	(13,731)
Impairment Losses on Loans and Other Assets	2,193	(5,193)	-	(558)	(3,558)
Provisions for Liabilities and Expenses	-	-	-	(6,092)	(6,092)
Operating Expenses	(8,054)	(40,515)	(2,542)	(80,282)	(131,393)
Profit Before Taxation	34,806	30,261	90,429	(83,590)	71,906
Income Tax	-	-	-	(13,137)	(13,137)
Profit for the Year	34,806	30,261	90,429	(96,727)	58,769
Segment Assets	1,883,026	1,991,062	4,514,132	174,191	8,562,411
Total Assets	1,883,026	1,991,062	4,514,132	174,191	8,562,411
Segment Liabilities	3,583,249	3,185,805	406,384	1,386,973	8,562,411
Total Equity and Reserves and Liabilities	3,583,249	3,185,805	406,384	1,386,973	8,562,411

Notes to the Financial statements for the year ended December 31, 2025

4. SEGMENT REPORTING (continued)

GROUP 2024 EUR '000	Corporate	Retail	Financial Market	Other	Total
Net Interest Income	34,868	28,374	125,272	(10,781)	177,733
Net Fees and Commissions Income	11,839	22,805	449	800	35,893
Trading and Investment Income	-	-	5,630	1	5,631
Other Income	894	57	3	4,884	5,838
Operating Income	47,601	51,236	131,354	(5,096)	225,095
General and Administrative Expenses	(8,828)	(31,582)	(2,101)	(56,967)	(99,478)
Depreciation	-	-	-	(13,371)	(13,371)
Impairment Losses on Loans and Other Assets	(8,170)	(6,937)	-	743	(14,364)
Provisions for Liabilities and Expenses	-	-	-	(7,832)	(7,832)
Operating Expenses	(16,998)	(38,519)	(2,101)	(68,657)	(135,045)
Profit Before Taxation	30,604	12,716	129,253	(82,523)	90,050
Income Tax	-	-	-	(16,515)	(16,515)
Profit for the Year	30,604	12,716	129,253	(99,038)	73,535
Segment Assets	1,393,157	1,653,666	4,759,004	75,960	7,881,787
Total Assets	1,393,157	1,653,666	4,759,004	75,960	7,881,787
Segment Liabilities	3,080,087	3,277,857	359,139	1,164,703	7,881,787
Total Equity and Reserves and Liabilities	3,080,087	3,277,857	359,139	1,164,703	7,881,787

Notes to the Financial statements for the year ended December 31, 2025

4. SEGMENT REPORTING (continued)

BANK 2025 EUR '000	Corporate	Retail	Financial Market	Other	Total
Net Interest Income	28,008	48,531	86,279	(8,807)	154,011
Net Fees and Commissions Income	14,208	21,969	584	736	37,497
Trading and Investment Income	-	-	5,886	-	5,886
Derivatives - hedge accounting	-	-	221	-	221
Other Income	644	278	-	3,336	4,257
Operating Income	42,860	70,778	92,970	(4,735)	201,873
General and Administrative Expenses	(10,247)	(35,322)	(2,542)	(58,076)	(106,187)
Depreciation	-	-	-	(13,659)	(13,659)
Impairment Losses on Loans and Other Assets	2,193	(5,193)	-	(558)	(3,558)
Provisions for Liabilities and Expenses	-	-	-	(6,092)	(6,092)
Operating Expenses	(8,054)	(40,515)	(2,542)	(78,385)	(129,496)
Profit Before Taxation	34,806	30,261	90,429	(83,119)	72,377
Income Tax	-	-	-	(13,248)	(13,248)
Profit for the Year	34,806	30,261	90,429	(96,367)	59,129
Segment Assets	1,883,026	1,991,062	4,514,132	175,616	8,563,836
Total Assets	1,883,026	1,991,062	4,514,132	175,616	8,563,836
Segment Liabilities	3,583,249	3,185,805	406,384	1,388,398	8,563,836
Total Equity and Reserves and Liabilities	3,583,249	3,185,805	406,384	1,388,398	8,563,836

Notes to the Financial statements for the year ended December 31, 2025

4. SEGMENT REPORTING (continued)

BANK 2024 EUR '000	Corporate	Retail	Financial Market	Other	Total
Net Interest Income	34,868	28,376	125,272	(10,792)	177,724
Net Fees and Commissions Income	11,839	22,803	449	281	35,372
Trading and Investment Income	-	-	5,630	-	5,630
Other Income	894	57	3	4,175	5,129
Operating Income	47,601	51,236	131,354	(6,336)	223,855
General and Administrative Expenses	(8,828)	(31,582)	(2,101)	(55,784)	(98,295)
Depreciation	-	-	-	(13,290)	(13,290)
Impairment Losses on Loans and Other Assets	(8,170)	(6,937)	-	743	(14,364)
Provisions for Liabilities and Expenses	-	-	-	(7,759)	(7,759)
Operating Expenses	(16,998)	(38,519)	(2,101)	(76,090)	(133,708)
Profit Before Taxation	30,604	12,717	129,253	(82,427)	90,147
Income Tax	-	-	-	(16,515)	(16,515)
Profit for the Year	30,604	12,717	129,253	(98,942)	73,632
Segment Assets	1,393,157	1,653,666	4,759,004	76,772	7,882,599
Total Assets	1,393,157	1,653,666	4,759,004	76,772	7,882,599
Segment Liabilities	3,080,087	3,277,857	359,139	1,165,516	7,882,599
Total Equity and Reserves and Liabilities	3,080,087	3,277,857	359,139	1,165,516	7,882,599

Notes to the Financial statements for the year ended December 31, 2025

5. CASH AND RECEIVABLES FROM BANKS

Cash and bank accounts are initially recognized at fair value and are subsequently measured at amortized cost. Cash and cash equivalents include cash in hand, cash with the Croatian National Bank, placements with other banks with an original maturity of up to three months or less, and instruments in the offsetting and settlement process.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Cash in Hand				
Held by the Group/Bank	138,612	133,845	138,612	133,845
	138,612	133,845	138,612	133,845
Amounts Due from Banks				
Current Accounts with Domestic Banks	468	431	462	426
Current Accounts with Foreign Banks	12,154	9,917	12,154	9,917
Transaction Account with CNB	59,065	49,252	59,065	49,252
Other deposits with CNB	2,190,121	3,605,300	2,190,121	3,605,300
	2,261,808	3,664,900	2,261,802	3,664,895
Total	2,400,420	3,798,745	2,400,414	3,798,740

Notes to the Financial statements for the year ended December 31, 2025

6. LOANS TO AND RECEIVABLES FROM BANKS

Placements with banks are classified as loans and receivables and measured at amortized cost less expected credit losses.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Short-Term Placements with Foreign Banks	2,044	2,323	2,044	2,323
Total Short-Term Placements and Loans Banks	2,044	2,323	2,044	2,323
Long-Term Placements with Domestic Banks	2,600	-	2,600	-
Total Short-Term Placements and Loans Banks	2,600	-	2,600	-
Expected Credit Losses on loans to and receivables from banks	(173)	(39)	(173)	(39)
Accrued Interests Not Yet Due	20	-	20	-
Total Interests Receivable	20	-	20	-
Total	4,491	2,284	4,491	2,284

Movements in Expected Credit Losses

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Balance at January 1	39	55	39	55
Expected Credit Losses on Loans to and Receivables from Banks	134	(16)	134	(16)
Balance at December 31	173	39	173	39

All placements and loans to other banks of the Group and Bank are in stage 1 and during the year there were no transfers between stages.

Notes to the Financial statements for the year ended December 31, 2025**FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10)****a) Classification**

The Bank classifies all financial assets in terms of asset management business model, which is measured as follows:

- Amortized cost,
- Fair value through other comprehensive income (FVOCI),
- Fair value through profit and loss account (FVPL).

Financial liabilities, except liabilities based on loans with interest rates lower than market interest rates, financial guarantees and financial liabilities determined at fair value through the profit and loss account, are measured at amortized cost.

Business model assessment

The Bank and Group determine business models in a manner that best reflects management of financial assets group in order to achieve the business purpose.

Business models of the Bank and Group are not determined at individual level of each instrument, but at aggregate level of the group of the financial instruments.

Business model assessment is based on reasonably expected scenarios. If cash flows after initial recognition are realized in a manner different than the initially expected, the Bank do not change the classification of the remaining financial assets held in that business model, but in the future include new information into the assessment of newly approved or purchased financial assets.

In accordance with IFRS 9, the Bank and Group classify its financial assets in accordance with the following business models:

Business model with the purpose of holding the assets in order to collect contractual cash flows

Financial assets held within this business model are managed with the intent to generate cash flows by collecting contractual payments during the instrument's lifetime. The Bank manage the assets within the portfolio to collect certain cash flows (instead of managing the entire portfolio yield that is realized by holding and also by selling the assets).

Business model with the purpose of collecting cash flows and by selling the financial assets

Within this business model the Bank hold financial assets, which purpose is to collect contracted cash flows and also to sell the financial assets. Within this business model the key management personnel makes the decision that the goal of the business model is realized by collecting cash flows and by selling the financial assets. One of the goals of the business model is managing daily needs related to liquidity to keep a certain interest yield profile or that the duration of the financial assets corresponds to duration of liabilities financed by those assets.

Other business models

Financial assets are measured at fair value through profit and loss account if they are not held within the business model with the intent of holding financial assets to collect contracted cash flows or within the business model with the intent of collecting contracted cash flows and by selling financial assets. The business model which consequently has measurement at fair value through profit and loss account is the one within the Bank manage the financial assets with the intent of generating cash flows by selling the assets. The Bank make decision based on fair value of the assets and manage it to realize the fair value.

Financial Markets Division acquires different types of financial assets, whereby the intent for their acquisition is not unambiguous. Within the context of the IFRS 9 application the model of acquisition of financial assets and its placement within business models will be allocated between Financial Markets Division and Assets and Liabilities Management Office.

Notes to the Financial statements for the year ended December 31, 2025*FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)*

Financial Markets Division when deciding the acquisition of financial assets can place the stated into one of three business models as defined by IFRS 9. Financial Markets Division more closely describes with the Internal act conditions and manner of acquiring financial assets and its placement into each category in accordance with the chosen business model.

Assets and Liabilities Management committee makes decisions, on recommendation of Assets and Liabilities Management Office, on financial assets acquisitions within the business model holding to collect and sale. Investments related to this business model will arise from the Bank's investments into financial assets with the intent of liquidity management – general strategy. Transactions related to the stated business model are carried out by Financial Markets Division by directive from Assets and Liabilities Management Office. The Bank places financial instruments within this business model mainly with the purpose of keeping regulatory obligations and prescribed ratios or liquidity reserves in accordance with internal and external limits.

Solely Payments of Principal and Interest test (so called SPPI test)

As the next step of the classification process the Bank and Group assesses contracted conditions of financial assets in order to conclude whether the stated assets have contracted cash flows which are solely payments of principal and interest on unpaid amount of the principal. For purposes of applying this test, the 'principal' is fair value of financial assets at initial recognition, however that amount of the principal can be changed during the financial assets' lifetime (i.e. in case of paying off the principal). The interest covers the fee for time value of cash, for credit risk related to unpaid amount of the principal during certain period and other basic risks and loan cost and also for profit margin. In order to assess the SPPI test result, the Bank and Group apply assessment and take into consideration important factors such as the currency of financial assets.

If contracted cash flows of financial assets are not solely payments of principal and interest on unpaid amount of the principal, such financial assets are subsequently measured at fair value through profit and loss account.

Financial assets at fair value through profit and loss account

This category contains two subcategories: financial instruments held for trading (including derivative financial instruments) and financial instruments that have to be recognized at fair value through profit and loss account in accordance with IFRS 9. The Bank recognizes financial assets and liabilities at fair value through profit and loss account when:

- assets and liabilities are managed, measured or are internally presented at fair value,
- accounting mismatch is eliminated or significantly reduced by recognition, which would otherwise arise, or
- assets and liabilities contain certain derivative which significantly changes cash flows which would otherwise arise from the contract.

Financial assets at fair value through profit and loss account include equity securities, debt securities, shares in investment funds and derivative financial instruments held for trading.

Financial assets held for trading relate to assets purchased or issued mainly for transactions which realize profit in a short-term.

Changes in fair value of these assets are recognized through net income from trading.

Financial assets at amortized cost

The Bank and Group measure financial assets at amortized cost if both following conditions are met:

- financial assets are held within business model with the intent of holding financial assets in order to collect contracted cash flows,
- based on contracted terms of financial assets for certain dates, cash flows arise which are solely payments of principal and interest on unpaid amount of the principal.

Financial assets at amortized cost of the Bank and Group arise when the Bank and Group approve cash instruments to clients with no intention of trading with those receivables and include loans and receivables from banks, loans, and receivables from customers, as well as mandatory reserve at Croatian National Bank and debt securities.

Notes to the Financial statements for the year ended December 31, 2025**FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)***Financial assets at fair value through other comprehensive income*

Financial assets are measured at fair value through other comprehensive income only if both following conditions are met:

- financial assets are held within business model with the intention of collecting contracted cash flows and by selling the financial assets,
- based on contract terms of financial assets on certain dates arise cash flows which are solely payments of principal and interest on unpaid amount of the principal.

Gains and losses from financial assets measured at fair value through other comprehensive income are recognized through other comprehensive income, except for gains or losses from impairment and gains and losses from exchange rate differences, up to derecognition of financial assets or its reclassification. If financial assets were derecognized, the cumulative gains or losses previously recognized through other comprehensive income are reclassified from equity into profit and loss account as reclassification adjustment.

Interests calculated by the effective interest rate are recognized in the profit and loss account.

Investments in an equity instrument which are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, Bank may, at initial recognition, make an irrevocable election to present subsequent changes in the fair value in other comprehensive income. The election is possible for each separate investment. Subsequent changes in the fair value will be presented in other comprehensive income without option of recycling to profit or loss statement.

For these equity instruments Bank will in profit or loss statement recognize dividends from those investments if the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Other financial liabilities

Other financial liabilities cover all financial liabilities not measured at fair value through profit and loss account.

b) Recognition and Derecognition

Purchases and sales of financial assets and financial liabilities at fair value through profit and loss, financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are recognized on the settlement date.

The Bank and Group derecognizes financial instruments (in full or part) when the rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights over financial asset.

This occurs when the Bank and Group transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realized, surrendered, or have expired. At full derecognition of financial assets, the difference between book value (determined at derecognition date) and received consideration is recognized in the profit and loss account.

The Bank derecognize financial liabilities only when the financial liability ceases to exist, i.e., when it is discharged, cancelled, or has expired. If the terms of a financial liability change, the Bank and Group will cease recognizing that liability and will instantaneously recognize a new financial liability, with new terms and conditions.

Realized gains and losses from the disposal of financial instruments are calculated by using the weighted average cost method.

**Notes to the Financial statements** for the year ended December 31, 2025**FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)****c) Initial and Subsequent Measurement**

Financial asset and liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are initially recognized at acquisition cost and are subsequently measured applying internal models of fair value estimation.

Loans and receivables, investments held within "hold to collect" business model under condition that SPPI test is passed and financial liabilities not designated at fair value through profit or loss are measured at amortized cost.

Expected credit losses

The Bank and Group base its assessment of expected credit losses on loans on International Financial Reporting Standard 9 (IFRS 9), analysing quantitative and qualitative information.

The analysis of credit risk is comprehensive and is based on multiple indicators, for example, whether a certain indicator is important and whether its importance can be compared with other indicators depends on the type of product, characteristics of financial instruments, debtor, etc. However, some indicators cannot be determined on level of individual instruments, and in that case the Bank evaluates the indicators for the corresponding parts of the portfolio of financial instruments.

Furthermore, the credit quality analysis foresees for each reporting date a comparison of the credit quality of the financial instrument at the time of valuation and at the time of initial recognition or acquisition, all to determine whether the criteria for classification in "Level 2" are met.

The Bank differentiates the criteria in order to recognize significant increase in credit risk for different exposure portfolios. For retail and legal entities segments following criteria is in place:

- absolute triggers such as days past due, blocked account, lowest performing rating;
- quantitative trigger – PD deterioration since initial recognition,
- recognized early warning signs (EWS monitoring classification),
- approved forbearance measures,
- upgrade from default status.

Criteria for significant increase in credit risk for exposure towards sovereigns and banking financial institutions is deterioration in credit rating.

In addition, while estimating expected losses an important element is also including future factors through macroeconomic scenarios.

Key data for measuring expected credit losses are the following variables:

- o Probability of default (PD),
- o Loss given default (LGD),
- o Exposure at default (EAD).

Expected credit losses for exposures (ECL) in "Stage 2", that is lifetime expected credit losses are calculated as product of lifetime PD, LGD and EAD discounted at reporting date.

In 2023, with the merger of Nova Hrvatska banka, new central tendencies were calculated on the joint portfolio, which were used to calibrate the PD model for the retail and corporate segment (CORP S and CORP LM).

When calculating the lifelong PD for the retail and corporate segment, the Bank models the risk parameter PD based on transition matrices. The lifetime PD value is the cumulative value of the PD risk parameter limit values depending on the exposure tenor. Exposures to financial institutions and central governments use an external investment rating approach.

The LGD risk parameter is modelled based on the analysis of transactions with default status for exposures to legal entities and individuals. In 2023, a new LGD model was created for retail cash loans on a joint portfolio (HPB and NHB). The change relates to reconciliation of collection period with actual process with no material influence on financial statements. The modelling of the LGD risk parameter for exposures to central governments and financial institutions is based on historical

Notes to the Financial statements for the year ended December 31, 2025**FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)**

collection rates published by credit rating agencies.

Considering the criteria, it applies when estimating the recoverable amount of placements, the Bank divides placements into placements that belong to the portfolio of small loans and placements that do not belong to the portfolio of small loans.

Small loans portfolio placements are total placements and off-balance liabilities to one customer or group of related persons for which the total balance is in the gross amount (without impairment or provision) at estimation date lower than EUR 150,000.00.

Modelling of the EAD risk parameter, that is exposure at default depends on the profile of repayment. Calculation of exposure at default is generated monthly and summed annually where necessary.

When estimating expected credit losses for off-balance liabilities, conversion factor 1 is used.

Expected credit losses on individual basis

The recoverable amount of placements that are not classified within the small loan portfolio of the Bank is estimated on an individual basis according to the following criteria:

- debtor's creditworthiness,
- debtor's timeliness in meeting their obligations, and
- collateral quality.

In this respect, credit rating of the debtor and/ or other parties in the loan business (guarantors, co-debtors etc.) is taken into account, as well as days-past-due in debt settlement and type and appraised value of the available collateral. By taking this into consideration, as well as other available information, including info on significant increase in credit risk, the Bank estimates loan recoverability by evaluating future cash flows arising from the placement, which are discounted and compared with placement's book value. Required impairments are determined in this way. Bank complies with regulations from Decision on the classification of exposures into risk categories and the method of determining credit losses with respect to procedures for restructured placements, placements whose repayment is based on collateral, placements that are not secured by adequate collateral, as well as other regulations regarding eligibility of collateral and appropriate discount factors used for impairment calculations.

Expected credit losses on portfolio basis

The Bank estimates the recoverable amount of exposures that are classified on a portfolio basis by having regard principally to the debtors' timeliness in meeting their obligations. In arriving at the recoverable amount, the present value of future cash flows from the placements is estimated by reducing the principal by reference to the loan type and the number of days in default.

d) Determination of Fair Value of Financial Instruments

The fair value of quoted financial assets in an active market is based on their closing price. If there is no active market for the financial instrument, or if, due to any other reason, the fair value cannot be reliably measured by the market price, the Bank uses an internal evaluation model for fair value estimation. Such models include the use of prices achieved in recent transactions, by reference to similar financial instruments, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments at fair value through the profit and loss account and financial assets at fair value through other comprehensive income are valued at fair value. Loans and receivables and investments valued at amortized cost are reported at amortized cost less value adjustments. Financial assets at fair value through the profit and loss account and

**Notes to the Financial statements** for the year ended December 31, 2025**FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)**

financial assets at fair value through other comprehensive income are stated at fair values derived from quoted prices of those instruments on active markets. Financial liabilities at fair value through the profit and loss account are stated at fair values calculated based on the available terms of those instruments.

In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account as they value the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these separate financial reports is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of derivative instruments that are not traded is estimated based on the amount of receipts or expenses that the Bank and Group would incur in the event of the sale of the contract on the date of financial reports preparation, taking into account current market conditions, own credit risk and the creditworthiness of other contracting parties.

e) Reclassification

When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. Bank does not reclassify financial liabilities. Reclassifications between categories depend on the category in which the financial instrument was initially recognized. If the Bank reclassifies financial assets in accordance, it will apply the reclassification prospectively from the reclassification date. The Bank will not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the

Notes to the Financial statements for the year ended December 31, 2025**FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)**

measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Other financial instruments

Other financial instruments*Treasury Bills and Debt Securities*

Treasury bills and debt securities that the Bank holds for the purpose of short-term profit taking are classified as at fair value through profit or loss. If the intention is to collect contractual cash flows for the purpose of long-term profit taking, financial assets are classified as assets at fair value through other comprehensive income and are valued at fair value. Treasury bills and debt securities that the Bank has the intent and ability to hold to maturity are classified as held to maturity assets.

Equity Securities and Investments in Open-End Investment Funds

Equity securities and investments in open-ended investment funds are classified as at fair value through profit or loss or as assets at fair value through other comprehensive income.

Notes to the Financial statements for the year ended December 31, 2025

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Trading Instruments				
Traesury bills of the Ministry of Finance	397	-	397	-
Bonds of the Ministry of Finance	31,033	35,122	31,033	35,122
Corporate bonds and commercial bills	3,362	3,210	3,260	3,104
Listed Debt Securities	34,792	38,332	34,690	38,226
Listed Shares of Investment Funds	24,196	22,305	24,196	22,305
Listed Equity Securities	5,350	5,182	5,350	5,182
	64,338	65,819	64,236	65,713
Fair value of exchange contracts	151	-	151	-
Loans and receivables from customers				
- retail	500	498	500	498
	500	498	500	498
Accrued Interests Not Yet Due	269	302	269	302
Total	65,258	66,619	65,156	66,513

Notes to the Financial statements for the year ended December 31, 2025

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Equity securities Not Listed				
- Corporate	227	5,231	227	5,231
- Foreign Corporate	4,903	-	4,903	-
	5,130	5,231	5,130	5,231
Listed Equity Securities				
- Corporate	683	231	683	231
	683	231	683	231
Total	5,813	5,462	5,813	5,462

On December 31, 2025, the Bank and the Group did not have debt securities from the portfolio that is valued through other comprehensive income.

Notes to the Financial statements for the year ended December 31, 2025

9. FINANCIAL ASSETS AT AMORTIZED COST

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Bonds of Ministry of Finance	1,487,817	783,468	1,487,817	783,468
Treasury bills of Ministry of Finance	455,999	98,574	455,999	98,574
Treasury bills of foreign states	196,550	98,664	196,550	98,664
Bonds of other financial institutions	27,456	24,956	27,456	24,956
Foreign Bank Bonds	10,000	10,000	10,000	10,000
Corporative Bonds	10,189	10,178	10,189	10,178
Bills of Exchange	-	250	-	250
	2,188,011	1,026,090	2,188,011	1,026,090
FV adjustment due to hedge accounting	(6,210)	-	(6,210)	-
Accrued interest	18,386	7,489	18,386	7,489
Provisions for stage 1 and 2	(2,743)	(1,320)	(2,743)	(1,320)
Total	2,197,444	1,032,259	2,197,444	1,032,259

Movement in Expected Credit Losses for Financial Assets at Amortized Cost

GROUP EUR '000	2025			2024		
	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Ukupno
Balance at January 1	-	1,320	1,320	-	1,370	1,370
Increase/ (Decrease) of expected credit losses	-	1,423	1,423	-	(50)	(50)
Balance at December 31	-	2,743	2,743	-	1,320	1,320

BANK EUR '000	2025			2024		
	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Ukupno
Balance at January 1	-	1,320	1,320	-	1,371	1,371
Increase/ (Decrease) of expected credit losses	-	1,423	1,423	-	(51)	(51)
Balance at December 31	-	2,743	2,743	-	1,320	1,320

Notes to the Financial statements for the year ended December 31, 2025

9. FINANCIAL ASSETS AT AMORTIZED COST (continued)

GROUP EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	1,033,579	-	-	1,033,579
Purchased new assets – derecognized or paid off assets (excluding write-offs)	1,166,608	-	-	1,166,608
Balance at 31 December 2025	2,200,187	-	-	2,200,187
Expected Credit Losses at 1 January 2025	(1,320)	-	-	(1,320)
Purchased new assets – derecognized or paid off assets (excluding write-offs)	(1,423)	-	-	(1,423)
Expected Credit Losses at 31 December 2025	(2,743)	-	-	(2,743)

GROUP EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	856,977	251	-	857,228
Purchased new assets – derecognized or paid off assets (excluding write-offs)	176,602	(251)	-	176,351
Balance at 31 December 2024	1,033,579	-	-	1,033,579
Expected Credit Losses at 1 January 2024	(1,354)	(17)	-	(1,371)
Purchased new assets – derecognized or paid off assets (excluding write-offs)	34	17	-	51
Expected Credit Losses at 31 December 2024	(1,320)	-	-	(1,320)

Notes to the Financial statements for the year ended December 31, 2025

9. FINANCIAL ASSETS AT AMORTIZED COST (continued)

BANK EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	1,033,579	-	-	1,033,579
Purchased new assets – derecognized or paid off assets (excluding write-offs)	1,166,608	-	-	1,166,608
Balance at 31 December 2025	2,200,187	-	-	2,200,187
Expected Credit Losses at 1 January 2025	(1,320)	-	-	(1,320)
Purchased new assets – derecognized or paid off assets (excluding write-offs)	(1,423)	-	-	(1,423)
Expected Credit Losses at 31 December 2025	(2,743)	-	-	(2,743)

BANK EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	856,977	251	-	857,228
Purchased new assets – derecognized or paid off assets (excluding write-offs)	176,602	(251)	-	176,351
Balance at 31 December 2024	1,033,579	-	-	1,033,579
Expected Credit Losses at 1 January 2024	(1,354)	(17)	-	(1,371)
Purchased new assets – derecognized or paid off assets (excluding write-offs)	34	17	-	51
Expected Credit Losses at 31 December 2024	(1,320)	-	-	(1,320)

Notes to the Financial statements for the year ended December 31, 2025

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS

Loans to customers are presented using the effective interest rate and net of losses for expected credit losses. Purchased loans for which the Bank intends to collect contracted cash flows are classified as assets measured at amortized cost. In accordance with the CNB requirements, amortization of discounted expected cash flows from collection is presented in impairment losses of loans and receivables from customers.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Short-Term Loans				
Corporate	131,553	165,115	131,553	165,115
Retail	60,800	65,051	60,800	65,051
Total Short-Term Loans	192,353	230,166	192,353	230,166
Long-Term Loans				
Corporate	1,725,556	1,200,053	1,725,556	1,200,053
Retail	1,947,533	1,612,198	1,947,533	1,612,198
Total Long-Term Loans	3,673,089	2,812,251	3,673,089	2,812,251
FV adjustment due to hedge accounting	(32)	-	(32)	-
Accrued Interests Due	9,952	9,692	9,952	9,692
Accrued Interests Not Yet Due	6,103	7,011	6,103	7,011
Total Gross Loans	3,881,465	3,059,120	3,881,465	3,059,120
Expected credit losses for stage 3	(141,920)	(141,245)	(141,920)	(141,245)
Expected credit losses for stage 1 and 2	(44,359)	(49,174)	(44,359)	(49,174)
Total expected credit losses	(186,279)	(190,419)	(186,279)	(190,419)
Total Net Loans	3,695,186	2,868,701	3,695,186	2,868,701
Percentage share of provisions for expected credit losses and reserves in gross loans to customers	4.80%	6.22%	4.80%	6.22%

Notes to the Financial statements for the year ended December 31, 2025

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

Analysis of gross exposure and expected credit losses for the Group and Bank in 2025 was as follows:

GROUP EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2025	2,387,009	471,690	182,968	17,453	3,059,120
New exposures	1,586,198	-	-	179	1,586,377
Derecognized or paid off assets (excluding write-offs)	(383,124)	(86,906)	(24,240)	(1,738)	(496,008)
Transfer into Stage 1	125,125	(123,606)	(1,519)	-	-
Transfer into Stage 2	(286,497)	293,746	(7,249)	-	-
Transfer into Stage 3	(17,627)	(30,657)	48,284	-	-
Change in exposures	(190,328)	(56,477)	(16,282)	(605)	(263,692)
Write-offs	-	-	(1,530)	(2,802)	(4,332)
Balance at 31 December 2025	3,220,756	467,790	180,432	12,487	3,881,465
Expected credit losses at 1 January 2025	(14,524)	(34,650)	(141,245)	-	(190,419)
New exposures	(16,732)	-	-	-	(16,732)
Derecognized or paid off assets (excluding write-offs)	2,812	5,320	21,079	-	29,211
Transfer into Stage 1	(8,779)	7,973	806	-	-
Transfer into Stage 2	5,874	(10,057)	4,183	-	-
Transfer into Stage 3	3,113	3,084	(6,197)	-	-
Change in expected credit loss	10,379	1,828	(22,382)	-	(10,175)
Write-offs	-	-	4,332	-	4,332
Unwinding	-	-	(2,496)	-	(2,496)
Expected credit losses at 31 December 2025	(17,857)	(26,502)	(141,920)	-	(186,279)

Notes to the Financial statements for the year ended December 31, 2025

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

BANK EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2025	2,387,009	471,690	182,968	17,453	3,059,120
New exposures	1,586,198	-	-	179	1,586,377
Derecognized or paid off assets (excluding write-offs)	(383,124)	(86,906)	(24,240)	(1,738)	(496,008)
Transfer into Stage 1	125,125	(123,606)	(1,519)	-	-
Transfer into Stage 2	(286,497)	293,746	(7,249)	-	-
Transfer into Stage 3	(17,627)	(30,657)	48,284	-	-
Change in exposures	(190,328)	(56,477)	(16,282)	(605)	(263,692)
Write-offs	-	-	(1,530)	(2,802)	(4,332)
Balance at 31 December 2025	3,220,756	467,790	180,432	12,487	3,881,465
Expected credit losses at 1 January 2025	(14,524)	(34,650)	(141,245)	-	(190,419)
New exposures	(16,732)	-	-	-	(16,732)
Derecognized or paid off assets (excluding write-offs)	2,812	5,320	21,079	-	29,211
Transfer into Stage 1	(8,779)	7,973	806	-	-
Transfer into Stage 2	5,874	(10,057)	4,183	-	-
Transfer into Stage 3	3,113	3,084	(6,197)	-	-
Change in expected credit loss	10,379	1,828	(22,382)	-	(10,175)
Write-offs	-	-	4,332	-	4,332
Unwinding	-	-	(2,496)	-	(2,496)
Expected credit losses at 31 December 2025	(17,857)	(26,502)	(141,920)	-	(186,279)

Notes to the Financial statements for the year ended December 31, 2025

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

GROUP EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	2,410,281	474,924	255,160	10,657	3,151,022
New exposures	755,787	-	-	19,483	775,270
Derecognized or paid off assets (excluding write-offs)	(431,665)	(56,145)	(36,308)	(2,260)	(526,378)
Transfer into Stage 1	160,492	(153,861)	(6,631)	-	-
Transfer into Stage 2	(292,409)	303,388	(10,979)	-	-
Transfer into Stage 3	(23,591)	(34,780)	58,371	-	-
Change in exposures	(191,886)	(61,836)	(22,518)	11,122	(265,118)
Write-offs	-	-	(54,127)	(21,549)	(75,676)
Balance at 31 December 2024	2,387,009	471,690	182,968	17,453	3,059,120
Expected credit losses at 1 January 2024	(16,584)	(31,744)	(192,759)	-	(241,087)
New exposures	(21,849)	-	-	-	(21,849)
Derecognized or paid off assets (excluding write-offs)	4,430	3,276	40,810	-	48,516
Transfer into Stage 1	(10,495)	9,526	969	-	-
Transfer into Stage 2	8,136	(12,714)	4,578	-	-
Transfer into Stage 3	10,521	3,263	(13,784)	-	-
Change in expected credit loss	11,317	(6,257)	(45,277)	-	(40,217)
Write-offs	-	-	72,649	-	72,649
Unwinding	-	-	(8,431)	-	(8,431)
Expected credit losses at 31 December 2024	(14,524)	(34,650)	(141,245)	-	(190,419)

Notes to the Financial statements for the year ended December 31, 2025

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

BANK EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	2,410,281	474,924	255,160	10,657	3,151,022
New exposures	755,787	-	-	19,483	775,270
Derecognized or paid off assets (excluding write-offs)	(431,665)	(56,145)	(36,308)	(2,260)	(526,378)
Transfer into Stage 1	160,492	(153,861)	(6,631)	-	-
Transfer into Stage 2	(292,409)	303,388	(10,979)	-	-
Transfer into Stage 3	(23,591)	(34,780)	58,371	-	-
Change in exposures	(191,886)	(61,836)	(22,518)	11,122	(265,118)
Write-offs	-	-	(54,127)	(21,549)	(75,676)
Balance at 31 December 2024	2,387,009	471,690	182,968	17,453	3,059,120
Expected credit losses at 1 January 2024	(16,584)	(31,744)	(192,759)	-	(241,087)
New exposures	(21,849)	-	-	-	(21,849)
Derecognized or paid off assets (excluding write-offs)	4,430	3,276	40,810	-	48,516
Transfer into Stage 1	(10,495)	9,526	969	-	-
Transfer into Stage 2	8,136	(12,714)	4,578	-	-
Transfer into Stage 3	10,521	3,263	(13,784)	-	-
Change in expected credit loss	11,317	(6,257)	(45,277)	-	(40,217)
Write-offs	-	-	72,649	-	72,649
Unwinding	-	-	(8,431)	-	(8,431)
Expected credit losses at 31 December 2024	(14,524)	(34,650)	(141,245)	-	(190,419)

**Notes to the Financial statements** for the year ended December 31, 2025**11. HEDGE ACCOUNTING****Hedge accounting**

The bank applies the IFRS 9 requirements for hedge accounting. Hedge accounting is applied on a voluntary basis for each individual hedging case, and prospectively from the moment the relationship between the hedging instrument and the exposure being hedged is established (taking into account the necessary criteria including expected effectiveness). Once the relationship is formally established and the necessary criteria are met, hedge accounting must continue to be applied and can only be discontinued under certain conditions outlined in paragraph 6.5.6 of IFRS 9.

Hedging instruments

The bank uses derivatives as hedging instruments. Derivatives are mandatorily measured and valued at fair value through profit or loss. For hedge accounting purposes, in accordance with IFRS 9, point 6.2.3, only a derivative resulting from a contract with an external third party can be used as a hedging instrument. For the purpose of interest rate risk hedging, the bank uses an interest rate swap as a hedging instrument.

Exposures subject to hedging – Hedged items

Before a relationship is established between a hedging instrument and a hedged item, the Bank considers whether the exposure items intended to be hedged are eligible for the intended type of hedge under IFRS. An eligible exposure subject to the planned hedge may be a recognized asset or liability of the Bank, relating to a single item, a group of items, or a specific component of a single item or group of items.

In the case where only a portion of an exposure, or a component of an exposure or liability, is identified as the hedged item, the Bank meets the criteria outlined in point 6.3.7 of IFRS 9, defining the risk component that comprises only specifically identified cash flows included in the hedging relationship for hedge accounting purposes. Such a risk component must be separately identifiable and capable of being measured reliably.

Hedge of individual items

The bank applies the requirements of IFRS 9 (paragraph 6.4.1) when establishing a hedge relationship for individual items of assets or liabilities, in such a way that:

- the hedge relationship consists exclusively of an eligible hedging instrument and an eligible hedged item,
- there is formally prepared documentation when establishing each individual relationship, showing the mentioned relationship, the risk management objective, and the hedging strategy,
- the hedge relationship meets all criteria for effectiveness.

The bank continuously assesses the effectiveness of hedging to confirm that the hedge is highly effective, either at the end of the reporting period or when there is a significant change in the conditions affecting the hedging relationship. The effectiveness assessment is not conducted through a retrospective effectiveness test, but is based on future expectations related to effectiveness and may include statistical methods as well as qualitative evaluation.

The method for assessment is described in the documentation when establishing an individual relationship. Regardless, ineffectiveness is measured during each reporting period and is directly recognized in the profit or loss account.

The bank can establish all types of hedge accounting, which includes fair value hedging (recognition and measurement in accordance with paragraph 6.5.8), cash flow hedging (recognition and measurement in accordance with paragraph 6.5.11), and net investment hedging (recognition and measurement in accordance with paragraph 6.5.13).

Notes to the Financial statements for the year ended December 31, 2025

11. HEDGE ACCOUNTING (continued)

If the hedge relationship no longer meets the required effectiveness criteria, the bank rebalances it by:

- changing the weight related to the hedged item through an increase or decrease in volume and/or
- changing the weight related to the hedging instrument through an increase or decrease in volume.

The bank cannot unilaterally terminate a formed hedge accounting relationship, but only if the initial risk management objectives related to the hedge cease to be satisfied. In that case, the hedge relationship stops being recognized from the termination date.

Through the established process of identifying and measuring the risks to which it is exposed in its portfolio, the bank determines its exposure to interest rate risk in the bank's book, monitoring these values within the risk appetite framework and in accordance with the regulatory approach based on the supervisory stress test of atypical values. Based on the bank's business strategy, which includes increased lending to households and investments in long-term fixed assets, a significant exposure to interest rate risk has been identified in the bank's book, which needs to be reduced using hedge accounting techniques to achieve a level of risk exposure within regulatory and internal limits. Hedge accounting represents a risk mitigation technique that involves entering into derivative financial instruments, specifically an interest rate swap.

The type and purpose of hedging is to protect the fair value of certain items of financial assets with a fixed interest rate measured at amortized cost. The hedging instruments are interest rate swap contracts in which it is agreed that the Bank pays a fixed interest rate and receives a variable one.

Hedging instruments (in euro thousands)

Hedging instruments	Notional amount	Fair value	Interest receivable	Hedge accounting - total assets	Interest payable	Maturity
Interest rate swap	171,000	3,471	883	4,354	1,693	Over 5 years
Interest rate swap	381,000	2,993	2,517	5,510	2,688	1 - 5 years
Total	552,000	6,464	3,400	9,864	4,381	

Hedged items (in euro thousands)

Hedged items	Hedged amount	Fair value	Hedging period	Type of asset in statement of financial position
Bond	170,000	(3,298)	Over 5 years	Debt securities at Amortized Cost
Bond	381,000	(2,912)	1 - 5 years	Debt securities at Amortized Cost
Loan layer	1,000	(32)	Over 5 years	Loans and Receivables from customers
Total	552,000	(6,243)		

Notes to the Financial statements for the year ended December 31, 2025

11. HEDGE ACCOUNTING (continued)

Income and expenses arising from hedge accounting (in euro thousands):

	Hedge instrument	Hedge items	Total
Interest income	3,916	-	3,916
Interest expense	(4,381)	-	(4,381)
Fair value change	6,464	(6,243)	221
Total	5,998	(6,243)	(244)

12. INVESTMENTS IN SUBSIDIARIES

Subsidiaries

Subsidiaries are all the companies managed by the Bank. Subsidiaries are consolidated, i.e. they cease to be consolidated from the moment the Bank acquires or loses control over them. Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date on which the Bank acquired control until the date of termination of control. In separate financial reports of the Bank, investments into subsidiaries are stated at acquisition cost less impairment, if any. Accounting policies of subsidiaries are adjusted as needed to ensure accordance with the Group's policies.

a) The Bank's subsidiaries are as follows:

	Industry	State	Ownership on December 31, 2025	Ownership on December 31, 2024
HPB Invest Ltd.	Investment Fund Management	Croatia	100%	100%
HPB-nekretnine Ltd.	Real Estate Agency and Construction	Croatia	100%	100%

b) Investments in Subsidiaries that are fully consolidated in financial reports of the Group, are as follows:

	2025 EUR '000	2024 EUR '000
HPB Invest Ltd.	863	863
HPB-nekretnine Ltd.	632	632
Total	1,495	1,495

Notes to the Financial statements for the year ended December 31, 2025

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE

Property and equipment are tangible assets that are held for use in the supply of services or other administrative purposes.

Recognition and Measurement

An item of property whose fair value can be measured reliably is subsequently carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The fair value of land and buildings is determined by the independent professional valuator.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset. Depreciation is recognized in the P&L report on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

Equipment is measured at cost, less accumulated depreciation and accumulated impairment losses.

The estimated useful lives are as follows

	2025	2024
Buildings	40 years	40 years
Computers	3 years	3 years
Furniture and Equipment	2-4 years	2-4 years
Motor Vehicles	5 years	5 years
Other Assets*	10 years	10 years
Leasehold improvements**	4-10 years	4-10 years

* Other assets refer to air conditioning and heating equipment

** Leasehold improvements are amortized in line with the duration of lease contract, average period of amortization is 5 to 7 years

Depreciation methods and useful lives are reassessed at reporting date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the Profit and Loss Statement.

Impairment of Non-Financial Assets

The recoverable amount of property and equipment, investment property and intangible assets is the higher of the 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"). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Notes to the Financial statements for the year ended December 31, 2025

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

GROUP					Right of Use		Total
	2025 EUR '000	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improve- ments	Assets Under Construc- tion	Land and Buildings	
Gross book value							
Balance at January 1, 2025	49,458	42,997	13,860	1,721	24,038	2,825	134,899
Increase / Revaluation	1,686	-	-	-	-	-	1,686
Additions	-	-	-	6,344	8,374	1,477	16,195
Write-offs and other reductions	(141)	(2,009)	(353)	-	(3,433)	(371)	(6,307)
Transferred into Use	1,080	2,213	1,779	(5,072)	-	-	-
Balance at December 31, 2025	52,083	43,201	15,286	2,993	28,979	3,931	146,473
Accumulated Depreciation and Impairment							
Balance at January 1, 2025	(20,570)	(35,519)	(11,792)	-	(14,306)	(1,411)	(83,598)
Depreciation Cost	(1,053)	(3,304)	(686)	-	(2,727)	(538)	(8,308)
Impairment	(525)	-	-	-	-	-	(525)
Write offs	31	1,956	322	-	631	148	3,088
Balance at December 31, 2025	(22,117)	(36,867)	(12,156)	-	(16,402)	(1,801)	(89,343)
Net Book Value							
Balance at January 1, 2025	28,888	7,478	2,068	1,721	9,732	1,414	51,301
Balance at December 31, 2025	29,966	6,334	3,130	2,993	12,577	2,130	57,130

Notes to the Financial statements for the year ended December 31, 2025

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

GROUP 2024 EUR '000	GROUP				Right of Use		Total
	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improvements	Assets Under Construction	Land and Buildings	Computers, equipment and motor vehicles	
Gross book value							
Balance at January 1, 2024	52,189	39,391	13,836	1,303	24,540	5,832	137,091
Increase / Revaluation	-	-	-	-	-	-	-
Additions	-	-	-	5,705	6,381	1,061	13,147
Write-offs and other reductions	(3,213)	(861)	(314)	-	(6,883)	(4,068)	(15,339)
Transferred into Use	482	4,467	338	(5,287)	-	-	-
Balance at December 31, 2024	49,458	42,997	13,860	1,721	24,038	2,825	134,899
Accumulated Depreciation and Impairment							
Balance at January 1, 2024	(20,707)	(33,344)	(11,297)	-	(13,111)	(3,390)	(81,849)
Depreciation Cost	(1,010)	(2,980)	(758)	-	(2,586)	(596)	(7,930)
Write-offs	1,147	805	263	-	1,391	2,575	6,181
Balance at December 31, 2024	(20,570)	(35,519)	(11,792)	-	(14,306)	(1,411)	(83,598)
Net Book Value							
Balance at January 1, 2024	31,482	6,047	2,539	1,303	11,429	2,442	55,242
Balance at December 31, 2024	28,888	7,478	2,068	1,721	9,732	1,414	51,301

Assets under construction as of 31 December 2025 refer to investments in equipment and construction objects at purchase cost of EUR 2,958 thousand (2024: EUR 1,721 thousand). The carrying amount of the land owned by the Group as of December 31, 2025, amounts to EUR 2,413 thousand (2024: EUR 2,289 thousand).

Notes to the Financial statements for the year ended December 31, 2025

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

BANK 2025 EUR '000					Right of Use		Total
	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improvements	Assets Under Construction	Land and Buildings	Computers, equipment and motor vehicles	
Gross book value							
Balance at January 1, 2025	44,567	42,931	13,331	1,717	23,925	2,886	129,357
Increase / Revaluation of land	1,688	-	-	-	-	-	1,688
Additions	-	-	-	6,316	8,334	1,477	16,127
Write-offs and other reductions	(141)	(2,009)	(353)	-	(3,375)	(300)	(6,178)
Transferred into Use	1,080	2,188	1,779	(5,047)	-	-	-
Balance at December 31, 2025	47,194	43,110	14,757	2,986	28,884	4,063	140,994
Accumulated Depreciation and Impairment							
Balance at January 1, 2025	(15,679)	(35,465)	(11,264)	-	(14,267)	(1,471)	(78,146)
Depreciation Cost	(1,019)	(3,290)	(686)	-	(2,705)	(538)	(8,238)
Impairment	(525)	-	-	-	-	-	(525)
Write offs	31	1,956	322	-	580	48	2,937
Balance at December 31, 2025	(17,192)	(36,799)	(11,628)	-	(16,392)	(1,961)	(83,972)
Net Book Value							
Balance at January 1, 2025	28,888	7,466	2,067	1,717	9,658	1,415	51,211
Balance at December 31, 2025	30,002	6,311	3,129	2,986	12,492	2,102	57,022

Notes to the Financial statements for the year ended December 31, 2025

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

BANK 2024 EUR '000	BANK				Right of Use		Total
	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improvements	Assets Under Construction	Land and Buildings	Computers, equipment and motor vehicles	
Gross book value							
Balance at January 1, 2024	47,298	39,329	13,307	1,303	24,301	5,822	131,360
Additions	-	-	-	5,693	6,311	1,061	13,065
Write-offs and other reductions	(3,213)	(857)	(314)	-	(6,687)	(3,997)	(15,068)
Transferred into Use	482	4,459	338	(5,279)	-	-	-
Balance at December 31, 2024	44,567	42,931	13,331	1,717	23,925	2,886	129,357
Accumulated Depreciation and Impairment							
Balance at January 1, 2024	(15,816)	(33,299)	(10,768)	-	(12,993)	(3,379)	(76,255)
Depreciation Cost	(1,010)	(2,967)	(758)	-	(2,561)	(567)	(7,863)
Write-offs	1,147	801	262	-	1,287	2,475	5,972
Balance at December 31 2024	(15,679)	(35,465)	(11,264)	-	(14,267)	(1,471)	(78,146)
Net Book Value							
Balance at January 1, 2024	31,482	6,030	2,539	1,303	11,308	2,443	55,105
Balance at December 31, 2024	28,888	7,466	2,067	1,717	9,658	1,415	51,211

Assets under constructions as at 31 December 2025 relate to investments in equipment and buildings at a cost of EUR 2.986 thousand (2024: EUR 1,717 thousand). The carrying amount of land owned by the Bank as of December 31, 2025 was EUR 2,413 thousand (2024: EUR 2,289 thousand).

There is no mortgage or other lien on the property owned by the Bank in favor of other parties.

Right of Use Asset (RoU) as of 31 December 2025 amounted to EUR 14,596 thousand (2024: EUR 11,073 thousand). Assets with the right of use are recognized in the Bank's functional currency and depreciated on a straight-line basis over the term of the lease.

Notes to the Financial statements for the year ended December 31, 2025

14. INVESTMENT PROPERTY

Investment property

Investment properties include the Bank's investments in real estate with the intention of making a profit on the increase in value and / or earning from the lease. Real estate investments are initially recognized at cost, including transaction costs. All investments in real estate are valued at fair value. The fair value of such assets is estimated annually based on an independent valuer's estimate or based on internal analysis of movement of market indicators for respective assets and any gain or impairment loss from the change in fair value is recognized in the income statement as occurred. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Repossessed asset in exchange for uncollected receivables

The Bank and Group initially recognize repossessed asset in accordance with IAS 40 "Investment Property" and account for it as described in part Investment property. In case that repossessed asset will be intended for sale and it meet the criteria of relevant IFRS 5 "Non-current Assets Held for Sale", the asset will be recognized and accounted for as long-term tangible asset held for sale.

Only exceptionally, if repossessed asset will be used in regular business activities of the Bank and the Group, it can be decided, at acquisition, that the asset will be put in use and accounted for in accordance with IAS 16 "Property, plant and equipment", as described in part Property and Equipment.

At initial recognition of repossessed asset in exchange for uncollected receivables, the acquisition cost will be considered the lower amount between the net book value of the financial asset, whereby the foreclosed asset or the asset received for the purpose of debt payment was considered collateral and the fair value of the acquired asset minus the costs of sale.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Balance at January 1	4,826	5,872	4,386	5,468
Additions	475	181	475	145
Sale	(715)	(1,227)	(275)	(1,227)
Balance at December 31	4,586	4,826	4,586	4,386

Notes to the Financial statements for the year ended December 31, 2025**14. INVESTMENT PROPERTY** (continued)

Assets taken over in exchange for uncollected receivables classified as investments in real estate as at 31.12.2024 has a gross book value of EUR 15,111 thousand (2024: EUR 15,189 thousand). The value adjustment based on the assessment of value with the application of the discount factor of marketability related to real estate investment amounts to EUR 10,525 thousand (2024: EUR 10,803 thousand), so the net book value of these assets amounts to EUR 4,586 thousand (2024: EUR 4,386 thousand).

As of December 31, 2025, and December 31, 2024, all assets are in level 3 of the hierarchy of fair value measure. During the year there were no items that would be reclassified from level 3 indicator to level 1 indicator or vice versa by hierarchy of fair value measures. Rental income amounted to EUR 183 thousand (2024: EUR 181 thousand). The maintenance costs of the acquired property in 2025 amounted to EUR 34 thousand (2024: EUR 57 thousand). The description of the valuation of investment property is presented in Note 3.

Disclosure of the investment valuation in real estate is presented in Note 3. Property is assessed in accordance with the Real Estate Estimates Act (OG 78/2015) and the related Rulebook on real estate valuation methods (OG 105/2015), according to law prescribed and appropriate methods consideration is given to a number of factors in determining its current market value. The valuation method has not changed during the year.

15. INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment. Development costs are capitalized if all the requirements specified in IAS 38 "Intangible Assets" are met.

The Bank and Group intends to capitalize internal employee project costs in the future under a condition of meeting requirements by the IAS 38. Durability of the mentioned intangible assets will correspond to the estimated useful life and its future economic benefits.

Amortization is provided on a straight-line basis over the estimated useful life of an intangible asset. Maintenance costs are recognized as an expense when they are incurred.

Amortization methods and useful lives are reassessed at reporting date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the Profit and Loss Statement.

Amortization of intangible assets is provided on a straight-line basis over the estimated useful life of an asset as follows:

	2025,	2024,
Software	3-10 years	3-10 years
Licences	3-10 years	3-10 years

Notes to the Financial statements for the year ended December 31, 2025

15. INTANGIBLE ASSETS (continued)

GROUP					
2025 EUR '000	Software	Licenses	Assets Under Construction	Goodwill	Total
Gross book value					
Balance as at January 1	75,859	12,584	2,363	2	90,808
Net increase	-	-	10,135	-	10,135
Transferred into Use	3,442	1,623	(5,065)	-	-
Write-offs	(451)	(150)	-	-	(601)
Balance as at December 31	78,850	14,057	7,433	2	100,342
Accumulated Amortization and Impairment					
Balance as at January 1	(65,136)	(10,760)	-	-	(75,896)
Depreciation cost	(4,451)	(972)	-	-	(5,423)
Write-offs	489	150	-	-	639
Balance as at December 31	(69,098)	(11,582)	-	-	(80,680)
Net Book Value					
Balance as at January 1	10,723	1,824	2,363	2	14,912
Balance as at December 31	9,752	2,475	7,433	2	19,662

Notes to the Financial statements for the year ended December 31, 2025

15. INTANGIBLE ASSETS (continued)

GROUP					
2024 EUR '000	Software	Licenses	Assets Under Construction	Goodwill	Total
Gross book value					
Balance as at January 1	69,520	12,117	3,478	2	85,117
Net increase	-	-	5,729	-	5,729
Transferred into Use	6,377	467	(6,844)	-	-
Write-offs	(38)	-	-	-	(38)
Balance as at December 31	75,859	12,584	2,363	2	90,808
Accumulated Amortization and Impairment					
Balance as at January 1	(60,680)	(9,813)	-	-	(70,493)
Depreciation cost	(4,494)	(947)	-	-	(5,441)
Write-offs	38	-	-	-	38
Balance as at December 31	(65,136)	(10,760)	-	-	(75,896)
Net Book Value					
Balance as at January 1	8,840	2,304	3,478	2	14,624
Balance as at December 31	10,723	1,824	2,363	2	14,912

Assets under construction as of December 31, 2025, refers to investments into the application software and licenses at purchased cost in the amount of EUR 7.430 thousand (2024: EUR 2.363 thousand), which are under construction due to future use by the Group.

Notes to the Financial statements for the year ended December 31, 2025

15. INTANGIBLE ASSETS (continued)

BANK				
2025 EUR '000	Software	Licenses	Assets Under Construction	Total
Gross book value				
Balance as at January 1	74,607	12,584	2,363	89,554
Net increase	-	-	10,132	10,132
Transferred into Use	3,442	1,623	(5,065)	-
Write-offs	(451)	(150)	-	(601)
Balance as at December 31	77,598	14,057	7,430	99,085
Accumulated Amortization and Impairment				
Balance as at January 1	(63,882)	(10,761)	-	(74,643)
Depreciation cost	(4,449)	(972)	-	(5,421)
Write-offs	489	150	-	639
Balance as at December 31	(67,842)	(11,583)	-	(79,425)
Net Book Value				
Balance as at January 1	10,725	1,823	2,363	14,911
Balance as at December 31	9,756	2,474	7,430	19,660

Notes to the Financial statements for the year ended December 31, 2025

15. INTANGIBLE ASSETS (continued)

BANK				
2024 EUR '000	Software	Licenses	Assets Under Construction	Total
Gross book value				
Balance as at January 1	68,134	12,117	3,609	83,860
Net increase	-	-	5,736	5,736
Transferred into Use	6,511	467	(6,982)	(4)
Write-offs	(38)	-	-	(38)
Balance as at December 31	74,607	12,584	2,363	89,554
Accumulated Amortization and Impairment				
Balance as at January 1	(59,440)	(9,814)	-	(69,254)
Depreciation cost	(4,480)	(947)	-	(5,427)
Write-offs	38	-	-	38
Balance as at December 31	(63,882)	(10,761)	-	(74,643)
Net Book Value				
Balance as at January 1	8,694	2,303	3,609	14,606
Balance as at December 31	10,725	1,823	2,363	14,911

Assets under construction as of December 31, 2025, refers to investments into the application software and licenses at purchased cost in the amount of EUR 7.430 thousand (2024: EUR 2.363 thousand), which are under construction due to future use by the Group. Internally developed software increases Assets under construction in the amount EUR 1.238 thousands (2024.: EUR 597 thousands).

Notes to the Financial statements for the year ended December 31, 2025

16. NET DEFERRED TAX ASSETS/LIABILITIES

a) Recognized Deferred Tax Assets and Liabilities (Group)

Changes in the temporary differences and portions of deferred tax assets and deferred tax liabilities, and the related balances at the Group in 2025 and 2024 are presented below:

GROUP EUR '000	2025	Recognized in the P&L Statement	Recognized in Other Comprehensive Income	Correction	2024
Deferred Tax Assets					
Loans and Advances to Customers	716	(145)	-	(28)	543
Other Provisions	1,535	140	-	-	1,675
Financial Assets	1,488	229	-	-	1,717
Deferred tax assets - impairment of land in Jurišičeva	630	-	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,666	6	-	-	1,672
Deferred tax assets - IFRS 16	366	(69)	-	28	325
Revaluation reserve	138	(138)	-	-	-
Deferred Tax Liabilities					
Borrowings	(155)	80	-	-	(75)
Actuarial profit / loss - IAS 19	33	-	-	-	33
Revaluation reserve	(1,402)	-	304	-	(1,098)
Fair Value reserve	(1,081)	-	65	-	(1,017)
Deferred Tax Assets, Net	3,950	103	369	-	4,423

Notes to the Financial statements for the year ended December 31, 2025

16. NET DEFERRED TAX ASSETS/LIABILITIES (continued)

GROUP EUR '000	2024	Recognized in the P&L Statement	Recognized in Other Comprehensive Income	2023
Deferred Tax Assets				
Loans and Advances to Customers	543	58	-	601
Other Provisions	1,676	149	-	1,825
Financial Assets	1,717	592	-	2,309
Deferred tax assets - impairment of land in Jurišičeva	630	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,672	3	-	1,675
Deferred tax assets - IFRS 16	324	(123)	-	201
Deferred Tax Liabilities				
Borrowings	(75)	(23)	-	(98)
Actuarial profit / loss - IAS 19	33	-	-	33
Revaluation Reserve	(1,098)	-	-	(1,098)
Fair Value Reserve	(1,017)	-	238	(779)
Deferred Tax Assets, Net	4,423	656	238	5,317

Notes to the Financial statements for the year ended December 31, 2025

16. NET DEFERRED TAX ASSETS/LIABILITIES (continued)
b) Recognized Deferred Tax Assets and Liabilities (Bank)

Changes in the temporary differences and portions of deferred tax assets and deferred tax liabilities, and the related balances at the Bank in 2025 and 2024 are presented below:

BANK EUR '000	2025	Recognized in the P&L Statement	Recognized in Other Comprehensive Income	Correction	2024
Deferred Tax Assets					
Loans and Advances to Customers	716	(145)	-	(28)	543
Other Provisions	1,535	141	-	-	1,676
Financial Assets	1,488	229	-	-	1,717
Deferred tax assets - impairment of land	630	-	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,666	6	-	-	1,672
Deferred tax assets - IFRS 16	365	(69)	-	28	325
Deferred Tax Liabilities					
Borrowings	(155)	80	-	-	(75)
Actuarial profit / loss - IAS 19	33	-	-	-	33
Revaluation reserve	(1,402)	-	304	-	(1,098)
Fair Value reserve	(1,081)	-	64	-	(1,017)
Deferred Tax Assets, Net	3,813	242	368	-	4,423

Notes to the Financial statements for the year ended December 31, 2025

16. NET DEFERRED TAX ASSETS/LIABILITIES (continued)

BANK EUR '000	2024	Recognized in the P&L Statement	Recognized in Other Comprehensive Income	2023
Deferred Tax Assets				
Loans and Advances to Customers	543	58	-	601
Other Provisions	1,675	149	-	1,824
Financial Assets	1,717	592	-	2,309
Deferred tax assets - impairment of land	630	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,672	3	-	1,675
Deferred tax assets - IFRS 16	325	(123)	-	202
Deferred Tax Liabilities				
Borrowings	(75)	(23)	-	(98)
Actuarial profit / loss - IAS 19	33	-	-	33
Revaluation reserve	(1,098)	-	-	(1,098)
Fair Value reserve	(1,017)	-	238	(779)
Deferred Tax Assets, Net	4,423	656	238	5,317

Notes to the Financial statements for the year ended December 31, 2025

17. OTHER ASSETS

EUR '000	GROUP		BANK	
	31. 12. 2025	31. 12. 2024	31. 12. 2025	31. 12. 2024
Fees Receivable	3,102	3,385	3,102	3,385
Items in Course of Collection*	9,310	9,319	9,310	9,319
Prepaid expenses	9,553	6,916	9,553	6,916
Other Receivables	79,422	15,856	79,713	15,824
Total Other Assets, Gross	101,387	35,476	101,678	35,444
Impairment Loss	(3,496)	(3,230)	(3,496)	(3,230)
Total	97,891	32,246	98,182	32,214

* The instruments used in the course of collection mostly refer to funds in the settlement, as well as other receivables in the settlement (retail, card transactions, payment transactions, effective sales etc.).

Movements in the impairment allowance on other assets were as follows:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Balance at January 1	3,230	3,468	3,230	3,468
Increase in Impairment Losses	168	407	168	407
Utilized impairment and other	98	(645)	98	(645)
Balance at December 31	3,496	3,230	3,496	3,230

18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Negative fair value "swap"	22	542	22	542
Balance at December 31	22	542	22	542

Notes to the Financial statements for the year ended December 31, 2025

19. DEPOSITS FROM BANKS

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Demand Deposits	17,355	13,597	17,355	13,597
Term Deposits	65,557	63,197	65,557	63,197
Interest Payable Not Yet Due	13	4	13	4
TOTAL	82,925	76,798	82,925	76,798

20. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Demand Deposits				
Retail	2,041,588	1,763,489	2,041,588	1,763,489
Corporate	2,204,525	2,045,978	2,205,544	2,046,672
Restricted Deposits				
Retail	56,979	59,204	56,979	59,204
Corporate	351,015	313,208	351,015	313,208
	4,654,107	4,181,879	4,655,126	4,182,573
Term Deposits				
Retail	1,090,979	1,455,028	1,090,979	1,455,028
Corporate	1,347,796	1,005,232	1,347,796	1,005,232
	2,438,775	2,460,260	2,438,775	2,460,260
Interests Payable - Not Yet Due	9,222	13,995	9,222	13,995
Total current account and deposits from customers	7,102,104	6,656,134	7,103,123	6,656,828

Restricted deposits mainly relate to client deposits which are predetermined for special purposes, such as those based on court orders.

Notes to the Financial statements for the year ended December 31, 2025

21. BORROWINGS

Borrowings

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between proceeds (net of transaction costs) and redemption value being recognized in the P&L report over the period of the borrowings as interest. The amount is subsequently reduced by not deferred portion of the fee paid at the point of loan approval.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Short-term loans	239,599	907	239,599	907
Long-term loans from HNB	-	72,997	-	72,997
Long-term loans from banks	241,777	184,841	241,777	184,841
Long-term loans HBOR	174,153	184,292	174,153	184,292
Lease liabilities	15,286	11,802	15,286	11,802
Accrued Interests Due	8	119	8	119
Accrued Interests not Yet Due	1,575	1,970	1,575	1,970
Total	672,398	456,928	672,398	456,928

Leases

The contract is, or contains, lease if it conveys the right to use an underlying asset for the defined period of time in exchange for consideration. For such contracts the Bank recognizes right-of-use asset and lease liability.

Leased assets where the Bank and the Group are lessors in which they retain all the risks and awards related to the ownership, is included in the tangible or intangible asset at purchase cost less accumulated depreciation or amortization. Rent income from operating lease is recognized in profit or loss statement using straight-line method during the lease period. Initial costs, directly related to the operating lease contract, the Bank recognizes over time in line with the recognition of rent income. For the duration of a lease contract, the Bank recognizes depreciation or amortization and impairment losses on the leased asset aligned with the amortization method applicable for the similar asset owned by the Bank.

For lease contracts where the Bank is a lessee, lease liability is measured at the present value of future lease payments, discounted at incremental discount rate of the lessee at the date of initial recognition. Lease liability is recognized in contracted currency.

On the other hand, the Bank as a lessee recognizes Right-of-Use Asset (RoU) at the date of initial recognition by which the right to use the underlying asset is measured at the amount of present value of future lease payments adjusted for any accruals and prepayments related to the lease contract recognized in the statement of financial position immediately before

Notes to the Financial statements for the year ended December 31, 2025**21. BORROWINGS (continued)**

the date of initial recognition. The Right-of-Use Asset is recognized in Bank's functional currency and is depreciated on a straight-line bases over lease term.

Subsequent measurement of the lease liability includes an increase in book value to reflect interest on the lease obligation and a decrease in value that reflects the lease payments.

Bank opted for the practical exemptions in terms of IFRS 16 "Leases" (i.e. exemption from Lease Liability and Right-of-Use Asset recognition) in the following cases:

- short-term leases and
- leases of low-value items.

In these cases, lease payments are recognized as an expense over the lease term.

The Bank decided to opt for the low-value items expedient and identified, based on the IASB opinion presented in the Basis of conclusion, that the order of magnitude would be USD 5,000 (value of underlying asset).

Bank has opted for the expedient for the intangible asset as well.

VAT is excluded from the calculation of the Right-of-Use Asset and the Lease Liability.

Lease liability is measured at the present value of future lease payments (not paid at that date), discounted at the interest rate implicit in the lease if it can be readily determined. Otherwise, the Bank uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow:

- the funds to obtain asset of a similar value to the right-of-use asset,
- over a similar term,
- with a similar security,
- in similar economic environment.

The Bank discloses the information about lease contracts in which it acts as a lessee, separately in the financial statements which comprise the following:

- a) depreciation charge for the right-of-use asset,
- b) the interest expense on the lease liability,
- c) expenses related to the short-term leases (these expenses do not have to include expenses related to contracts with lease period shorter or equal to one month),
- d) expenses related to the leases of low-value items.

In accordance with IFRS 16 and accounting policies, Bank as the lessee use exceptional recognition for the lease of "low value" assets (EFTPOS devices) and short-term leases, i.e. leases with a 12-month or shorter period.

During the lease period in 2024, the Bank recognized EUR 716 thousand (2023: EUR 161 thousand) as an expense on a proportional basis for low-value asset leases, or EUR 70thousand (2023: EUR 1.022 thousand) for short-term leases.

The average weighted incremental borrowing rate on December 31, 2024, is 4.53 percent (December 31, 2023, 4.53 percent).

In 2024, the Bank recognized income in the amount of EUR 136 thousand (2023: EUR 18 thousand).

Interest expenses in accordance with IFRS 16 amount to EUR 573 thousand (2023: EUR 537 thousand), of which EUR 438 thousand refers to corporate (2023: EUR 446 thousand), while the rest of EUR 135 thousand (2023: EUR 91 thousand) refers to retail.

The Bank used in 2024 exemption for low value leases for ATMs and equipment in accordance with IFRS 16. If that exemption was not used respective lease liability on December 31, 2024. would amount EUR 1,222 thousand.

Notes to the Financial statements for the year ended December 31, 2025

21. BORROWINGS (continued)

Changes in Lease Liabilities

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Balance as of January 1	11,802	14,348	11,802	14,520
New contracts	7,633	4,333	7,633	4,161
Modifications	2,157	(1,468)	2,157	(1,468)
Lease payments	(3,696)	(3,608)	(3,696)	(3,608)
Cessation	(3,139)	(2,374)	(3,139)	(2,374)
Exchange rate fluctuations and interest	529	571	529	571
Balance at December 31	15,286	11,802	15,286	11,802

Future minimal Lease Payments

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
up to one year	3,315	3,136	3,315	3,136
from one to five years	8,310	7,099	8,310	7,099
over five years	3,661	1,567	3,661	1,567
Total	15,286	11,802	15,286	11,802

Notes to the Financial statements for the year ended December 31, 2025

21. BORROWINGS (continued)

Liabilities arising from financing activities

GROUP EUR '000	Short-term loans	Long-term loans	Leases	Dividend	Total
Liabilities from financig activities as of January 1, 2024	30,010	436,914	14,519	-	481,443
New borrowings	907	49,508	-	-	50,415
Repayment	(30,010)	(45,050)	-	-	(75,060)
Interest payment	(10)	(9,168)	-	-	(9,178)
Accrued interest	10	9,168	-	-	9,178
Lease payment	-	-	(3,608)	-	(3,608)
Dididend payment	-	-	-	(5,284)	(5,284)
Other non-cash movement	-	2,847	891	5,284	9,022
Liabilities from financig activities as of December 31, 2024	907	444,219	11,802	-	456,928
New borrowings	239,599	239,889	-	-	479,488
Repayment	(907)	(266,595)	-	-	(267,502)
Interest payment	(7,101)	(7,088)	-	-	(14,189)
Accrued interest	7,101	7,088	-	-	14,189
Lease payment	-	-	(3,696)	-	(3,696)
Dididend payment	-	-	-	(48,389)	(48,389)
Other non-cash movement	-	-	7,180	48,389	55,569
Liabilities from financig activities as of December 31, 2025	239,599	417,513	15,286	-	672,398

Notes to the Financial statements for the year ended December 31, 2025

21. BORROWINGS (continued)

BANK EUR '000	Short-term loans	Long-term loans	Leases	Dividend	Total
Liabilities from financig activities as of January 1, 2024	30,010	436,914	14,519	-	481,443
New borrowings	907	49,508	-	-	50,415
Repayment	(30,010)	(45,050)	-	-	(75,060)
Interest payment	(10)	(9,168)	-	-	(9,178)
Accrued interest	10	9,168	-	-	9,178
Lease payment	-	-	(3,608)	-	(3,608)
Dididend payment	-	-	-	(5,284)	(5,284)
Other non-cash movement	-	2,847	891	5,284	9,022
Liabilities from financig activities as of December 31, 2024	907	444,219	11,802	-	456,928
New borrowings	239,599	239,889	-	-	479,488
Repayment	(907)	(266,595)	-	-	(267,502)
Interest payment	(7,101)	(7,088)	-	-	(14,189)
Accrued interest	7,101	7,088	-	-	14,189
Lease payment	-	-	(3,696)	-	(3,696)
Dididend payment	-	-	-	(48,389)	(48,389)
Other non-cash movement	-	-	7,180	48,389	55,569
Liabilities from financig activities as of December 31, 2025	239,599	417,513	15,286	-	672,398

Notes to the Financial statements for the year ended December 31, 2025

22. PROVISIONS FOR COMMITMENTS AND CONTINGENCIES

The Bank and Group recognize a provision when it has a present obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made of the obligation. Provisions are also made for off-balance sheet credit risk exposures .

Provision for liabilities and charges represent the best estimate of the expenditures needed to settle the present obligation at the reporting date. The management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

Provisions are used only for such expenditure in respect of which provision are recognized at initial recognition. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Litigation Provisions	21,952	26,748	21,952	26,748
Provisions for Other Liabilities	5,388	5,909	5,315	5,827
Provisions for Off-Balance Sheet Exposures	12,462	7,673	12,462	7,673
Provisions for employees	1,600	1,153	1,600	1,153
Total	41,402	41,483	41,329	41,401

The Bank is involved in a significant number of legal proceedings, for which provisions have been established in the financial statements. Most of the active lawsuits against the Bank and the Group pertain to CHF loan disputes arising from the "Petrošač" case. The association "Petrošač" sued a total of eight Croatian banks (including the Bank's legal predecessor) in 2012, claiming that consumers who took out loans linked to CHF in the period from 2004 to 2008 were not adequately informed by the banks of all risks associated with such loans, and that the variable interest rates applied in those agreements were unlawful. After lengthy proceedings involving both the Constitutional and Supreme Courts, the High Commercial Court of the Republic of Croatia delivered a ruling received by the Bank on July 20, 2018, in favor of the Croatian association "Petrošač," which essentially confirmed the first-instance decision of the Commercial Court in Zagreb (the first-instance decision from 2013) against eight banks. This proceeding had a favorable outcome for the defendant, and the decision was received on September 24, 2019. As a result of this unfavorable ruling, the number of new client-consumer lawsuits against the Bank related to CHF loans has increased year after year.

In individual disputes concerning non-converted CHF loans, the courts' positions and judicial practice have clearly developed in favor of the plaintiffs. During 2023, compared to previous years, the number of lawsuits against the Bank related to CHF loans, as well as the number of final judgments against the Bank, further increased. The increased number of litigations resulted in higher amounts of provisions for legal cases. The Bank specifically creates portfolio provisions for potential disputes related to non-converted CHF loans. Regarding converted loans, the Supreme Court issued a decision on March 10, 2020, in the so-called "model" proceedings initiated due to questions about the validity of agreements for CHF loan conversion. The Supreme Court declared the conversion of loans in Swiss francs valid and considers that conversion agreements (including all their addenda) have valid legal effects regardless of the nullity of provisions on interest rates or currency clauses in the original CHF loan agreements. This Supreme Court ruling may reduce pressure and significantly ease the Bank's position in ongoing individual lawsuits concerning converted loans. In 2022, the Court of Justice of the European Union also delivered a decision in case C-567/20, determining that

Notes to the Financial statements for the year ended December 31, 2025

22. PROVISIONS FOR COMMITMENTS AND CONTINGENCIES (continued)

the disputed conversion case constitutes a statutory intervention for which contractual balance is presumed to be established, and as such, it is not subject to the application of Directive 93/13. The Court of Justice of the European Union referred national courts to verify whether contractual balance was indeed established, taking into account all legal and factual circumstances preceding the conversion.

In October 2024, the Supreme Court of the Republic of Croatia (VSRH) issued three rulings reflecting two divergent legal positions regarding the plaintiffs' rights. In decisions Rev-1359/2019 and Rev-586/2019, the Supreme Court took the stance that plaintiffs are entitled to claim only default interest on amounts reimbursed through currency conversion. Conversely, in decision Rev-1096/2022, the Supreme Court concluded that plaintiffs have the right to recover the difference in overpaid amounts arising from unfair and null provisions of the original loan agreement, provided such a difference exists following the conversion.

Given these conflicting positions of the Supreme Court, it remains uncertain how lower courts will rule in similar cases and whether the Supreme Court will ultimately adopt a unified legal position or allow individual judicial panels to decide independently. Even if the Supreme Court establishes a uniform stance, the position of the Constitutional Court of the Republic of Croatia and the potential stance of the Court of Justice of the European Union remain open questions—particularly if any court seeks an interpretation of European Union law, despite the existence of prior rulings. In light of this judicial practice, the Bank has established provisions for converted CHF loan.

Furthermore, in 2024, compared to previous years, there has been an increase in the number of lawsuits filed against the Bank related to the nullity of upfront and exit fees, as well as in the number of final judgments rendered against the Bank. Same trend continued in 2025.

With respect to cases in which the claim pertains to the nullity of upfront and exit fees, the Supreme Court of the Republic of Croatia (VSRH) has taken the position that, during the proceedings, the Bank must demonstrate the objectively incurred, fair costs it directly sustained when concluding the loan agreement or due to early loan repayment. Additionally, the Bank must provide precise evidence regarding the amount of these costs. The Bank is also required to consider its transparency obligations as stipulated by the Consumer Protection Act. Otherwise, the provisions in question would be deemed null and void. Notably, lower courts generally adhere to the Supreme Court's legal interpretations.

In view of these developments, the Bank has increased provisions for cases in which the claim pertains to the nullity of upfront and exit fees.

Movements in Provisions for commitments and contingencies

The movements in provisions for commitments and contingencies were as follows:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Balance at January 1	41,483	41,581	41,401	41,572
Increase/ (Decrease) in Provisions in the P&L Report	6,092	7,832	6,092	7,759
Provisions used during the year	(7,236)	(7,930)	(7,227)	(7,930)
Other	1,063	-	1,063	-
Balance at December 31	41,402	41,483	41,329	41,401

Notes to the Financial statements for the year ended December 31, 2025**23. OTHER LIABILITIES**

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Trade Accounts Payable	3,840	2,211	3,840	2,211
Salaries Amounts to Be Withheld from Salaries, Taxes and Contributions	5,042	4,356	5,042	4,356
Provisions for Retirement Benefits, Termination Benefits and Similar Liabilities	1,582	1,246	1,582	1,246
Fees Payable	927	1,337	927	1,337
Items in Course of settlement	10,983	10,508	10,983	10,508
Prepaid Deferred Income	4,784	4,889	4,784	4,889
Declared dividend liabilities	44,197	48,389	44,197	48,389
Liabilities for prepaid cards	3,799	3,618	3,799	3,618
Other Liabilities	8,247	7,787	8,086	7,682
Total	83,401	84,341	83,240	84,236

24. EQUITY AND RESERVES**Share Capital and Reserves**

Share capital is denominated in Croatian Kuna and stated at nominal value. The amount of fees paid on repurchase of share capital, including directly attributable costs, is recognized as a deduction from equity and classified as treasury shares.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Retained Earnings/ Accumulated Losses

Profit for the year, retained after appropriations, is transferred to reserves, in accordance with the decision of the General Assembly.

Loss for the period is charged on the accumulated retained earnings. Any remaining loss is allocated in accordance with the regulations applicable to trading companies in the Republic of Croatia.

Notes to the Financial statements for the year ended December 31, 2025

24. EQUITY AND RESERVES (continued)

a) Share Capital and treasury shares reserve

As at 31 December 2025, the authorized, registered and fully paid-up share capital of the Bank amounted to EUR 161,970 thousand (2024: 161,970 thousand) and included 2,024,625 (2024: 2,024,625) of the approved ordinary the nominal value of EUR 80 (2024: eur 80).

In February 2024, in accordance with the Program for the purchase of its own shares, the Bank bought a total of 49 own shares, on the regulated market of the Zagreb Stock Exchange d.d. Considering that before the acquisition, the Bank did not have its own (treasury) shares, after the mentioned acquisition - on 13 February 2024, the Bank had a total of 49 own shares without voting rights, i.e. 0.00242% of the Bank's share capital.

For the aforementioned acquisition of its own shares, the Bank provided a consideration in the amount of EUR 9,898.00.

On December 12, 2024, the bank sold all 49 of its own shares outside the regulated market of the Zagreb Stock Exchange d.d. on the basis of the concluded Agreement on the transfer of shares and after the completed transfer, i.e. on December 31, 2024, the Bank no longer has its own shares in the treasury account.

In accordance with the aforementioned Program for the purchase of its own shares, during October and November 2025, the Bank repurchased 65 of its own shares without voting rights on the regulated market of the Zagreb Stock Exchange d.d., representing 0.00321% of the Bank's share capital. For this acquisition of treasury shares, the Bank paid a total consideration of EUR 19,540. On December 17, 2025, the Bank disposed of 30 treasury shares outside the regulated market of the Zagreb Stock Exchange d.d. based on concluded Share Transfer Agreements. After the transfer was completed, as of December 31, 2025, the Bank held 35 treasury shares in its treasury account, representing 0.00173% of the Bank's share capital.

The ownership structure is as follows:

	2025		2024	
	Paid-In Capital EUR '000	Ownership %	Paid-In Capital EUR '000	Ownership %
Republic of Croatia	72,723	44.90%	72,723	44.90%
Hrvatska Pošta p.l.c.	19,329	11.93%	19,329	11.93%
Croatian Deposit Insurance Agency (CDIA)	14,545	8.98%	14,545	8.98%
Croatian State Pension Insurance Fund (Ministry of Physical Planning, Construction and State Property)	14,185	8.76%	14,185	8.76%
Fund NEK	9,722	6.00%	9,722	6.00%
Others	31,466	19.43%	31,466	19.43%
Total	161,970	100.00%	161,970	100.00%

Notes to the Financial statements for the year ended December 31, 2025**24. EQUITY AND RESERVES (continued)****b) Fair Value Reserve**

The fair value reserve includes unrealized gains and losses on changes in the fair value of financial assets at fair value through other comprehensive income, net of tax.

The movements of fair value reserve during 2025 and 2024, for the Bank and the Group were as follows:

GROUP AND BANK	2025 EUR '000	2024 EUR '000
Balance at January 1	4,479	3,641
Equity instruments in assets at other comprehensive income - net change in fair value	360	1,076
Deferred tax relating to the change in the revaluation of financial assets at fair value through OCI	(64)	(238)
Balance at December 31	4,775	4,479

c) Revaluation Reserve

The revaluation reserve in the amount of EUR 6.387 thousand (2024: EUR 5,004 thousand), net of taxes, arises from the revaluation of the Bank's land and buildings.

GROUP AND BANK	2025 EUR '000	2024 EUR '000
Balance at January 1	5,004	5,004
Decrease in the Revaluation Reserve on Depreciation of Assets	1,688	-
Deferred Tax Related to Revaluation Reserve	(305)	-
Balance at December 31	6,387	5,004

**Notes to the Financial statements** for the year ended December 31, 2025**24. EQUITY AND RESERVES (continued)****d) Proposed Dividends**

In line with the Decision on the amount, manner and time limits for the payment of funds from state-owned companies to the state budget of the Republic of Croatia for 2024, adopted on October 31, 2024, the General Assembly of the Bank passed a resolution on December 19, 2024, approving a dividend distribution of EUR 48,388,537.50 (EUR 23.90 gross per share) from retained earnings for 2023. Of this amount, EUR 24,194,268.75 (EUR 11.95 gross per share) was paid on January 7, 2025, while the remaining EUR 24,194,268.75 (EUR 11.95 gross per share) was paid on June 26, 2025.

Pursuant to the Government's Decision on the transfer of funds from state-owned companies to the state budget for 2025, adopted on November 13, 2025, the General Assembly of the Bank approved, on December 30, 2025, a dividend payment of EUR 44,196,799.70 (EUR 21.83 gross per share) from retained earnings for 2024. The dividend was paid on January 8, 2026.

e) Legal and other reserves

The Bank is obliged to form a legal reserve by allocating 5% of net profit for the year, until the reserves reach 5% of the share capital.

Legal reserves amount to EUR 8,099 thousand for the Group and the Bank (2024: EUR 8,099 thousand for the Group and the Bank).

Other reserves for the Bank and the Group as at December 31, 2025 amount to EUR 80,985 thousand (2024: EUR 80,614 thousand).

f) Retained earnings

On May 9, 2025, the General Assembly of the Bank passed a Decision to transfer the profit from 2024 in the amount of EUR 73,260 thousand to retained earnings within capital and reserves. General Assembly of the Bank approved, on December 30, 2025, a dividend payment of EUR 44,197 from retained earnings for 2024.

Retained earnings as of December 31, 2025 amounts to EUR 313,619 thousands (2024: 299,058).

Notes to the Financial statements for the year ended December 31, 2025**25. EARNINGS PER SHARE**

The Bank presents earnings or loss per share data for its ordinary shares. Earnings/loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

To calculate earnings per share, earnings are accounted for as the profit / loss for the current period intended for the shareholders of the Bank. The number of ordinary shares is the weighted average number of ordinary shares in circulation during the year after the decrease of the number of regular treasury shares. The weighted average number of ordinary shares reduced by treasury shares used to calculate the basic / diluted earnings per share would be the same as the number used to calculate the basic and diluted earnings per share, or 2,024,590 (2023: 2,024,625), as shown below:

	2025 EUR '000	2024 EUR '000
Current Year Profit/ Distributable to the Bank's Owners	59,129	73,632
Profit Used to Calculate Basic and Diluted Earnings Per Share	59,129	73,632
Weighted Average Ordinary Shares Outstanding Used to Calculate Basic and Diluted Earnings Per Share	2,024,590	2,024,625
Basic and Diluted Earnings Per Share	29.21 €	36.37 €

INTEREST AND SIMILAR INCOME AND EXPENSE (NOTE 26 AND 27)

Interest income and expense are recognized in the Profit and loss ("P&L") report as they accrue for all interest-bearing financial instruments, using the effective interest rate method.

Such income and expense are presented as interest and similar income or interest expense and similar charges in the P&L report. Interest income and expense also includes fee and commission income and expense in respect of loans provided to customers or borrowings from other banks, premium or discount amortization, and other differences between the initial carrying amount of an interest-bearing financial instrument and its value at maturity, recognized on a basis of effective interest rate. Interest income and expense on all trading assets and liabilities are presented as interest income or expense.

For financial assets measured at amortized cost, calculation the effective interest rate is based on gross book value, with the exemption of the following:

- (a) purchased or originated credit impaired financial assets. For such financial assets the Bank applies to the amortized cost of financial assets on initial recognition the effective credit impaired interest rate;
- (b) financial assets that is neither purchased nor originated credit impaired financial assets, but afterwards became credit impaired financial assets. For such financial assets the Bank in the following reporting periods to the amortized cost of financial assets applies the effective interest rate

Notes to the Financial statements for the year ended December 31, 2025

INTEREST AND SIMILAR INCOME AND EXPENSE (NOTE 26 AND 27) (continued)

Modification of contracted cash flows

If contracted cash flows from financial assets were to be renegotiated or modified in some other manner, whereby such new deal or modification do not lead to derecognition of the financial assets, the Bank and the Group recalculate gross book value of the financial assets and in the profit and loss recognize the gain or loss. Gross book value of financial assets is recalculated as present value of renegotiated or modified contracted cash flows discounted by initial effective interest rate of the financial assets (for purchased or originated credit impaired financial assets discounted by effective credit impaired interest rate) or if necessary, by credit impaired effective interest rate. Book value of modified financial assets is impaired by arisen costs or fees, which are depreciated during the remaining period of the modified financial assets. When the modification of conditions or modification of contracted future cash flows leads to derecognition of existing financial assets and at the same time there are impairment indicators of new financial assets, it represents the purchased or originated credit impaired financial assets (so called POCl). Once classified into the POCl category, the assets remain in it for its remaining lifetime

26. INTEREST INCOME

a) Income Analysis by Product:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Loans to Customers				
- Corporate	48,315	52,627	48,317	52,629
- Individuals	70,988	67,887	70,988	67,887
	119,303	120,514	119,305	120,516
Loans to Banks	56,109	113,343	56,101	113,337
Debt Securities	50,853	24,742	50,853	24,742
Bills of Exchange	5	9	5	9
Total	226,270	258,608	226,264	258,604

b) Income Analysis by Source:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Corporate	38,602	39,281	38,596	39,283
Retail	70,987	67,887	70,987	67,887
Government and Public Sector	53,848	35,578	53,848	35,578
Banks and Other Financial Institutions	62,668	115,711	62,668	115,705
Others	165	151	165	151
Total	226,270	258,608	226,264	258,604

Notes to the Financial statements for the year ended December 31, 2025

27. INTEREST EXPENSE

a) Expense Analysis by Product

	GROUP			BANK
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Borrowings	14,190	15,205	14,190	15,205
Customer Deposits				
- Corporate	16,842	16,387	16,842	16,387
- Retail	22,817	39,902	22,817	39,902
	39,659	56,289	39,659	56,289
Deposits from Banks	3,594	3,272	3,606	3,278
Other	11,868	8,398	11,868	8,397
Interest rate swap	4,381	-	4,381	-
Total	73,692	83,164	73,704	83,169

b) Expense Analysis by Recipient

	GROUP			BANK
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Corporate	17,225	16,819	17,225	16,819
Retail	22,916	40,020	22,916	40,020
Government and Public Sector	10,783	7,209	10,783	7,209
Banks and other Financial Institutions	22,206	18,489	22,218	18,494
Others	562	627	562	627
Total	73,692	83,164	73,704	83,169

Notes to the Financial statements for the year ended December 31, 2025

FEES AND COMMISSIONS INCOME AND EXPENSE (NOTE 28 AND 29)

Fee and commission income and expense arise on financial services provided by the Bank and received by the Bank, and mainly comprise fees related to domestic and foreign payments, the issue of guarantees and letters of credit, credit card business and other services provided by and to the Bank and the Group. Fee and commission income and expense are recognized in the P&L report when the related service is performed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commitment fees in relation to facilities where draw down is not probable are recognized over the term of the commitment. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank and Group has retained no part for itself, or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts.

Asset management fees related to investment fund management are recognized on an accrual basis over the period in which the service is provided. The same principle is applied for custody services that are continuously provided over an extended period.

28. FEES AND COMMISSIONS INCOME

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Cash Payment Operations	31,549	32,323	31,549	32,323
Non-Cash Payment Operations	11,318	9,879	11,318	9,879
Retail and Credit Card Operations	24,135	25,958	24,135	25,958
Letters of Credit, Guarantees and Foreign-Exchange Payment Operations	3,763	3,094	3,763	3,094
Other Fees and Commissions Income	7,228	6,049	6,453	5,535
Total	77,993	77,303	77,218	76,789

29. FEES AND COMMISSIONS EXPENSE

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Cash Payment Operations	26,693	26,875	26,693	26,875
Non-Cash Payment Operations	1,476	1,438	1,476	1,438
Card Operations	6,537	8,439	6,537	8,439
Other Fees and Commission Expense	5,044	4,658	5,015	4,665
Total	39,750	41,410	39,721	41,417

Notes to the Financial statements for the year ended December 31, 2025

30. NET (LOSSES)/GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Gains less losses from financial instruments at fair value through profit or loss include unrealized and realized gains and losses arising from derivative financial instruments, trading debt securities and other financial instruments designated at fair value through profit or loss.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Realized Gains/(Losses)				
- Debt securities	232	268	232	268
- Equity Securities	-	1	-	1
- Investment funds	-	87	-	87
- Forward Contracts, OTC	324	424	324	424
	556	780	556	780
Unrealized Gains/(Losses)				
- Debt securities	211	963	211	963
- Equity Securities	1,892	1,412	1,892	1,412
- Investment Funds	168	1,663	168	1,663
- Forward Contracts, OTC	670	(1,138)	670	(1,138)
	2,941	2,900	2,941	2,900
- Profit and loss from FX trading	2,124	1,670	2,124	1,669
- Income from dividends on equity securities held for trading	211	197	211	197
Gains/losses on non-trading financial assets measured at fair value through profit or loss, net	24	56	24	56
Total	5,856	5,603	5,856	5,602

Notes to the Financial statements for the year ended December 31, 2025

31. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Gains less losses from financial instruments at fair value through other comprehensive income include realized gains and losses from financial instruments measured at fair value through other comprehensive income.

Assets measured at fair value through other comprehensive income include equity securities.

Profit or loss on financial assets that are measured at fair value through other comprehensive income are recognized in other comprehensive income, with the exception of gains or losses from impairment and gains and losses from exchange differences, until the financial asset is derecognized or reclassified. If a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

In the case of equity shares from the portfolio that are valued at fair value through other comprehensive income, a significant or longer-term decline in the fair value of the security below its purchase value is considered objective evidence of impairment.

Objective impairment evidence may include:

- significant financial difficulties for issuer or other contract party, or
- contract breach, for example late payments or non-payment of principal and interest, or
- likely bankruptcy start or financial restructuring of the debtor, or
- disappearance of active market for concerned financial assets due to financial difficulties.

If a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Dividend income on equity securities held at fair value through other comprehensive income	30	28	30	28
Total	30	28	30	28

Notes to the Financial statements for the year ended December 31, 2025**32. OTHER OPERATING INCOME**

Dividend income on equity investments is recognized in the P&L report when the right to receive dividends is established.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Derecognition effect for non financial assets	834	1,395	834	1,395
Net profit/loss on exchange rate differences from the revaluation of monetary assets and liabilities	-	607	-	607
Other income	4,086	3,836	3,424	3,127
Total	4,920	5,838	4,258	5,129

33. GENERAL AND ADMINISTRATIVE EXPENSES**Provisions for Severance Payments and Jubilee Awards**

In calculating provisions for severance payments and jubilee awards, the Bank and Group discounts expected future cash flows in respect of the liabilities, using discount rates that, in opinion of the Bank's management, best represent the time value of money. Actuarial gains or losses for long-term benefits are recognized in profit and loss statement, whereas interest expense and current period employee expenses are recognized in profit or loss statement.

Defined Pension Contributions

The Bank and Group pays contributions to pension-insurance funds on a mandatory, contractual basis. The Bank and Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Notes to the Financial statements for the year ended December 31, 2025

33. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Materials and Services	27,816	29,575	27,717	29,195
Administration and Marketing	3,454	2,407	3,454	2,406
Postage and Telecommunications	5,402	5,075	5,364	5,063
Employee Expenses	61,276	56,470	60,375	55,672
Deposit Insurance	2,045	-	2,045	-
Other General and Administrative Expenses	8,019	5,951	7,232	5,959
Total	108,012	99,478	106,187	98,295

Employee Expenses

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Net Salaries and Other Employee Expenses	32,018	29,713	31,520	29,267
Taxes and Contributions (including contributions payable by employers)	21,882	19,897	21,524	19,590
Net provisions for severance pay, jubilee awards, employee vacations	1,064	233	1,064	233
Other Fees to Employees	6,280	6,598	6,249	6,567
Fees to Supervisory Board Members	32	29	18	15
Total	61,276	56,470	60,375	55,672

As of December 31, 2025, the Bank had 1,769 employees (2024: 1,695) and the Group had 1,792 employees (2024: 1,720).

The costs of mandatory contributions for pension insurance in the second pillar in 2025 amount to EUR 2,329 thousand (2024: EUR 2,111 thousand).

Notes to the Financial statements for the year ended December 31, 2025

34. EXPECTED CREDIT LOSSES AND IMPAIRMENT OF NON-FINANCIAL ASSETS

	Notes	GROUP		BANK	
		2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Expected credit losses Stage 3					
Loans to and Receivables from Customers	10	(2,511)	(12,704)	(2,511)	(12,704)
Other Assets	17	(230)	(427)	(230)	(427)
Net (loss)/gains from (write-off)/collection of Placements Written-Off in Previous Years		495	99	495	99
Total (expense)/income Stage 3		(2,246)	(13,032)	(2,246)	(13,032)
Expected credit losses Stage 1&2					
Loans to and Receivables from Customers	10	4,815	(845)	4,816	(845)
Financial Assets at FV through OCI	9	(1,423)	52	(1,423)	52
Other Assets	17	62	20	62	20
Total (expense)/income Stage 1 and 2		3,454	(773)	3,455	(773)
Total expected losses					
Loans to and Receivables from Customers	10	2,304	(13,549)	2,305	(13,549)
Financial Assets at Amortized Cost	9	(1,423)	52	(1,423)	52
Other Assets	17	(168)	(407)	(168)	(407)
Gains from Recovery of Placements Written-Off in Previous Years		495	99	495	99
Total expected losses from financial assets		1,208	(13,805)	1,209	(13,805)
Modification (losses)		(4,240)	(559)	(4,240)	(559)
Non-financial assets losses					
Tangible and intangible assets	13	(526)	-	(526)	-
Total (expense)/income		(3,558)	(14,364)	(3,557)	(14,364)

Identified losses on an individual basis related to financial assets at fair value through profit or loss relate to loans and receivables from customers who failed the SPPI test.



Notes to the Financial statements for the year ended December 31, 2025

35. INCOME TAX

Current tax payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the P&L report and report of other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in financial reports and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Measurement of deferred tax liabilities and assets reflects the amount that the Bank and Group expects, at the end of the financial reports date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified in the report of financial position as non-current assets and/ or non-current liabilities. Deferred tax assets are recognized only to the extent that it is probable that the related tax benefit will be realized. At each reporting date, the Bank and Group reviews the unrecognized potential tax assets and the carrying amount of the recognized tax assets.

Notes to the Financial statements for the year ended December 31, 2025**35. INCOME TAX (continued)**

Total recognized corporate tax expense, calculated at the corporate tax rate of 18%, comprises corporate tax expense recognized in the P&L report and movements in deferred tax assets and liabilities as follows:

Income Tax Expense Recognized in the P&L Statement

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Income tax	(13,034)	(15,859)	(13,007)	(15,859)
Deferred tax income/(expense) related to the generation and reversal of temporary differences	(103)	(656)	(241)	(656)
Total income tax	(13,137)	(16,515)	(13,248)	(16,515)

The movement of deferred tax assets and liabilities with recognition effects in other comprehensive income and the income statement is set out in Note 16 Net deferred tax assets / liabilities.

Reconciliation of Income Tax Expense

The reconciliation between income tax expense and profit before tax is shown as follows:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
<i>Profit Before Taxation</i>	71,906	90,050	72,377	90,147
Income Tax at the Rate of 18%	(12,943)	(16,209)	(13,028)	(16,226)
Tax Non-Deductible Expenses	(353)	(2,479)	(353)	(2,479)
Non-Taxable Income	133	2,846	133	2,846
Recognized Deferred Tax Asset	-	(656)	-	(656)
Unrecognized Deferred Tax Asset	25	(17)	-	-
	(13,138)	(16,515)	(13,248)	(16,515)
Effective Income Tax Rate	18.27%	18.34%	18.30%	18.32%

Recognized Deferred Tax in Respect of Tax Losses Disposable in Prospective Periods

At the end of 2025, the Bank has no deferred tax assets based on previous losses.

Notes to the Financial statements for the year ended December 31, 2025

36. CONCENTRATION OF ASSETS AND LIABILITIES

The assets and liabilities of the Bank are significantly concentrated on amounts directly due from and to the Republic of Croatia. The amounts at year end, including accrued interest, are as follows:

	Notes	GROUP		BANK	
		2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Bonds of the Republic of Croatia	5	1,532,405	824,875	1,532,405	824,875
Treasury Bills of the Croatian Ministry of Finance		455,874	98,461	455,874	98,461
Loans to the Republic of Croatia		2,254	69,597	2,254	69,597
Other receivables		4,375	5,351	4,375	5,351
Deposits from the Republic of Croatia		(18,414)	(17,035)	(18,414)	(17,035)
Other liabilities		(1,365)	(7,470)	(1,365)	(7,470)
Total		1,975,129	973,779	1,975,129	973,779

The Bank's exposure towards local government and other subjects of public government (excluding government of Republic of Croatia, subjects of state management and state owned companies) is presented below:

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Loans	81,888	80,714	81,888	80,714
Deposits	(213,589)	(172,161)	(213,589)	(172,161)
Total	(131,701)	(91,447)	(131,701)	(91,447)

Notes to the Financial statements for the year ended December 31, 2025

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognized at fair value and subsequently measured at amortized cost. Cash and cash equivalents comprise cash balances on hand, cash deposited with CNB, placements with other banks with original maturities of three months or less, and items in course of settlement with other banks.

	Notes	GROUP		BANK	
		2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Cash and Amounts Due from Banks	5	2,400,421	3,798,745	2,400,415	3,798,740
Deposits with Banks with Original Maturities of Up to 90 Days		1,999	2,284	1,999	2,284
Items in Course of Collection	17	9,310	9,319	9,310	9,319
Total		2,411,730	3,810,348	2,411,724	3,810,343

38. CONTINGENT LIABILITIES

In the ordinary course of business, the Bank and Group enters into credit related commitments which are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments. Such financial commitments are recorded in the Bank's and Group's report of financial position if and when they become payable.

	GROUP		BANK	
	2025 EUR '000	2024 EUR '000	2025 EUR '000	2024 EUR '000
Guarantees	371,442	239,380	371,442	239,380
Letters of Credit	1,229	200	1,229	200
Undrawn Lending Commitments	767,137	329,450	767,137	329,450
Total	1,139,808	569,030	1,139,808	569,030

As of December 31, 2025, the Bank and Group recognized the provision based on off-balance sheet risks arising from the issuance of guarantees, letters of credit and unused loans in the amount of EUR 12,462 thousand (2024: EUR 7,637 thousand) included in Provisions for commitments and contingencies (Note 22).

Notes to the Financial statements for the year ended December 31, 2025

39. DERIVATIVE INSTRUMENTS AND DEALINGS IN FOREIGN CURRENCIES

The Bank and Group uses derivative financial instruments to hedge economically its exposure to currency risk and interest rate risk arising from operating, financing and investing activities. In accordance with its investment policies, the Bank and Group does not hold or issue derivative financial instruments for the purpose of speculative trading. Hedge accounting has not been applied and consequently, all derivative agreements are classified as financial instruments at fair value through profit or loss.

Derivative financial instruments include foreign currency agreements, forward agreements, futures and other financial derivatives and are initially recognized at fair value which is the value of consideration paid to acquire the instrument less transaction costs. Subsequent to initial recognition, derivatives are measured at fair value. The fair value is determined based on the quoted market price or, if more appropriate, based on the discounted cash flow. All derivative instruments are presented as assets if their fair value is positive and as liabilities if their fair value is negative.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed as an embedded derivative. Except as required to the contrary by the CNB, when the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and when the hybrid contract is not itself carried at fair value through profit or loss, the embedded derivative is treated as a separate derivative and classified at fair value through profit or loss with all unrealized gains and losses recognized in the P&L report, unless there is no reliable measure of their fair value.

At year end 2025 the Bank and Group had the following derivative contracts, accounted for as trading instruments, open at year-end:

GROUP AND BANK 2025 EUR '000	Contracted Amount, Remaining Life					Fair Value	
	Up to 3 months	3 to 12 months	1-5 years	over 5 years	Total	Assets	Liabilities
Cross Currency Swap Contracts – OTC	91,092	-	-	-	91,092	151	22
Total	91,092	-	-	-	91,092	151	22

40. RELATED PARTY TRANSACTIONS

The Bank is the parent of the Hrvatska Poštanska Bank Group.

Key shareholders of the Bank are the Republic of Croatia as the largest shareholder with an ownership stake of 44.90 percent, and Hrvatska Pošta p.l.c. ("HP") with a stake of 11.93 percent.

Other significant state-owned shareholders include: State agency for deposits insurance and bank resolution ("HAOD"), the Croatian Pension Insurance Institute ("HZMO") and PBZ Croatia insurance mandatory pension fund (B category). Republic of Croatia and companies under control of Republic of Croatia together own 76.81% of the Bank's shares (2024: 76.81%). The remaining 23.09% (2024: 23.09%) are publicly traded.

a) Key Transactions with Related Parties

Hrvatska Pošta p.l.c. ("HP") performs domestic payment transactions for and on behalf of the Bank. Exposure to Hrvatska Pošta p.l.c. mainly comprises fees receivable based on domestic payment transactions performed for and on behalf of the Bank Liabilities

Notes to the Financial statements for the year ended December 31, 2025**40. RELATED PARTY TRANSACTIONS (continued)**

towards Hrvatska Pošta p.l.c. mainly relate to demand and term deposits. Income and expenses mostly relate to commissions for services provided.

Most significant transactions with the state is shown in Note 36, Concentration of assets and liabilities.

The exposure to members of HPB Group mainly consists of investment into share capital. The Bank performs payment transactions on behalf of its subsidiaries and, accordingly, recognizes income. Expenses payable to HPB-nekretnine relate to the services performed by the subsidiary in respect of estimation of collateral.

Key management did not have regular shares at the end of the reporting period (2024: -).

b) Amounts arising from transactions with related parties

Assets and liabilities and off-balance sheet exposure and income and expense as at and for the years ended December 31, 2025, and December 31, 2024 of the Group and Bank, arising from transactions with related parties were as follows:

GROUP 2025	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	28.613	5.067	29.560	32.935
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	94	1.551	1	3.985
Long-Term Benefits (loans and deposits)	3.745	17	72	-
Total	32.452	6.635	29.633	36.920

GROUP 2024	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	37,456	24,838	29,857	33,307
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	97	1,404	1	4,081
Long-Term Benefits (loans and deposits)	2,125	-	53	-
Total	39,678	26,242	29,911	37,388

*The exposure includes advances in cash and in kind, contingent liabilities and commitments, interest and other receivables and includes EUR 4,345 thousand (2024: EUR 6,653 thousand) of off-balance sheet exposures. Expenses do not include value adjustments, unrealized gains / losses on securities or provisions for losses.

Notes to the Financial statements for the year ended December 31, 2025

40. RELATED PARTY TRANSACTIONS (continued)

BANK 2025	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	28.613	5.067	29.560	32.935
Subsidiaries				
HPB Invest	874	395	234	12
HPB-nekretnine	680	621	41	118
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	77	1.494	1	3.985
Long-Term Benefits (loans and deposits)	3.395	17	63	-
Total	33.639	7.594	29.899	37.050

BANK 2024	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	37,456	24,838	29,857	33,307
Subsidiaries				
HPB Invest	889	270	247	4
HPB-nekretnine	668	486	34	95
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	77	1,378	1	3,850
Long-Term Benefits (loans and deposits)	1,901	-	46	-
Total	40,991	26,972	30,185	37,256

* The exposure includes advances in cash and in kind, contingent liabilities and commitments, interest and other receivables and includes EUR 4,345 thousand (2024: EUR 6,648 thousand) of off-balance sheet exposures. Expenses do not include value adjustments, unrealized gains / losses on securities or provisions for losses. Loans to key management are in Stage 1 and Stage 2.

Notes to the Financial statements for the year ended December 31, 2025

40. RELATED PARTY TRANSACTIONS (continued)

c) State owned companies

Major shareholders of the Bank, which together own 76.81% of its shares, are state agencies or state-owned companies, all mainly funded from the State Budget. Accordingly, transactions and balances with other state-owned companies, including credit risk exposures guaranteed by the state, also represent related party relationships. The Bank has a significant exposure to these parties, which is disclosed in Note 36.

41. REPURCHASE AND RESALE AGREEMENTS

The Bank and Group enters into purchases (sales) of investments under agreements to resell (repurchase) essentially identical investments, or in a series of linked sales and buy-back transactions at a certain future date at a fixed price. The amounts paid are recognized in loans and advances to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the report of financial position and are measured in accordance with the accounting policy for the relevant financial asset at amortized cost or at fair value, as appropriate. The proceeds from the sale of the investments are presented as liabilities to either banks or customers.

The difference between the sale and repurchase amount is recognized on an accrual basis over the period of the transaction and is included in interest income or expense.

The Bank and Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate.

Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. The financial instruments sold are not derecognized and the proceeds are accounted for as interest-bearing borrowings. At the end of the year the Bank and Group had assets sold under repurchase agreements as follows:

GROUP	Book Value of Liability EUR '000	Fair Value of Collaterals EUR '000
Loans to Customers – Repo Agreements		
2025	239,599	243,566
2024	73,884	98,586
BANK	Book Value of Liability EUR '000	Fair Value of Collaterals EUR '000
Loans to Customers – Repo Agreements		
2025	239,599	243,566
2024	73,884	98,586

Transactions above are recognized as repurchase agreements, in accordance with IFRS 9: Financial Instruments.

The Bank and Group also purchases financial instruments provided that they are re-sold at a contracted future date ("resale agreement"). The seller agrees to buy the same or similar instruments on the agreed future date. Re-sale is contracted as a client financing instrument and is recorded as loans and advances to customers and the purchased financial instrument is not recognized. At the year end the Bank and Group did not have reverse-repo agreement.

**Notes to the Financial statements** for the year ended December 31, 2025**42. FUNDS MANAGED FOR AND ON BEHALF OF CORPORATE AND RETAIL CUSTOMERS**

The Bank and Group manages funds for and on behalf of corporate and retail customers. These amounts do not represent the Bank's and Group's assets and are excluded from the report of financial position. For the services rendered, the Bank and Group charges a fee which is recognized in the P&L report on an accrued basis.

Subsidiaries

The Bank's subsidiary also manages six open-end funds with public offering:

HPB Shares fund, HPB Global fund, HPB Short-term bond fund, HPB Focus 2026 fund, HPB Bond plus fund.

Investment funds assets that are managed by the Bank is not part of consolidated reports of the Group.

The investment of the parent company in the investment funds of the parent company are stated at fair value through profit and loss.

Investment company

The fund has multiple unrelated investors and owns multiple investments. Ownership shares in the Fund are in the form of shares with limited liability that are classified as liabilities in accordance with IFRS 9 provisions. It is considered that the Fund meets the definition of an investment company according to IFRS 10, given that the following conditions exist:

1. the Fund acquired funds for the purpose of providing professional investment management services to its investors,
2. the business purpose of the Fund, which was transferred directly to investors, is investment for capital appreciation and investment income, and
3. investments are measured and evaluated on the basis of fair value.

Investments held as part of investment portfolios are reported in funds assets at fair value. This treatment is allowed under IFRS 10, "Consolidation", which allows funds not to prepare consolidated financial statements but to recognize and measure the investments held in their portfolios at fair value through the profit and loss account and report them in accordance with IFRS 9, whereby changes in fair value are recognized in the statement of comprehensive income in the period of the change.

Although the Bank has a significant share in one of the funds, the key definition of control is not met. The management fee is in line with the average of similar funds on the market, i.e. it does not differ significantly or at all compared to the competition and mainly changes depending on market trends (there is no correlation of the increase in the fee in relation to the amount of shares) and there is no variable fee that the Group would realized based on the results of the Fund. The investment structure does not depend entirely on the fund manager or the Bank/Group, as it is mainly defined by law, and thus through the fund's prospectus itself. Over the years, the structure of the fund has not changed significantly and is in line with the structure of the main competitors' funds.

Custody

The Group manages funds on behalf of and for the account of legal entities, households, and investment funds (including investment funds of the Group), which holds and manages assets or invests funds in various financial instruments at the client's request. For services provided, the Bank receives a fee income. This asset is not the Group's assets and is not recognized in the statement of financial position. The Group is not exposed to credit risks from such placements or guarantees for investments.

As of 31 December 2025, total net assets under the custody of the Bank, including HPB Group funds, amounted to EUR 2.94 billion (2023: EUR 2.24 billion).

Furthermore, as of 31 December 2025, the total assets of investment and pension funds, for which the Bank operates as depositories, amounted to EUR 1.62 billion (2024: EUR 1.22 billion).

Notes to the Financial statements for the year ended December 31, 2025**42. FUNDS MANAGED FOR AND ON BEHALF OF CORPORATE AND RETAIL CUSTOMERS** (continued)**Other funds managed for and on behalf of other entities**

The Bank also manages credit exposure for and on behalf of other entities, as follows:

	2025 EUR '000	2024 EUR '000
Assets		
Corporate	16,932	5,925
Retail	47,846	48,924
Giro Accounts	102,147	101,780
Total Assets	166,925	156,629
Liabilities		
Croatian Employment Office	21,650	10,025
Counties	761	974
Government of the Republic of Croatia	143,056	144,417
Croatian bank for reconstruction and development	1,028	999
Other Liabilities	430	214
Total Liabilities	166,925	156,629

43. AVERAGE INTEREST RATES

Average interest rates calculated as the weighted average of each category of interest-earning asset and interest-bearing liability, are presented below:

GROUP	Average interest rates 2025	Average interest rates 2024
Assets		
Cash and Amounts Due from Banks	1.75%	3.29%
Loans to and Receivables from Banks	2.70%	4.29%
Financial Assets at FV Through P&L	2.67%	2.28%
Financial Assets at Amortized Cost	2.87%	2.53%
Loans and Receivables from Customers	3.66%	4.20%
Liabilities		
Deposits from Banks	(4.52%)	(5.12%)
Customer Deposits	(0.75%)	(1.03%)
Borrowings	(2.52%)	(3.25%)

Notes to the Financial statements for the year ended December 31, 2025

43. AVERAGE INTEREST RATES (continued)

BANK	Average interest rates 2025	Average interest rates 2024
Assets		
Cash and Amounts Due from Banks	1.75%	3.29%
Loans to and Receivables from Banks	2.70%	4.29%
Financial Assets at FV Through P&L	2.67%	2.28%
Financial Assets at Amortized Cost	2.87%	2.53%
Loans and Receivables from Customers	3.66%	4.20%
Liabilities		
Deposits from Banks	(4.52%)	(5.12%)
Customer Deposits	(0.75%)	(1.03%)
Borrowings	(2.52%)	(3.25%)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments at fair value through profit or loss or financial assets at fair value through other comprehensive income are measured at fair value. Loans and advances, as well as other financial assets valued at amortized cost, are measured at amortized cost less impairment. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are disclosed at their fair value that arises from price quotes of these instruments on active markets or at fair value calculated from observable inputs related to respective instruments. Financial liabilities at fair value through profit or loss are disclosed at fair values calculated on the basis of available conditions of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these consolidated financial reports is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

Notes to the Financial statements for the year ended December 31, 2025**44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Loans

The fair value of loans and advances is calculated based on discounted expected future cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. Expected future cash flows are estimated considering credit risk and any indication of impairment including portfolio-based provisions for performing (i.e. A-risk rated) loans calculated at prescribed rates. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans. The Bank has a limited portfolio of loans with fixed rates, where there is a difference between the fair value and the carrying amount.

Investments carried at cost

For equity investments for which a quoted market price is not available, fair value is, where possible, estimated using discounted cash flow techniques. Estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date.

Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not considered in estimating fair values.

Borrowings

Most of the Bank's long-term debt has no quoted market price and fair value is estimated as the present value of future cash flows, discounted at interest rates available at the reporting date to the Bank for new debt of similar type and remaining maturity.

Notes to the Financial statements for the year ended December 31, 2025

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table represents the Group's and Bank's estimate of the fair value hierarchy of financial instruments as of December 31, 2025, and December 31, 2024.

GROUP	Fair Value	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value	Unrecognized Gains/ (Losses)
31. 12. 2025	EUR '000			EUR '000	
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	2,400,420	Level 2		2,400,420	-
Loans to and Receivables from Banks	4,236	Level 2	Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows	4,491	255
Financial assets at amortized cost	2,197,444	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	2,197,444	-
Loans and Receivables from Customers	3,687,798	Level 2	Present Value of Future Discounted Cash Flows	3,695,186	7,388
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	65,258			65,258	-
- Ministry of Finance treasury bills	397	Level 2	- Ministry of Finance treasury bills	397	-
- Ministry of Finance Bonds	31,033	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	31,033	-
- Corporate bonds and commercial bills	3,362	Level 1	- Corporate bonds and commercial bills	3,362	-
- Open-End Investment Fund Investments	24,196	Level 1	Value of an Individual Share on Given Date	24,196	-
- Equity Securities	5,350	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	5,350	-
- fair value of forward contracts	151	Level 3	Internal model for valuing a currency swap contract by discounting future cash flows	151	-
- Loans and Receivables from customers	500	Level 3	Present Value of Discounted Future Cash Flows	500	-
- Interest Receivables, not due	269	Not Applicable	Not Applicable	269	-
Financial Assets at Fair Value through Other Comprehensive income	5,813			5,813	-
- Equity Securities – Not Listed	5,130	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	5,130	-
- Equity Securities – Listed	683	Level 1	- Equity Securities – Listed	683	-
Total Financial Assets	8,360,969			8,368,612	7,643
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	82,925	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	82,925	-
Customer Deposits	7,171,143	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	7,102,104	(69,039)
Borrowings	686,324	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	672,398	(13,926)
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	22	Level 3	Internal valuation Model for FX Contracts Using Future Cash Flows	22	-
Total Financial Liabilities	7,940,414			7,857,449	(82,965)
OFF-BALANCE TOTAL	1,139,808			1,139,808	-
Guarantees	372,670	Level 2	Present Value of Future Discounted Cash Flows	372,670	-
Undrawn credit lines	767,138	Level 2	Present Value of Future Discounted Cash Flows	767,138	-

Notes to the Financial statements for the year ended December 31, 2025

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

GROUP	Fair Value	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value	Unrecognized Gains/ (Losses)
31. 12. 2024	EUR '000			EUR '000	
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	3,798,745	Level 1		3,798,745	-
Loans to and Receivables from Banks	2,284	Level 2	Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows	2,284	-
Financial assets at amortized cost	1,032,259	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	1,032,259	-
Loans and Receivables from Customers	2,864,108	Level 2	Present Value of Future Discounted Cash Flows	2,868,701	(4,593)
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	66,619			66,619	-
- Ministry of Finance Bonds	35,122	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	35,122	-
- Corporate bonds and commercial bills	3,210	Level 1	- Corporative bonds and commercial bills	3,210	-
- Open-End Investment Fund Investments	22,305	Level 1	Value of an Individual Share on Given Date	22,305	-
- Equity Securities	5,182	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	5,182	-
- Loans and Receivables from customers	498	Level 3	Present Value of Discounted Future Cash Flows	498	-
- Interest Receivables, not due	302	Not Applicable	Not Applicable	302	-
Financial Assets at Fair Value through Other Comprehensive income	5,462			5,462	-
- Equity Securities – Not Listed	5,232	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/E, P/S, P/B,	5,232	-
- Equity Securities – Listed	230	Level 1	- Equity Securities – Listed	230	-
Total Financial Assets	7,769,477			7,774,070	(4,593)
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	76,798	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	76,798	-
Customer Deposits	6,747,423	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	6,656,134	(91,290)
Borrowings	475,146	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	456,928	(18,218)
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	542	Level 3	Internal valuation Model for FX Contracts Using Future Cash Flows	542	-
Total Financial Liabilities	7,299,909			7,190,402	(109,508)
OFF-BALANCE TOTAL	569,030			569,030	-
Guarantees	239,580	Level 2	Present Value of Future Discounted Cash Flows	239,580	-
Undrawn credit lines	329,450	Level 2	Present Value of Future Discounted Cash Flows	329,450	-

Notes to the Financial statements for the year ended December 31, 2025

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

BANK	Fair Value	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value	Unrecognized Gains/ (Losses)
31. 12. 2025	EUR '000			EUR '000	
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	2,400,414	Level 2		2,400,414	-
Loans to and Receivables from Banks	4,236	Level 2	Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows	4,491	(255)
Financial assets at amortized cost	2,197,444	Level 1	Present Value of Future Discounted Cash Flows	2,197,444	-
Loans and Receivables from Customers	3,687,798	Level 2	Present Value of Future Discounted Cash Flows	3,695,186	(7,388)
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	65,156		Financial Assets at Fair Value through P&L	65,156	-
- Ministry of Finance treasury bills	397	Level 2	- Ministry of Finance treasury bills	397	-
- Ministry of Finance Bonds	31,033	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	31,033	-
- Corporate bonds and commercial bills	3,260	Level 1	- Corporate bonds and commercial bills	3,260	-
- Open-End Investment Fund Investments	24,196	Level 1	Value of an Individual Share on Given Date	24,196	-
- Equity Securities	5,350	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	5,350	-
- fair value of forward contracts	151	Level 3	Internal model for valuing a currency swap contract by discounting future cash flows	151	-
- Loans and Receivables from customers	500	Level 3	Present Value of Discounted Future Cash Flows	500	-
- Interest Receivables, not due	269	Not Applicable	Not Applicable	269	-
Financial Assets at Fair Value through Other Comprehensive income	5,813		Financial Assets at Fair Value through Other Comprehensive income	5,813	-
- Equity Securities – Not Listed	5,130	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	5,582	-
- Equity Securities – Listed	683	Level 1	mark-to-market according to prices quoted in an active market	231	-
Total Financial Assets	8,360,861			8,368,504	(7,643)
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	82,925	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	82,925	-
Customer Deposits	7,172,162	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	7,103,123	69,039
Borrowings	686,324	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	672,398	13,926
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	22	Level 3	Internal valuation Model for FX Contracts Using Future Cash Flows	22	-
Total Financial Liabilities	7,941,433			7,858,468	82,965
OFF-BALANCE TOTAL	1,139,808			1,139,808	-
Guarantees	372,670	Level 2	Present Value of Future Discounted Cash Flows	372,670	-
Undrawn credit lines	767,138	Level 2	Present Value of Future Discounted Cash Flows	767,138	-

Notes to the Financial statements for the year ended December 31, 2025

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

BANK	Fair Value	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value	Unrecognized Gains/ (Losses)
31. 12. 2024	EUR '000			EUR '000	
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	3,798,740	Level 1		3,798,740	-
Loans to and Receivables from Banks	2,284	Level 2	Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows	2,284	-
Financial assets at amortized cost	1,032,259	Level 1	Present Value of Future Discounted Cash Flows	1,032,259	-
Loans and Receivables from Customers	2,864,108	Level 2	Present Value of Future Discounted Cash Flows	2,868,701	(4,593)
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	66,513		Financial Assets at Fair Value through P&L	66,513	-
- Ministry of Finance treasury bills	-	Level 2	- Ministry of Finance treasury bills	-	-
- Ministry of Finance Bonds	35,122	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	35,122	-
- Corporate bonds and commercial bills	3,104	Level 1	- Corporate bonds and commercial bills	3,104	-
- Open-End Investment Fund Investments	22,305	Level 1	Value of an Individual Share on Given Date	22,305	-
- Equity Securities	5,182	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	5,182	-
- fair value of forward contracts	-	Level 3	Internal model for valuing a currency swap contract by discounting future cash flows	-	-
- Loans and Receivables from customers	498	Level 3	Present Value of Discounted Future Cash Flows	498	-
- Interest Receivables, not due	302	Not applicable	Not Applicable	302	-
Financial Assets at Fair Value through Other Comprehensive income	5,462		Financial Assets at Fair Value through Other Comprehensive income	5,462	-
- Equity Securities – Not Listed	5,232	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	5,232	-
- Equity Securities – Listed	230	Level 1	mark-to-market according to prices quoted in an active market	230	-
Total Financial Assets	7,769,366			7,773,959	(4,593)
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	76,798	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	76,798	-
Customer Deposits	6,748,118	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	6,656,828	(91,290)
Borrowings	475,146	Level 2	Present Value of Discounted Cash Flows Under Currently Effective Interest Rates	456,928	(18,218)
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	542	Level 3	Internal valuation Model for FX Contracts Using Future Cash Flows	542	-
Total Financial Liabilities	7,300,604			7,191,096	(109,508)
OFF-BALANCE TOTAL	569,030			569,030	-
Guarantees	239,580	Level 2	Present Value of Future Discounted Cash Flows	239,580	-
Undrawn credit lines	329,450	Level 2	Present Value of Future Discounted Cash Flows	329,450	-

Notes to the Financial statements for the year ended December 31, 2025

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Input data not visible for Level 3 measurement

In the case when the fair value of a financial asset is obtained from input parameters that are not visible in the market, then these parameters can be obtained with other alternative parameters. To compile the Statement of financial position, parameters are used that reflect the market situation on the day of the report.

The range of invisible valuation parameters used to measure Level 3 are shown in the following table:

GROUP AND BANK					31. 12. 2025
Financial asset	Instrument type	Fair value EUR '000	Valuation Technique(s)	Key input(s) not visible	Input ranges that are not visible
Financial Assets at Fair Value through P&L	Loans and Receivables from Customers	500	Present Value of Discounted Future Cash Flows	Discount rate	3.79%-5.75%
Financial Assets at Fair Value through OCI	Equity Securities – Not Listed	5,130	calculation based on the conversion factor and share price on the primary market	Conversion factor	1.783-0.717
GROUP AND BANK					31. 12. 2024
Financial asset	Instrument type	Fair value EUR '000	Valuation Technique(s)	Key input(s) not visible	Input ranges that are not visible
Financial Assets at Fair Value through P&L	Loans and Receivables from Customers	498	Present Value of Discounted Future Cash Flows	Discount rate	4.70% - 6.25%
Financial Assets at Fair Value through OCI	Equity Securities – Not Listed	5,232	calculation based on the conversion factor and share price on the primary market	Conversion factor	3.625 – 3.645

Notes to the Financial statements for the year ended December 31, 2025**45. ENCUMBERED ASSETS OF THE CREDIT INSTITUTION**

HPB Group and the Bank under the term encumbered assets implies the pledged assets, given as collateral, subject to some form of pledge or serves to improve the credit position from which it cannot be withdrawn freely. Also, the assets for which the withdrawal must be previously approved are considered to be encumbered assets.

In the structure of assets, the Bank has recorded encumbered assets in the amount of EUR 304,198 thousand (2024: EUR 163,757 thousand). The carrying amount of the Bank's encumbered assets in relation to the Bank's balance sheet total is 3.55 percent of the Bank's assets (2024: 2.08 percent).

The encumbered assets is represented by a pledge of debt securities of the Republic of Croatia based on pledged loan from CNB in the total amount of EUR 47,291 thousand (2024: EUR 102,135 thousand) and Treasury bills of Republic of France based on pledged loan from JP Morgan in the total amount of EUR 196,325 thousands (2024: -).

The remaining amount of encumbered assets refers to a pledged loan in the amount of EUR 58,448 thousand as a pledge for a foreign currency loan received from the European Investment Bank (2024: EUR 59,226 thousand) and guarantee deposits in the amount of EUR 2,133 thousand (2024: EUR 2,396 thousand).

Table form of encumbered assets of the Group and Bank are presented as at December 31, 2025 and December 31, 2024:

GROUP EUR '000	31. 12. 2025		31. 12. 2024	
	Book Value	Fair Value	Book Value	Fair Value
Debt Securities	243,616	243,566	102,135	98,586
Loans to Customers and Other Assets	60,582	60,582	61,622	61,622
Total	304,198	304,148	163,757	160,208

BANK EUR '000	31. 12. 2025		31. 12. 2024	
	Book Value	Fair Value	Book Value	Fair Value
Debt Securities	243,616	243,566	102,135	98,586
Loans to Customers and Other Assets	60,582	60,582	61,622	61,622
Total	304,198	304,148	163,757	160,208



Notes to the Financial statements for the year ended December 31, 2025

46. EVENTS AFTER THE REPORTING DATE

Credit rating assigned to HPB by Moody's

Moody's credit rating agency, one of the three largest such institutions in the world, assigned Baa2 long term deposit and Baa3 long-term issuer ratings to HPB, with stable outlook. Such assessment is a confirmation of HPB's strong capital ratios, as well as positive effects that the market position of the Bank, which is today one of the 5 largest banks in Croatia, have on profitability and cost efficiency.

This credit rating by Moodys is placing HPB among a small number of Croatian companies having an investment grade credit rating, and apart from validating the results that HPB's team has been achieving, ensures the possibility of an easier access to a broader scope of institutional investors on domestic and international capital markets. Therefore, this should also open the possibility for potential issuance of debt instruments in the future, which could diversify and strengthen Bank's sources of funding.

Signed Share purchase Agreement of the CROATIA BANKA d.d.

On March 4, 2026, the Bank has signed a Share purchase Agreement with the Croatian Deposit Insurance Agency, to purchase 100 % ownership stake in share capital of CROATIA BANKA d.d., Roberta Frangeša – Mihanovića 9, Zagreb, for a transaction amount of EUR 15,000,000.00. Closing of the transaction is subject to fulfilment of the conditions precedent, which mainly relate to obtaining all necessary approvals, consents and other activities that both parties are obliged to fulfil, including the Bank's General Assembly approval for the acquisition of shares, after which it will be proceeded with closing and transfer of all the shares to HPB.

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**Regulatory
Financial
Statements
for the
Croatian National
Bank**

Statement of Financial Position as at 31 December 2025 (in euros)

Position	Name of position	Previous year	Current year
ASSETS			
1.	Cash in hand, balances with central banks	3,788,379,064	2,387,794,079
2.	Treasury bills and other bills eligible for refinancing with central banks (2.1 + 2.2):	197,012,008	652,199,503
2.1.	<i>(a) treasury bills and similar securities</i>	197,012,008	652,199,503
2.2.	<i>(b) other short terms securities</i>	-	-
3.	Loans and advances to credit institutions (3.1 + 3.2):	10,596,142	15,139,207
3.1.	<i>(a) repayable on demand</i>	10,342,005	12,515,734
3.2.	<i>(b) other loans and advances</i>	254,137	2,623,473
4.	Loans and advances to customers	2,886,983,866	3,702,180,347
5.	Debt securities including fixes-income securities (5.1 + 5.2):	873,775,491	1,580,203,154
5.1.	<i>(a) issued by public bodies</i>	824,875,202	1,528,693,082
5.2.	<i>(b) other debt securities</i>	48,900,289	51,510,072
6.	Shares and other variable-yield securities	32,949,002	35,358,835
7.	Participating interests	-	-
8.	Shares in affiliated undertakings	1,495,487	1,495,487
9.	Intangible assets	14,910,720	19,659,934
10.	Tangible assets (10.1 + 10.2):	55,596,991	61,607,852
10.1.	<i>(a) property, plant and equipment</i>	51,210,858	57,021,813
10.2.	<i>(b) investment property</i>	4,386,133	4,586,039
11.	Tax assets (11.1 + 11.2):	4,422,971	4,522,970
11.1.	<i>(a) current tax assets</i>	-	709,745
11.2.	<i>(b) deferred tax assets</i>	4,422,971	3,813,225
12.	Other assets	9,561,283	94,120,942
13.	Prepayments and accrued income	6,916,334	9,553,435
14.	Non-current assets and disposal groups classified as held for sale	-	-
15.	TOTAL ASSETS (1 to 14)	7,882,599,359	8,563,835,745

Statement of Financial Position as at 31 December 2025 (in euros) (continued)

Position	Name of position	Previous year	Current year
LIABILITIES and EQUITY			
16.	Amounts owed to credit institutions (16.1 + 16.2):	238,178,379	441,128,891
16.1.	(a) repayable on demand	757,898	17,354,316
16.2.	(b) with agreed maturity	237,420,481	423,774,575
17.	Amounts owed to customers (17.1 + 17.2):	6,944,191,854	7,405,829,913
17.1.	(a) savings deposits (17.1.1 + 17.1.2):	4,225,777,469	4,269,353,380
17.1.1.	(aa) repayable on demand	2,226,903,566	2,567,149,366
17.1.2.	(ab) with agreed maturity dates or periods of notice	1,998,873,903	1,702,204,014
17.2.	(b) other debts (17.2.1 + 17.2.2):	2,718,414,385	3,136,476,533
17.2.1.	(ba) repayable on demand	1,532,039,199	1,620,739,493
17.2.2.	(bb) with agreed maturity dates or periods of notice	1,186,375,186	1,515,737,040
18.	Debt securities issued	-	-
19.	Other liabilities	88,073,440	94,344,353
20.	Accruals and deferred income	4,889,104	4,784,494
21.	Provisions (21.1 + 21.2):	41,400,648	41,329,431
21.1.	(a) provisions for pensions and similar obligations	-	-
21.2.	(b) other provisions	41,400,648	41,329,431
22.	Tax liabilities (22.1 + 22.2):	6,048,067	-
22.1.	(a) current tax liabilities	6,048,067	-
22.2.	(b) deferred tax liabilities	-	-
23.	Liabilities included in disposal groups classified as held for sale	-	-
24.	Subordinated liabilities	-	-
25.	Capital (25.1 + 25.2)	161,970,000	161,970,000
25.1.	(a) paid up capital	161,970,000	161,970,000
25.2.	(b) unpaid capital which has been called up	-	-
26.	Share premium	-	-
27.	Other equity	-	-
28.	(-) Treasury shared	-	(10,540)
29.	Reserves (29.1 + 29.2 + 29.3 + 29.4):	89,306,875	89,677,700
29.1.	(a) legal reserves	8,098,500	8,098,500
29.2.	(b) statutory reserves	-	-
29.3.	(c) reserves for own shares	594,200	594,200
29.4.	(d) other reserves	80,614,175	80,985,000
30.	Revaluation reserves	-	-
31.	Accumulated other comprehensive income	9,482,965	11,162,218
32.	Retained earnings	225,426,381	254,490,401
33.	Profit or loss for the year	73,631,645	59,128,885
34.	Minority interests	-	-
35.	TOTAL LIABILITIES AND EQUITY (16 to 34)	7,882,599,358	8,563,835,746
Off-balance sheet items			
36.	Loan commitments given	677,708,987	1,247,382,941
37.	Financial guarantees given	239,379,898	371,442,165
38.	Other commitments given	200,060	1,228,859
39.	TOTAL OFF-BALANCE SHEET ITEMS	917,288,945	1,620,053,965

Statement of Profit or Loss for 2025 (in euros)

Position	Name of position	Previous year	Current year
1.	Interest receivable and similar income	261,111,178	227,945,443
1.1.	<i>of which: income arising from fixed-income securities</i>	24,750,734	46,942,466
2.	Interest payable and similar charges	83,387,065	73,935,073
3.	Income from securities (3.1 + 3.2 + 3.3):	224,832	241,688
3.1.	<i>(a) Income from shares and other variable-yield securities</i>	224,832	241,688
3.2.	<i>(b) Income from participating interests</i>	-	-
3.3.	<i>(c) Income from shares in affiliated undertakings</i>	-	-
4.	Commissions receivable	76,788,658	77,217,867
5.	Commissions payable	41,416,559	39,720,561
6.	Net profit or net loss on financial operations	5,348,492	5,620,130
7.	Other operating income	4,627,207	266,474
7.1.	<i>of which: gains and losses resulting from recognition of financial assets measured at amortised cost</i>	-	-
8.	General administrative expenses (8.1 + 8.2)	108,873,182	114,399,800
8.1.	<i>(a) Staff cost</i>	55,671,636	60,374,660
8.2.	<i>(b) Other administrative expenses</i>	53,201,546	54,025,140
9.	Impairment or reversal of impairment of intangible and tangible assets	-	526,105
10.	Other operating charge	2,711,646	5,446,446
11.	Provisions or reversal of provisions (11.1 + 11.2)	7,759,335	6,092,252
11.1.	<i>(a) Provisions for commitments and guarantees given</i>	1,585,245	4,788,077
11.2.	<i>(b) Other provisions</i>	6,174,090	1,304,175
12.	Impairment or reversal of impairment of loans and advances	13,806,018	-1,205,196
13.	Impairment or reversal of impairment of securities, participating interests and shares in affiliated undertakings	-	-
14.	Profit or loss before tax from continuing operations (1. – 2. + 3. + 4. – 5. + 6. + 7. – 8. – 9. – 10. – 11. – 12. – 13.)	90,146,562	72,376,561
15.	Tax expense or (-) income related to profit or loss from continuing operations	16,514,916	13,247,678
16.	Profit or (-) loss after tax from continuing operations (14 - 15)	73,631,646	59,128,883
17.	Profit or (-) loss before tax from discontinued operations	-	-
18.	Tax expense or (-) income related to discontinued operations	-	-
19.	Profit or (-) loss after tax from discontinued operations (17 - 18)	-	-
20.	Profit or (-) loss for the year (16 + 19; 21 + 22)	73,631,646	59,128,883
21.	Attributable to minority interest [non-controlling interests]	-	-
22.	Attributable to owners of the parent	73,631,645	59,128,885

Statement of Other Comprehensive income for 2025 (in euros)

Position	Name of position	Previous year	Current year
1.	Profit or (-) loss for the year	73,631,645	59,128,885
2.	Other comprehensive income (3 + 15)	837,863	1,679,253
3.	Items that will not be reclassified to profit or loss (4 to 10 + 13 +14)	837,863	1,679,253
4.	Tangible assets	-	1,687,687
5.	Intangible assets	-	-
6.	Actuarial gains or (-) losses on defined benefit pension plans	-	-
7.	Non-current assets and disposal groups held for sale	-	-
8.	Share of other recognised income and expense of entities accounted for using the equity method	-	-
9.	Fair value change of equity instruments measured at fair value through other comprehensive income	1,075,616	360,183
10.	Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
11.	<i>Fair value change of equity instruments measured at fair value through other comprehensive income [hedged ited]</i>	-	-
12.	<i>Fair value change of equity instruments measured at fair value through other comprehensive income [hedge instrument]</i>	-	-
13.	Fair value change of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
14.	Income tax relating to items that will not be reclassified	(237,753)	(368,617)
15.	Items that may be reclassified to profit or loss (16 to 23)	-	-
16.	Hedge of net investments in foreign operations	-	-
17.	Foreign currency translation	-	-
18.	Cash flow hedges [effective portion]	-	-
19.	Hedging instruments [not designated elements]	-	-
20.	Debt instruments at fair value through other comprehensive income	-	-
21.	Non-current assets and disposal groups held for sale	-	-
22.	Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	-	-
23.	Income tax relating to items that will be reclassified to profit or (-) loss	-	-
24.	Total comprehensive income for the year (1 +2; 25 + 26)	74,469,508	60,808,138
25.	Attributable to minority interest [non-controlling interest]	-	-
26.	Attributable to owners of the parent	74,469,508	60,808,138

Statement of Changes in Equity for 2025 (in euros)

Position	Sources of equity changes	Name of position													Total
		Capital	Share premium	Equity instruments issued other than capital	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserve	Other reserve	(-) Treasury shared	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Minority interests		
												Accumulated other comprehensive	Other items		
1.	Opening balance [before restatement]	161,970,000	-	-	-	9,482,965	225,426,381	-	89,306,875	-	73,631,645	-	-	-	559,817,866
2.	Effects of corrections of errors	-	-	-	-	-	2	-	-	-	(3)	-	-	-	(1)
3.	Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Opening balance [current period] (1. + 2. + 3.)	161,970,000	-	-	-	9,482,965	225,426,383	-	89,306,875	-	73,631,642	-	-	-	559,817,865
5.	Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Exercise of expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Dividends	-	-	-	-	(44,196,800)	-	-	-	-	-	-	-	-	(44,196,800)
12.	Purchase of treasury shares	-	-	-	-	-	-	-	(19,540)	-	-	-	-	-	(19,540)
13.	Sale or cancellations of treasury shares	-	-	-	-	-	-	-	9,000	-	-	-	-	-	9,000
14.	Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	Transfers among components of equity	-	-	-	-	-	73,260,818	-	-	-	(73,260,818)	-	-	-	-
17.	Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	Other increase or (-) decrease in equity	-	-	-	-	-	-	-	370,825	-	(370,825)	-	-	-	-
20.	Total comprehensive income for the year	-	-	-	-	1,679,253	-	-	-	-	59,128,885	-	-	-	60,808,138
21.	Closing balance [current period] (od 4. do 20.)	161,970,000	-	-	-	11,162,218	254,490,401	-	89,677,700	(10,540)	59,128,884	-	-	-	576,418,663

Cash Flow Statement for 2025 (in euros)

	2024	2025
Business activities and adjustments		
Profit/(loss) before tax	90,146,561	72,376,563
Adjustments:	-	-
Impairment and provisions	22,123,171	9,649,788
Depreciation	13,289,523	13,659,024
Net unrealises (gains)(loses on financial assets and liabilities at fair value through profit or loss	(5,404,801)	(5,644,644)
(Profit)/loss from the sale of tangible assets	(1,394,753)	(833,931)
Other non-cash items	(178,555,690)	(153,824,455)
Changes in assets and liabilities from operating activities		
Deposits with the Croatian National Bank	-	-
Deposits with financial institutions and loans to financial institutions	-	-
Loans and advances to other clients	43,557,906	(817,563,637)
Securities and other financial instruments at fair value through other comprehensive income	(1,067,982)	(350,697)
Securities and other financial instruments held for trading	(11,205,322)	1,359,410
Non-trading securities and other financial instrument at fair value through profit or loss	-	-
Securities and other financial instrument mandatorily at fair value through profit or loss	(7,736)	(2,180)
Securities and other financial instruments at amortised cost	(176,402,256)	(1,165,184,326)
Other assets form operating activities	(2,073,253)	(77,182,587)
Deposits from financial institutions	209,716,508	113,218,374
Transaciotn accounts of other clients	399,294,389	423,395,238
Savings deposits of other clients	(18,777,473)	(4,633,330)
Time deposits of other clients	219,561,983	(84,934,789)
Derivative financial liabilities and other liaibilities held for trading	525,642	(519,385)
Other liabilities from operating activities	(28,033,263)	(4,009,081)
Interest received from operating activities [indirect method]	261,111,178	227,945,443
Dividends received from operating activities [indirect method]	224,832	241,688
Interest paid from operating activities [indirect method]	(83,387,065)	(73,935,073)
(Income tax paid)	(17,081,005)	(19,395,743)
Net cash flows from operating activities (1 to 33)	736,161,094	(1,546,168,330)
Investing activities		
Cash receipts from the sale/(payments for the purchase) of tangible and intangible assets	(11,112,070)	(15,839,518)
Cash receipts from the sale/(payments for the purchase) of investments in subsidiaries, associates and joint ventures	(200,000)	-
Cash receipts from the sale/(payments for the purchase) of securities and other financial instruments held to maturity	-	-
Dividends received from investing activities	-	-
Other receipts from (payment for) investing activities	-	-
Net cash flows from investing activities (35 to 39)	(11,312,070)	(15,839,518)
Financing activities		
Net increase/(decrease) in loans received from financing activities	(24,643,812)	211,985,131
Net increase/(decrease) in debt securities	-	-
Net increase/(decrease) in tier 2 capital instruments	-	-
Increase in share capital	-	-
(Dividends paid)	(5,284,271)	(48,388,538)
Other receipts (payments) from financing activities	-	-
Net cash flows from financing activities (od 41 do 46)	(29,928,083)	163,596,593
Net increases/(decrease) in cash and cash equivalents (34 + 40 + 47)	694,920,941	(1,398,411,255)
Cash and cash equivalents at the beginning of the year	3,103,793,849	3,798,721,068
Effect of exchange rate changes on cash and cash equivalents	6,279	-
Cash and cash equivalents at the end of the year	3,798,721,069	2,400,309,813



Statement of Financial Position Reconciliation as of December 31, 2025

ASSETS

Statutory report

EUR '000		Statutory report																			
Position	Name of position	Regulatory reporting	Cash and Cash Equivalents	Obvezna pričuva kod Hrvatske narodne banke	Loans and Receivables from Banks	Financial Assets at Fair Value through Profit and Loss	Financial Assets at Fair Value through Other Comprehensive Income	Debt securities at Amortized Cost	Loans and Receivables from Customers	Assets Held for Sale	Investment in subsidiaries	Property, Equipment and asset with right of use	Investment Property	Intangible Assets	Deferred tax assets, net	Tax Prepayment	Derivatives - hedge accounting	Other Assets	Reconciliation between statutory and regulatory reporting		
Regulatory reporting	1.	Cash in hand, balances with central banks	2,387,794	(2,387,794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	2.	Treasury bills and other bills eligible for refinancing with central banks (2.1 + 2.2):	652,200	-	-	-	(397)	-	(651,803)	-	-	-	-	-	-	-	-	-	-	-	-
	3.	Loans and advances to credit institutions (3.1 + 3.2):	15,139	(12,516)	-	-	(500)	-	-	(2,123)	-	-	-	-	-	-	-	-	-	-	-
	4.	Loans and advances to customer	3,702,180	(100)	-	(4,491)	-	-	-	(3,693,063)	-	-	-	-	-	-	-	-	-	(4,526)	-
	5.	Debt securities including fixed-income securities (5.1 + 5.2):	1,580,203	-	-	-	(34,562)	-	(1,545,641)	-	-	-	-	-	-	-	-	-	-	-	-
	6.	Shares and other variable-yield securities	35,359	-	-	-	(29,546)	(5,813)	-	-	-	-	-	-	-	-	-	-	-	-	-
	7.	Participating interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.	Shares in affiliated undertakings	1,495	-	-	-	-	-	-	-	-	(1,495)	-	-	-	-	-	-	-	-	-
	9.	Intangible assets	19,660	-	-	-	-	-	-	-	-	-	-	-	(19,660)	-	-	-	-	-	-
	10.	Tangible assets (10.1 + 10.2):	61,608	-	-	-	-	-	-	-	-	-	(57,022)	(4,586)	-	-	-	-	-	-	-
	11.	Tax assets (11.1 + 11.2):	4,523	-	-	-	-	-	-	-	-	-	-	-	-	(3,813)	(710)	-	-	-	-
	12.	Other assets	94,122	(4)	-	-	(151)	-	-	-	-	-	-	-	-	-	-	(9,864)	(84,103)	-	-
	13.	Prepayments and accrued income	9,553	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,553)	-	-
	14.	Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	15.	TOTAL ASSETS (1 to 14)	8,563,836	(2,400,414)	-	(4,491)	(65,156)	(5,813)	(2,197,444)	(3,695,186)	-	(1,495)	(57,022)	(4,586)	(19,660)	(3,813)	(710)	(9,864)	(98,182)	-	-

Differences in reporting treatment of different items of assets in the Statement of Financial Position for the year 2025, between the regulatory financial reports and statutory financial reports are presented in table above. Amount of total assets is the same.

Statement of Financial Position Reconciliation as of December 31, 2025 (continued)

LIABILITIES AND EQUITY

Statutory report

Position	Name of position	Statutory report																		
		EUR '000	Financial Liabilities at Fair Value through Profit and Loss	Deposits from Banks	Customer Deposits	Borrowings and Lease liabilities	Provisions for commitments and contingencies	Income tax liability	Derivatives - hedge accounting	Other Liabilities	Share Capital	Kapitalni dobitak	Own shares	Reserves for own shares deducted with treasury shares	Statutory Reserve	Other Reserves	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Reconciliation between statutory and regulatory reporting
16.	Amounts owed to credit institutions (16.1 + 16.2):	441,129	-	(82,925)	-	(358,204)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17.	Amounts owed to customers (17.1 + 17.2):	7,405,830	-	-	(7,106,922)	(298,908)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	Other liabilities	94,346	(22)	-	3,799	(15,286)	-	-	(4,381)	(78,456)	-	-	-	-	-	-	-	-	-	-
20.	Accruals and deferred income	4,784	-	-	-	-	-	-	-	(4,784)	-	-	-	-	-	-	-	-	-	-
21.	Provisions (21.1 + 21.2):	41,329	-	-	-	-	(41,329)	-	-	-	-	-	-	-	-	-	-	-	-	-
22.	Tax liabilities (22.1 + 22.2):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23.	Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24.	Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25.	Capital (25.1 + 25.2):	161,970	-	-	-	-	-	-	-	(161,970)	-	-	-	-	-	-	-	-	-	-
26.	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27.	Other equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28.	(-) Treasury shares	(11)	-	-	-	-	-	-	-	-	-	-	11	-	-	-	-	-	-	-
29.	Reserves (29.1 + 29.2 + 29.3 + 29.4):	89,678	-	-	-	-	-	-	-	-	-	-	(594)	(8,099)	(80,985)	-	-	-	-	-
30.	Revaluation reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31.	Accumulated other comprehensive income	11,162	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,775)	(6,387)	-	-	-
32.	Retained earnings	254,490	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(254,490)	-
33.	Profit or loss for the year	59,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,129)	-
34.	Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35.	TOTAL LIABILITIES AND EQUITY (16 to 34)	8,563,836	(22)	(82,925)	(7,103,123)	(672,398)	(41,329)	-	(4,381)	(83,240)	(161,970)	-	11	(594)	(8,099)	(80,985)	(4,775)	(6,387)	(313,619)	-

Differences in reporting treatment of different items of liabilities and equity in the Statement of Financial Position for the year 2025, between the regulatory financial reports and statutory financial reports are presented in table above. Amount of total liability is the same.

Statement of Financial Position Reconciliation as of December 31, 2025 (continued)

EQUITY

Statutory report

		EUR '000										Reconciliation between statutory and regulatory reporting	
		Regulatory reporting	Share Capital	Kapitalni dobitak	Own Shares	Reserve for Own Shares	Statutory Reserve	Other Reserves	Fair Value Reserve	Revaluation Reserve	Retained Earnings		
Regulatory reporting	Attributable to owners of the parent	Capital	161,970	(161,970)	-	-	-	-	-	-	-	-	-
	Share premium	-	-	-	-	-	-	-	-	-	-	-	-
	Equity instruments issued other than capital	-	-	-	-	-	-	-	-	-	-	-	-
	Other equity	-	-	-	-	-	-	-	-	-	-	-	-
	Accumulated other comprehensive income	11,162	-	-	-	-	-	-	(4,775)	(6,387)	-	-	-
	Retained earnings	254,490	-	-	-	-	-	-	-	-	-	(254,490)	-
	Revaluation reserves	-	-	-	-	-	-	-	-	-	-	-	-
	Other reserves	89,678	-	-	-	(594)	(8,099)	(80,985)	-	-	-	-	-
	(-) Treasury shares	(11)	-	-	11	-	-	-	-	-	-	-	-
	Profit or (-) loss attributable to owners of the parent	59,129	-	-	-	-	-	-	-	-	-	(59,129)	-
	(-) Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests	Accumulated other comprehensive	-	-	-	-	-	-	-	-	-	-	-	-
	Other items	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL		576,419	(161,970)	-	11	(594)	(8,099)	(80,985)	(4,775)	(6,387)	(313,619)	-	

Equity reconciliation for 2025

Except for differences in terminology between regulatory and statutory financial reports, the reconciliation refers to:

- other reserves in regulatory financial report are contained in the item's treasury shares reserves, statutory reserves and other reserves the statutory financial reports,
- accumulated other comprehensive income in the regulatory financial reports is within items fair value reserve and revaluation reserve in the statutory financial reports,
- profit / loss attributable to the owners of the parent company in regulatory financial reports is within the item retained earnings / (uncovered loss) in the statutory financial reports.

Statement of Profit or Loss for 2025

Statutory report

Position	Name of the position	EUR '000		Statutory report																		Reconciliation between statutory and regulatory reporting
		Regulatory reporting	Interests income using the effective interest method	Other interest income	Interests Expense	Other similar expense	Fees and Commissions Income	Fees and Commissions Expense	Net Gains/ (Losses) from Financial Instruments at Fair Value through Profit and Loss	Realized Gains on Disposal of Debt Securities at Fair Value through Other Comprehensive Income	Net Gains from Trading in Foreign Currencies	Gains from hedge accounting	Other Operating Income	General and Administrative Expenses	Depreciation and Amortization	Expected credit loss	Provisions for Liabilities and Expenses	PROFIT BEFORE TAX	Income Tax expense	PROFIT FOR THE YEAR	Total statutory reporting	
1.	Interest receivable and similar income	227,945	226,264	1,682	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227,945	-
2.	Interest payable and similar charges	73,935	-	-	73,704	231	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,935	-
3.	Income from securities (3.1 + 3.2 + 3.3):	242	-	-	-	-	-	211	30	-	-	-	-	-	-	-	-	-	-	-	242	-
4.	Commissions receivable	77,218	-	-	-	-	77,218	-	-	-	-	-	-	-	-	-	-	-	-	-	77,218	-
5.	Commissions payable	39,721	-	-	-	-	-	39,721	-	-	-	-	-	-	-	-	-	-	-	-	39,721	-
6.	Net profit or net loss on financial operations	5,620	-	-	-	-	-	5,620	-	-	-	-	-	-	-	-	-	-	-	-	5,620	-
7.	Other operating income	266	-	-	-	-	-	25	-	-	221	4,257	-	-	(4,237)	-	-	-	-	-	266	-
8.	General administrative expenses (8.1 + 8.2)	114,400	-	-	-	-	-	-	-	-	-	-	100,741	13,659	-	-	-	-	-	-	114,400	-
9.	Impairment or reversal of impairment of intangible and tangible assets	526	-	-	-	-	-	-	-	-	-	-	-	-	526	-	-	-	-	-	526	-
10.	Other operating charge	5,446	-	-	-	-	-	-	-	-	-	-	5,446	-	-	-	-	-	-	-	5,446	-
11.	Provisions or reversal of provisions (11.1 + 11.2)	6,092	-	-	-	-	-	-	-	-	-	-	-	-	-	6,092	-	-	-	-	6,092	-
12.	Impairment or reversal of impairment of loans and advances	(1,205)	-	-	-	-	-	-	-	-	-	-	-	-	(1,205)	-	-	-	-	-	(1,205)	-
13.	Impairment or reversal of impairment of securities, participating interests and shares in affiliated undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.	Profit or loss before tax from continuing operations (1 - 2 + 3 + 4 - 5 + 6 + 7 - 8 - 9 - 10 - 11 - 12 - 13.)	72,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,377	-	-	-	72,377	-
15.	Tax expense or (-) income related to profit or loss from continuing operations	13,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,248	-	-	13,248	-
16.	Profit or (-) loss after tax from continuing operations (14 - 15)	59,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,129	59,129	-
17.	Profit or (-) loss before tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.	Tax expense or (-) income related to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	Profit or (-) loss after tax from discontinued operations (17 - 18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	Profit or (-) loss for the year (16 + 19; 21 + 22)	59,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21.	Attributable to minority interest [non-controlling interests]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22.	Attributable to owners of the parent	59,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Statement of Profit or Loss reconciliation for 2025

Differences in reporting treatment of different items of profit or loss in the Statement of Profit or Loss for the year 2024, between the regulatory financial reports and statutory financial reports are presented in table above. Amount of total profit is the same.

Cash Flow Statement reconciliation for 2025

EUR '000	Regulatory Financial Reports	Statutory reporting	Difference
Bussines activites and adjustments			
Profit/(loss) before tax	72,377	72,377	-
Adjustments:			-
Impairment and provisions	9,650	9,650	-
Depreciation	13,659	13,659	-
Net unrealies (gains)(loses on financial assets and liabilities at fair value through profit or loss	(5,645)	(5,645)	-
(Profit)/loss from the sale of tangible assets	(834)		(834)
Other non-cash items	(153,824)	(153,824)	-
Changes in assets and liabilities from operating activities			
Loans and advances to other clients	(817,564)	(828,407)	10,843
Securities and other financial instruments at fair value through other comprehensive income	(351)	(351)	-
Securities and other financial instruments held for trading	1,359	1,357	2
Non-trading securities and other financil instrument at fair value through profit or loss	(2)		(2)
Securities and other financial instruments at amortised cost	(1,165,184)	(1,165,184)	-
Other assets form operating acitivites	(77,183)	(65,973)	(11,210)
Deposits from financial institutions	113,218		113,218
Deposits from banks		6,127	(6,127)
Transaciotn accounts of other clients	423,395		423,395
Savings deposits of other clients	(4,633)		(4,633)
Time deposits of other clients	(84,935)		(84,935)
Customer deposits		446,295	(446,295)
Derivative financial liabilities and other liaibilities held for trading	(519)		(519)
Other liabilities from operating activities	(4,007)	(7,008)	3,001
Interest received from operating activities [indirect method]	227,945	227,945	-
Dividends received from operating activities [indirect method]	242	242	-
Interest paid from operating activities [indirect method]	(73,935)	(73,935)	-
(Income tax paid)	(19,396)	(20,006)	-
Net cash flows from operating activities	(1,546,167)	(1,542,681)	

Cash Flow Statement reconciliation for 2025 (continued)

EUR '000	Regulatory Financial Reports	Statutory reporting	Difference
Investing activities			
Cash receipts from the sale/(payments for the purchase) of tangible and intangible assets	(15,840)	(15,840)	-
Cash receipts from the sale/(payments for the purchase) of investments in subsidiaries, associates and joint ventures	-	-	-
Net cash flows from investing activities	(15,840)	(15,840)	
Financing activities			
Net increase/(decrease) in loans received from financing activities	211,985	208,290	3,695
(Dividends paid)	(48,389)	(48,389)	-
Net cash flows from financing activities	163,596	159,901	
Net increase/(decrease) in cash and cash equivalents	(1,398,411)	(1,398,619)	208
Cash and cash equivalents at the beginning of the year	3,798,721	3,810,343	(11,622)
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Cash and cash equivalents at the end of the year	2,400,310	2,411,724	(11,414)

1. The amount of EUR (834) thousand difference on the item Gains/(Losses) on sale of Tangible Assets arises due to the fact that same effect in opposite direction is presented on position Other Operating Assets and Proceeds from Sale / (Payment for Purchases) of Tangible and intangible assets.
2. The amount of EUR 10,843 thousand differences on the item Loans and advances to other customers is due to the different treatment of receivables from banks up to 90 days and other receivables in the Regulatory Financial Statements and in the Statutory Financial Statements and due to the NHB merger effect.
3. The amount of EUR 2 thousands of differences on the item Securities and other financial instruments held for trading arises because the corresponding effect in the opposite direction is shown on the item Securities and other financial instruments at fair value through profit and loss account.
4. The amount of EUR (11,210) thousand differences on the item Other assets from operating activities arises due to the different treatment of other receivables in the Regulatory Financial Statements and in the Statutory Financial Statements.
5. The amount of EUR 113,218 thousand of differences on Deposits from financial institutions, EUR 423,395 thousand of differences on the Transaction Accounts of other customers, EUR (4,633) thousand of differences on the position Savings deposits of other customers, EUR (84,935) thousand on the position Term deposits of other customers and EUR 3,001 thousands in the position Other liabilities from operating activities arise due to the different treatment of the relevant liability items in the Regulatory Financial Statements and in the Statutory Financial Statements.
6. The amount of EUR (519) thousand difference in the position Derivative financial liabilities and other liabilities not for trading arises due to different treatment of relevant liability in the Regulatory Financial Statements and in the Statutory Financial Statements.
7. The amount of EUR 3,695 thousands of differences in the position Net increase/(decrease) in borrowings from financing activities arises due to a different treatment of IFRS 16 liabilities in the Regulatory Financial Statements and in the Statutory Financial Statements.
8. The amount of EUR 208 thousand in the position Net increase/(decrease) in cash and cash equivalents and the amount of EUR (11,622) thousand and EUR (11,414) thousand arises due to different definition of cash and cash equivalents in the Regulatory Financial Statements and in the Statutory Financial Statements.



Other legal and regulatory requirements

In accordance with the requirements of Article 164 of the Credit Institutions Act, the Bank discloses the following information:

The Bank provides the following banking and financial services:

- acceptance of deposits or other repayable funds from the public and granting loans from those funds on its own account,
- acceptance of deposits or other repayable funds,
- granting of loans and credits, including consumer and mortgage loans where permitted by specific legislation, as well as financing commercial transactions, including export financing through the purchase of receivables with or without recourse (forfeiting),
- purchase of receivables with or without recourse (factoring),
- financial leasing,
- issuance of guarantees or other commitments,
- trading for its own account or on behalf of clients in money market instruments, transferable securities, foreign currencies including foreign exchange transactions, financial futures and options, as well as currency and interest rate instruments,
- payment services in accordance with specific laws,
- services related to lending, such as data collection, credit analysis, and creditworthiness assessments of legal entities and self-employed individuals,
- issuance and management of other payment instruments if such services are not considered payment services under specific laws,
- safe deposit box rentals,
- mediation in money market transactions,
- advisory services for legal entities regarding capital structure, business strategy, and related matters, as well as mergers and acquisitions,
- issuance of electronic money,
- investment and ancillary services and activities as prescribed by capital markets regulations, including: - Reception and transmission of orders in relation to one or more financial instruments, - Execution of orders on behalf of clients, - Trading on own account, - Portfolio management, - Investment advice, - Underwriting and placing of financial instruments with or without a firm commitment, - Custody and administration of financial instruments for clients, including safekeeping services and related cash and collateral management services, - Granting credit or loans to investors for the execution of transactions involving one or more financial instruments, where the institution granting the credit or loan is involved in the transaction,
- advisory services regarding capital structure, business strategies, and related matters, as well as services related to mergers and acquisitions, - Foreign exchange services where they are related to the provision of investment services, - Investment research and financial analysis, along with other recommendations related to financial instrument transactions, - Services related to underwriting and placing of financial instruments with a firm commitment, - Investment services, activities, and ancillary services relating to the underlying assets of derivatives as defined in Article 3, Paragraph 1, Point 2, Subpoint (d), Indents 2, 3, 4, and 7 of the Capital Markets Act, where these investment services and activities are linked to investment or ancillary services,
- conducting activities related to the sale of insurance policies in accordance with insurance regulations.

The Bank provides these services within the Republic of Croatia and in 2025 achieved:

Net operating income: EUR 201.8 million

Number of employees (full-time equivalent): 1,538

Profit before tax: EUR 72.4 million

Tax expense: EUR 13.3 million

Amount of public subsidies received: Not applicable

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EVERY YEAR -
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HRVATSKA POŠTANSKA BANKA

Hrvatska poštanska banka, p.l.c.
10000 Zagreb, Jurišićeva ulica 4

Classification level:

HPB-PUBLIC

SUPERVISORY BOARD

Zagreb, March 26, 2026

In accordance with the provision of article 21 of the Articles of Association of Hrvatska poštanska banka p.l.c. (hereinafter: Bank), and in line with Articles 300.c and 300.d of the Companies Act, Supervisory Board of the Bank has on 10. meeting held on March 26, 2026, made the following:

RESOLUTION
on giving consent
to Annual report of Hrvatska poštanska banka p.l.c.
and HPB Group for year 2025

I.

Consent is given to Annual report of Hrvatska poštanska banka p.l.c. and HPB Group for the business year ended December 31, 2025, comprising of:

- Unconsolidated financial statements of Hrvatska poštanska banka p.l.c. and consolidated financial statements of HPB Group for the year ended 31 December 2025
- Statement of the Management Board on the Condition of Hrvatska poštanska banka p.l.c. and its subsidiaries for the business year 2025
- Independent auditor's report on the audit of the consolidated and separate financial statements by the independent auditor PricewaterhouseCoopers d.o.o. za reviziju i konzalting, Zagreb, Ulica Vjekoslava Heinzela 70
- Sustainability report
- Independent practitioner's limited assurance report on HRVATSKA POŠTANSKA BANKA, dioničko društvo's consolidated Sustainability Report by the independent auditor PricewaterhouseCoopers d.o.o. za reviziju i konzalting, Zagreb, Ulica Vjekoslava Heinzela 70

II.

By giving consent to statements outlined in paragraph I of this Resolution, Annual report of the Bank and HPB Group for the year ended December 31, 2025, are considered to be confirmed by the Supervisory Board and the Management Board.

III.

This resolution comes into force on the day of its adoption.

President of the Supervisory Board

prof. dr. sc. Alen Stojanović

Management Board

Zagreb, March 26, 2026

Number: UB-260326-2

Pursuant to the provision of Article 13 of the Articles of Association of Hrvatska poštanska banka p.l.c. (hereinafter: Bank), and in line with Article 300.b, paragraph 2 and Article 275, paragraph 1, point 2 of the Companies Act, Management Board proposes to the Supervisory Board and the General Assembly of the Bank on March 26, 2026, made the following:

RESOLUTION
on allocation of profit earned in 2025

I.

It is determined that Hrvatska poštanska banka, p.l.c. made a net profit of EUR 59,128,885.29 in the business year ended December 31, 2025.

II.

Realized net profit in 2025 in the amount of EUR 59,128,885.29 is allocated to retained earnings.

III.

This resolution comes into force on the day of its adoption.

Explanation:

The proposed distribution of net profit is in accordance with Articles 220, paragraph 3 and 300b of the Companies Act and the Articles of Association of Hrvatska poštanska banka, p.l.c.

In accordance with strategic guidelines, the Bank will continue to distribute part of the realized net profit of the period to retained earnings so that the successful operation of the Bank, profitability, and growth within the limits of possibilities can be continued. Considering that the amount of the binding MREL requirement is prescribed for the Bank from January 1, 2024, and further, the Bank must additionally strengthen its regulatory capital in the following periods.

Based on the above, it is considered appropriate that the net profit achieved in 2025 in the amount of EUR 59,128,885.29 is allocated to retained earnings. It is emphasized:

1. that the **amount of EUR 17,755,654.30 will not be included in the calculation of the common equity tier 1 capital**, taking into consideration Article 62 of the Act on the Execution of the State Budget of the Republic of Croatia for the year 2026, that - if it is determined by a special decision of the Government of the Republic of Croatia and a decision of the General Assembly - is available for the dividend payment without restrictions from Article 312a of the Credit Institutions Act. As at the date of adoption of this Resolution, the Bank holds 35 treasury shares, representing 0.00173% of the share capital, with dormant rights, therefore in the calculation of the expected dividend payment amounting to 30% of the net profit for the year 2025, it was taken into account that 2,024,590 ordinary shares are entitled to a dividend payment, which, after rounding up the dividend per share, results in a total amount of EUR 17,755,654.30.
2. that the remaining amount of retained earnings in the **amount of EUR 41,373,230.99 will be included in the calculation of the Common equity tier 1 capital**, whereby in the case of a decision to pay a dividend in the above amount or its parts, it is subject to the restrictions from Article 312a of the Credit Institutions Act.

President of the Management Board

Marko Badurina

Distribute to:

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2. Management Board
3. Supervisory Board
4. Archive of the Management Office

**Hrvatska poštanska banka, p.l.c.
10000 Zagreb, Jurišićeva ulica 4**

Classification level:

HPB-PUBLIC

SUPERVISORY BOARD

Zagreb, March 26, 2026

Pursuant to the provision of Article 21 of the Articles of Association of Hrvatska poštanska banka p.l.c. (hereinafter: Bank), and in line with Articles 220, paragraph 3, 300.b and Article 275, paragraph 1, point 2 of the Companies Act, Supervisory Board of the Bank has on 10. meeting held on March 26, 2026, made the following:

**RESOLUTION
on allocation of Bank's profit earned in 2025**

I.

Bank's Supervisory Board gives its consent and accepts Management Board's proposal on allocation of profit earned in 2025, which is a consistent part of this resolution.

II.

By providing its consent outlined in paragraph I of this Resolution, Management Board's proposal on allocation of profit earned in 2025 is considered to be confirmed.

III.

Supervisory Board proposes to General Assembly to vote in favor of allocation of profit earned in 2025 as outlined in Management Board's proposal.

IV.

This resolution comes into force on the day of its adoption and is submitted to General Assembly for adoption.

President of the Supervisory Board

prof. dr. sc. Alen Stojanović