



ANNUAL REPORT

FOR 2025

Introduction	3
Management Report	4-17
Responsibility for the annual financial statements	18
Independent Auditor's Report	19-25
Annual financial statements:	
Statement of Comprehensive Income.....	26
Statement of Financial Position.....	27
Statement of Changes in Equity.....	28
Statement of Cash Flows.....	29
Notes to the financial statements	30-94
Appendix A: Other legal and regulatory requirements.....	95-102
Business network and contacts.....	103-105

This version of the Annual Report is a translation of the original, prepared in Croatian. Every effort has been made to ensure that the translation accurately represents the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over translation

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

Legal form

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

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

Abbreviations

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

Exchange rates

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

31 December 2025 1 EUR = 1.1757 USD

31 December 2024 1 EUR = 1.0444 USD

Summary of operations and financial indicators

In mil EUR

Indicator/Year	2025.	2024.	2023.	2022.	2021.
Key indicators					
Net profit/(loss)	1.4	2.8	2.5	2.1	1.2
Operating profit	3.5	4.9	3.9	2.3	2.6
Total assets	262.3	290.0	237.4	242.7	247.0
Loans and advances to clients	182.6	155.0	144.7	133.6	142.9
Total deposits received	232.0	243.4	194.8	201.8	202.4
Capital and reserves	24.6	23.2	20.4	16.6	15.7
Other indicators					
Ratio of operating expenses to operating income	73.0%	63.3%	67.1%	76.3%	71.5%
Return on equity	6.0%	12.8%	13.4%	12.8%	8.1%
Return on assets	0.7%	1.3%	1.1%	0.9%	0.4%
Regulatory capital	23.9	22.7	20.0	16.7	15.2
Total capital rate	19.66%	21.42%	20.65%	19.36%	15.90%

Historical development of the Bank

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

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

Letter from the Management Board

Katarina Stanić
President of the Management Board



Danijel Luković
Member of the Management Board

Dear shareholders, clients and partners, dear colleagues,

It is our pleasure to present the financial results of the Bank's operations.

In 2025, the Bank continued its positive business trend from recent years, achieving a net profit of **EUR 1.4 million** with a return on equity of **6.0%**.

Total net operating income amounted to **EUR 13.0 million**, a slight **1.1% decline** from the previous year. The reduction in net operating income was primarily driven by the decrease in the Euribor reference interest rate, as well as higher interest expenses resulting from promotional interest rates on fixed-term deposits from citizens in the last quarter of 2025.

The Bank's total assets decreased by **EUR 27.7 million**, or 9.6%, in 2025. On the liabilities side, liabilities from received loans fell by EUR 18.8 million, and total deposits decreased by EUR 11.4 million, or 4.7%. On the asset side, net loans and advances to customers grew the most, by EUR 27.7 million, or **17.9%**.

Operating expenses rose by **14.5%** during 2025, with the largest increases in deposit insurance premium costs (there were none in 2024) and IT services, driven by the introduction of credit cards, the replacement of digital banking, and the implementation of a new anti-money laundering application.

Throughout 2025, the Bank made significant technological advancements by upgrading key IT solutions. IT support was developed for issuing and using credit cards, which were offered to customers as a completely new product. In the area of digital solutions, a completely new, unified solution for mobile and internet banking was implemented, replacing the previously outdated separate systems. Furthermore, a brand-new solution to prevent money laundering, terrorist financing, and fraudulent activities was introduced, creating the preconditions for more effective, automated identification and prevention of problematic clients and transactions. In the domain of regulatory reporting, the Bank introduced a system for new, standardised reporting in XBRL format, as required by regulations.

In 2025, the Bank continued aligning salaries in response to inflationary trends and industry wage movements, resulting in a **15.1%** increase in employee expenses. In addition, the Bank continued applying a variable bonus system in 2025, recognising the contributions of its top-performing employees.

The Bank fully complied with the DORA Regulation on digital operational resilience for the financial sector, successfully established SEPA instant receipt and sending of national and cross-border payments, and implemented all preparatory activities for the implementation of receiving and issuing e-Invoices (Fiskalizacija 2.0), which comes into legal effect from the beginning of 2026.

At the beginning of 2025, the Rijeka branch was opened, increasing the Bank's presence in Primorsko-Goranska County.

Activities related to credit risk management continued with the management of the regular collection process, enforcement of security instruments, and appropriate settlements with clients in this domain, thereby further reducing the share of non-performing exposures.

The Bank continuously improves its risk management system and has established a framework to identify, manage, and monitor environmental and climate risks in line with regulatory expectations.

As of 31 December 2025, the Bank meets all regulatory requirements.

The realised net profit further increased the total capital adequacy ratio, which stood at **19.66%** as of 31 December 2025. This will enable continued moderate growth in lending activity while keeping the investment in fixed assets relative to regulatory capital **below 30%**.

As its primary goal, the Bank continuously maintained a high level of liquidity throughout 2025 as well.

In the upcoming period, we will continue to strengthen business activities with small and medium-sized entrepreneurs and citizens, with a branch focus on agriculture alongside support for all other forms of crafts and vocational trades among micro and small/medium enterprises. We will expand the existing range of products and services to retain current clients and attract new ones, particularly younger age groups—all aimed at achieving greater growth in non-interest income compared to the market and increasing its share in total revenues.

The Bank will continuously adapt its organisational structure to automate processes and provide clients with simpler access to its services.

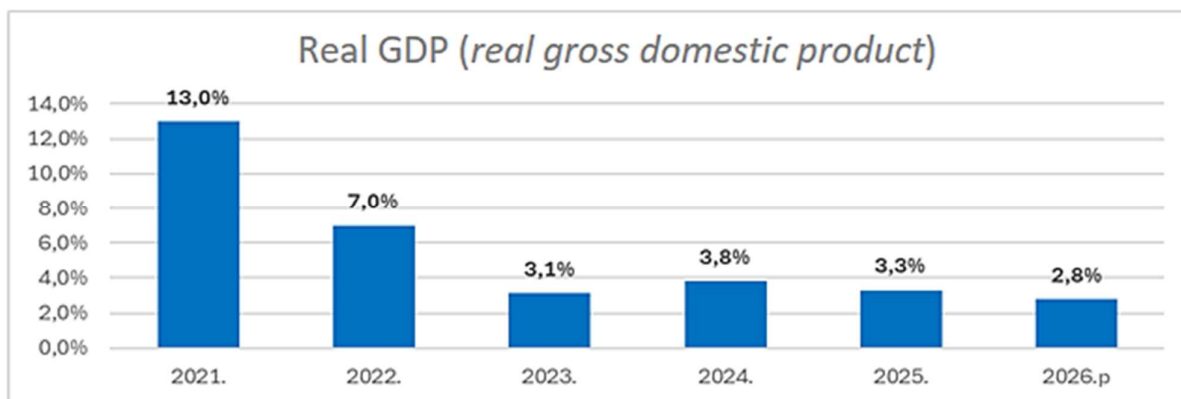
We thank all our clients and business partners for the trust they have shown us, and we hope to continue our successful cooperation.

With faith in the continued realisation of planned goals in 2026, we thank all Bank employees for their dedication to achieving business results in 2025.

Information on economic trends¹

Gross domestic product

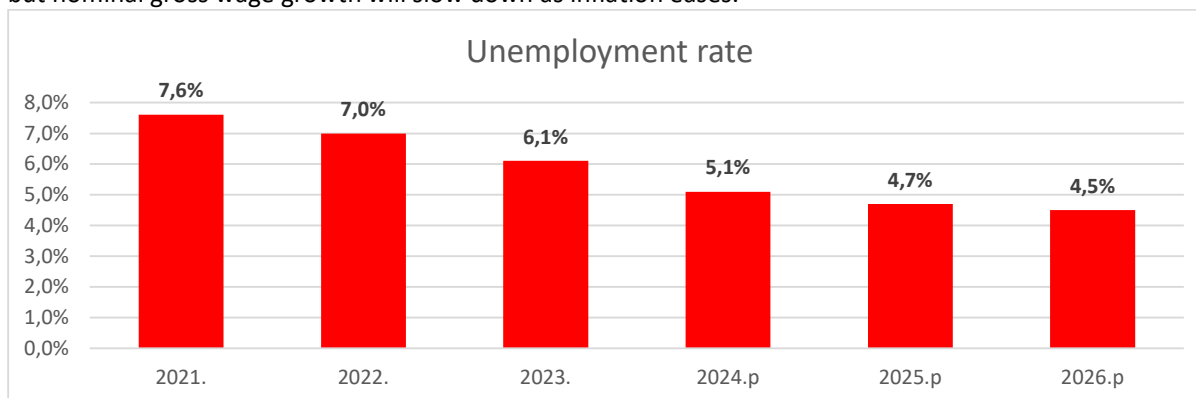
In the fourth quarter of 2025, the quarterly economic growth rate could reach 1.3% (up from 0.3% in the third quarter). The main drivers of growth in 2025 were increased consumption, further boosted by tourism during the summer, and in the last quarter, industrial production volume, which was 3.3% higher than the previous quarter. The continued expansion is driven by rising domestic demand, particularly by favourable trends in trade and construction. It is estimated that real GDP for the whole of 2025 would grow by 3.3%, while a slight slowdown in economic activity is expected in 2026 (2.8%).



Labour market

Employment growth continued to slow steadily through the end of 2025, so even in December, it rose only slightly from the previous month. In Q4 2025, employment remained almost unchanged from Q3 (0.1% growth compared to 0.3% in Q3), along with a further drop in the unemployment rate, while nominal wage growth accelerated to 2.6% from the previous quarter (up from 1.3%). The ongoing slowdown in total employment can partly be explained by stricter laws on hiring foreign workers, but there's also a visible, gradual easing of labour demand.

The registered unemployment rate fell to 4.3% from 4.5% in Q3, mainly due to more people being removed from the registry. The average nominal gross wage also rose in December (by 0.9%), similar to previous months, with public sector wages growing a bit faster (1.1%) than the rest of the economy (0.8%). The annual wage growth rate was 10.4%. It's estimated that in 2026, the ILO unemployment rate will continue to decline, but nominal gross wage growth will slow down as inflation eases.



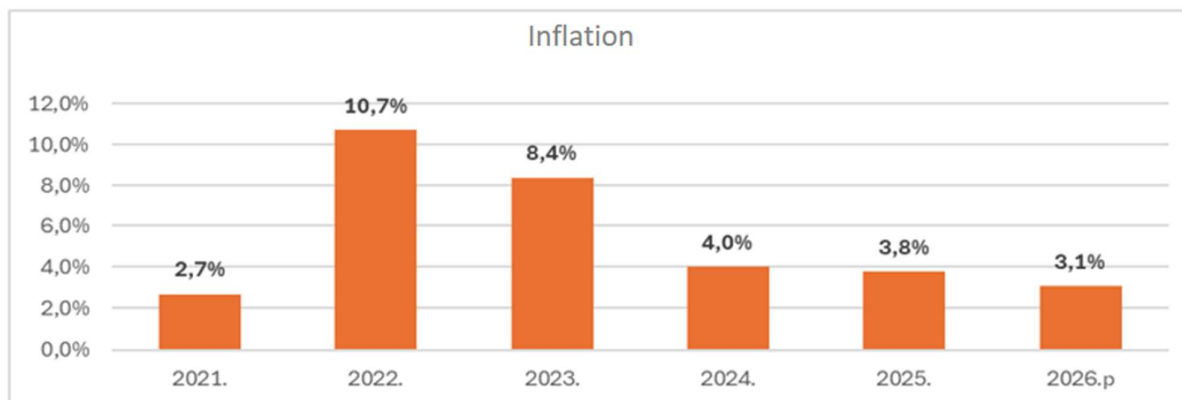
¹ Sources: Information on Economic, Financial, and Monetary Developments, Croatian National Bank (CNB)

Inflation

The average annual overall inflation rate, measured by the Harmonised Index of Consumer Prices (HICP), fell to 3.8% in 2025 from 4.0% in 2024, and could drop further to 3.1% in 2026.

This decline in overall inflation was driven by a slowdown in core inflation (which excludes energy and food prices). Despite further moderation, core inflation remains elevated, particularly for service prices.

In 2025, Croatia's inflation rate stood at 3.8%, and it is expected to ease further in 2026 (to 3.1%).

***Interest rate***

The interest rate on monetary deposits of credit institutions at the central bank, which is a key indicator of ECB monetary policy, has remained at 2.00% since June 2025, when it was last reduced. The Governing Council noted that the latest inflation outlook assessment again confirms that inflation should stabilise at the target level of 2% in the medium term. Interest rates on loans to businesses and households continue to fluctuate within a relatively narrow range around the levels reached in mid-2025. The average interest rate on new business loans fell by 14 basis points (b.p.) in December compared with November, to 3.36%.

The average interest rate on cash non-purpose consumer loans to households decreased by 4 b.p. in December from November, to 5.53%, reaching the lowest level since early 2023. The average interest rate on household housing loans in December was 3.03%.

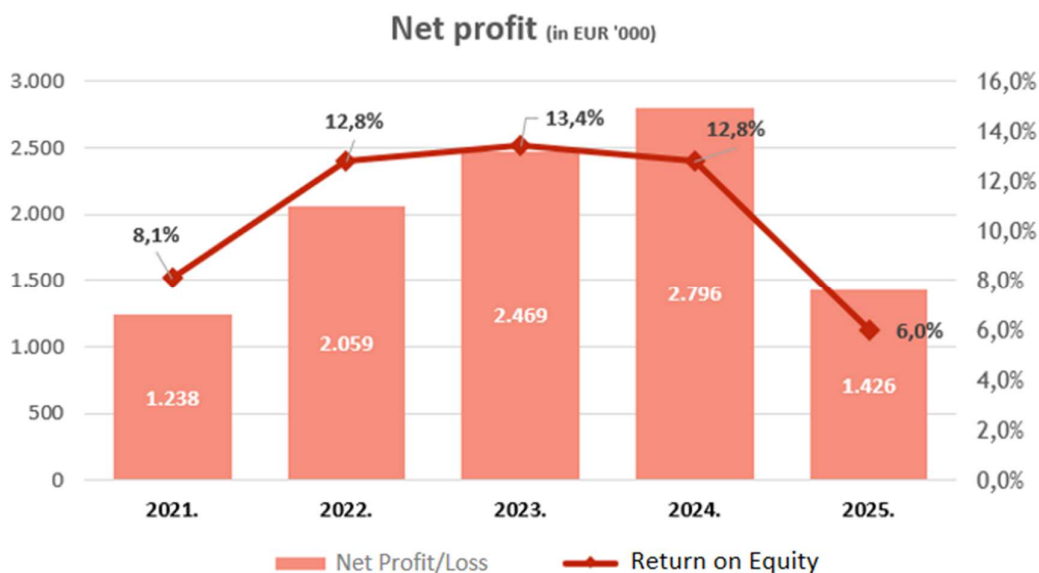
Description of operations

The Bank's activities include conducting all types of deposit and credit operations for legal and natural persons, payment transaction services domestically and abroad, issuing guarantees, endorsements and other forms of collateral, trading in securities, and other banking operations.

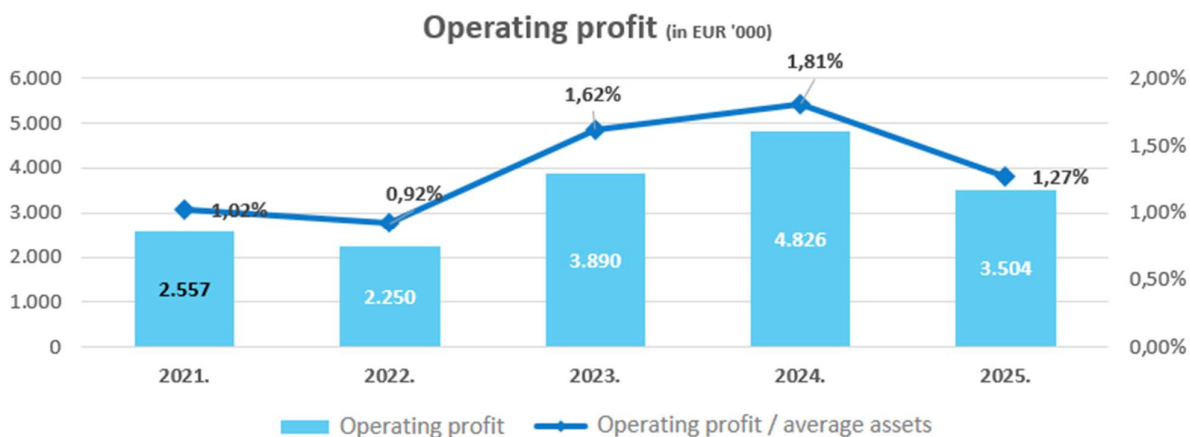
The Bank is 100% state-owned and, with total assets of EUR 262.3 million, ranks 17th out of 20 credit institutions. As of 31 December 2025, the Bank operates through 9 commercial centres and 4 branches.

Regulatory capital as of 31 December 2025 amounts to EUR 23,899 thousand (including the realised net profit for 2025), with a total regulatory capital adequacy ratio of 19.66%.

In 2025, the Bank achieved a profit after tax of EUR 1,426 thousand.



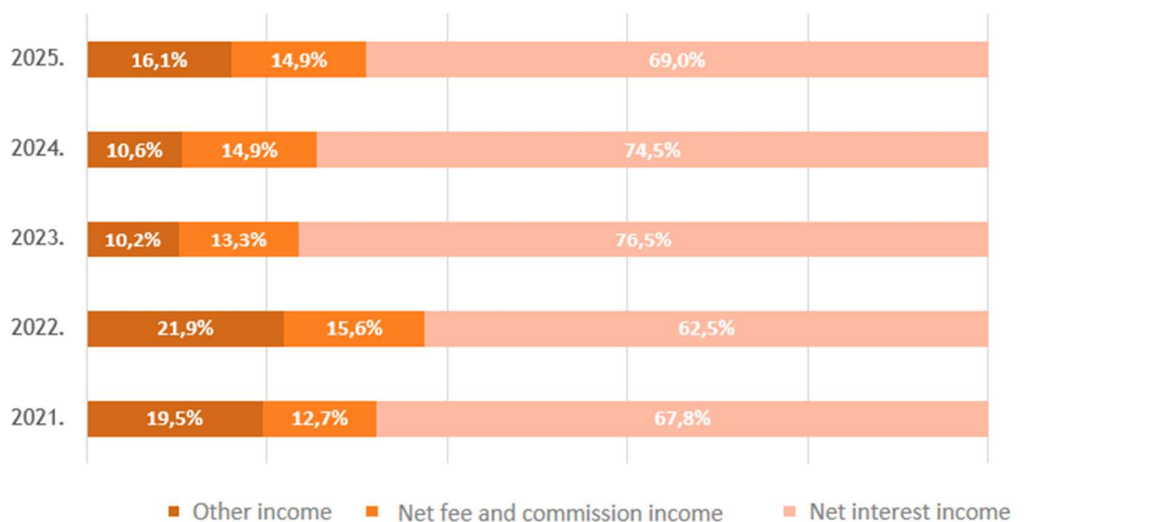
The operating profit amounts to EUR 3,504 thousand, and the costs of provisions and impairments amount to EUR 1,589 thousand.



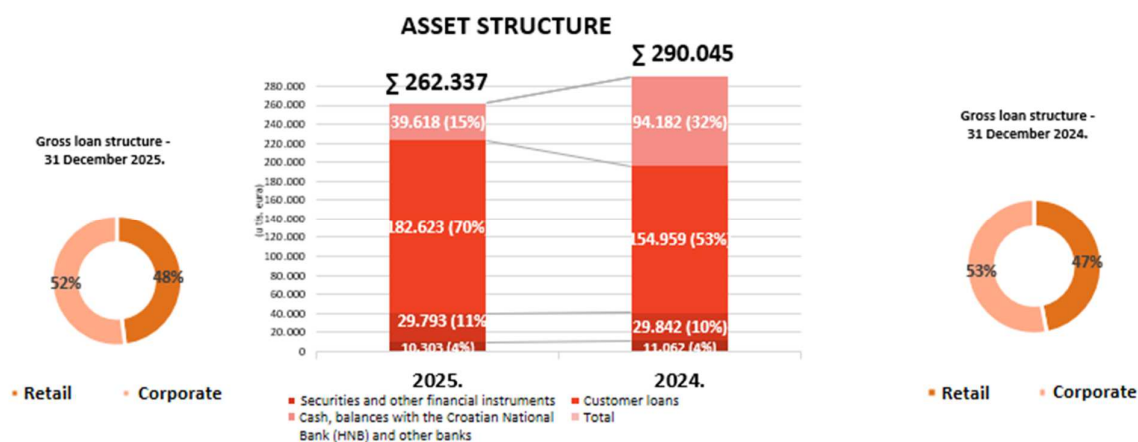
Total net operating income decreased by 1.1%, while total operating expenses increased by 14.5% compared to 2024.

The most significant portion of operating income is net interest income, which accounts for 69.0% (€8,963 thousand) of total income.

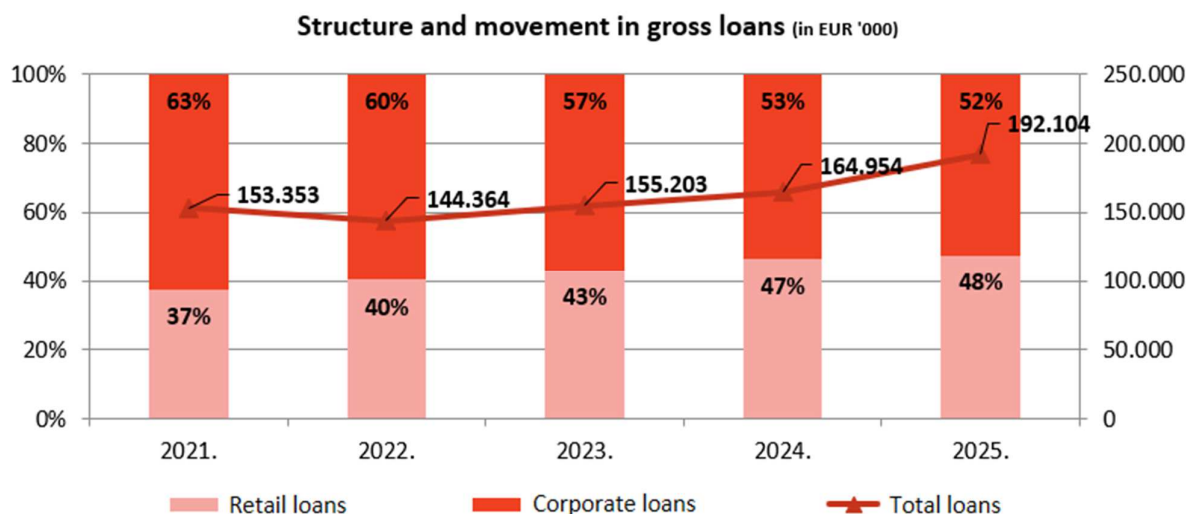
Structure of net operating income



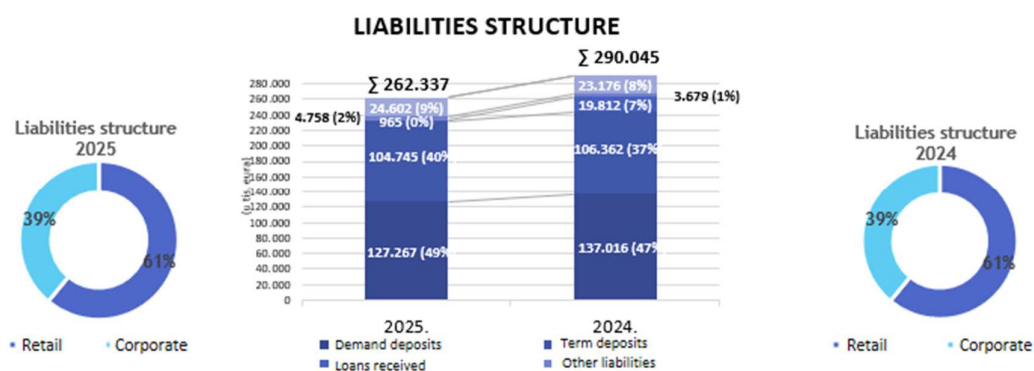
The Bank's total assets at the end of 2025 amounted to EUR 262,337 thousand, down EUR 27,708 thousand from 2024. In the asset structure, loans and receivables from clients represent the largest share (70%), followed by cash and receivables from the Croatian National Bank and other banks (15%), and securities and other instruments (11%),



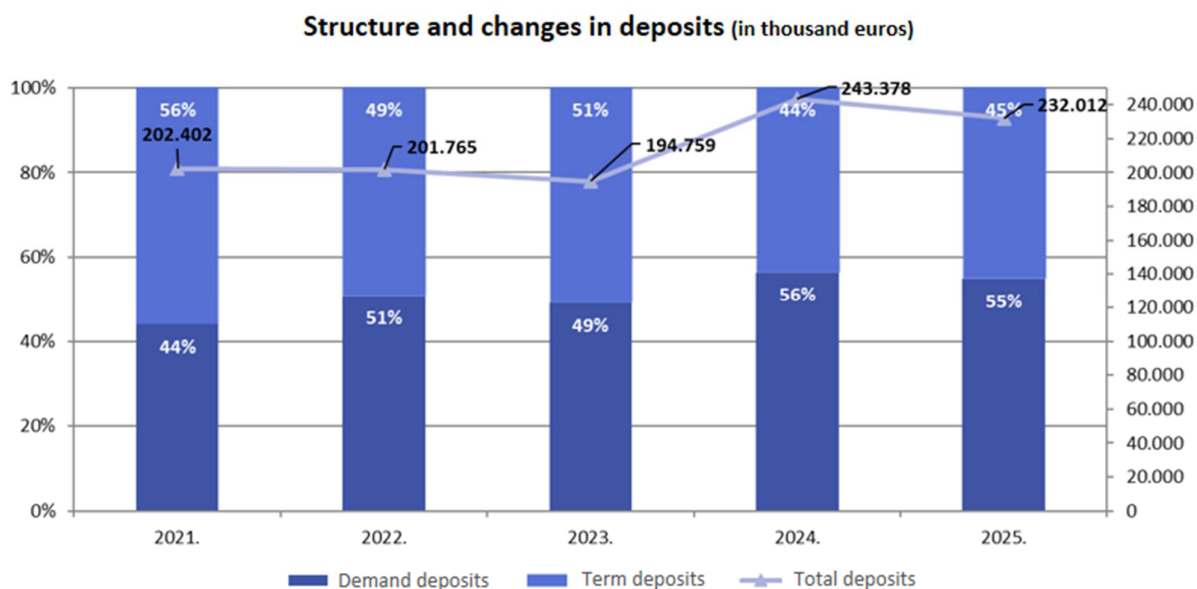
As of 31 December 2025, total gross loans to clients amounted to EUR 192,104 thousand, up 16.5% from 2024, mainly due to stronger growth in loans to individuals. In the loan structure, 52% are to legal entities, and 48% are to individuals (including sole proprietors).



In the liabilities structure, demand deposits account for the largest share at 49%, followed by term deposits at 40%.



Total deposits at the end of 2025 amounted to EUR 232,012 thousand, a decrease of 4.7% or EUR 11,366 thousand from the end of 2024. Household deposits fell by 4.7%, while corporate deposits declined by 7.1%. In the structure of total deposits, demand deposits predominate at 55%, while term deposits account for 45%. Total term deposits decreased by 1.5% from the end of 2024, but their share in total deposits increased by 1 percentage point, driven by a larger decline in demand deposits (7.1%) during 2025.



Retail banking operations

In 2025, Croatia Banka recorded growth in lending activity, with EUR 24 million in new loans issued and EUR 12.57 million collected. The net loan balance to individuals increased by EUR 14.6 million, or 18.9%, from the end of 2024.

Structurally, the biggest impact came from non-purpose loans to citizens, which increased by 24% year over year.

Net interest income rose to EUR 2.3 million, a 34% increase from 2024.

Fee and commission income were up 11% from 2024.

In 2025, the Bank worked intensively in the following areas:

- Development of a new methodology for calculating fees and a new fee tariff,
- Redesign and refresh of existing non-purpose loan product lines, accompanied by new competitive interest rates that position the Bank at the very top of the Croatian banking market in terms of attractive interest rates

In collaboration with the Digital Channels and Card Services Department, a revolving credit card was developed based on the "pay now in full, split later into instalments" principle, and a new application for Internet and mobile banking was introduced, laying the foundation for future upgrades aimed at an even more user-friendly interface and approach with new benefits and services for clients.

Weekly activities continued to monitor daily collections of due receivables and track digital sales channels.

Parallel to lending activity in 2025, the Bank intensified the sale of third-party products and achieved significant non-interest income through:

- Insurance policies (risk, CPI, property insurance)),
- Shares in voluntary pension funds, where 580 accounts/policies were contracted, marking 119% growth against the planned 265 accounts/policies.

Sales of third-party products delivered excellent results, exceeding targets and indicating the direction the Bank should pursue in future periods.

Amid the regular issuance of government bonds and treasury bills by the Republic of Croatia with attractive yields, and to preserve the deposit base and prevent further deposit outflows, the Bank intervened throughout 2025 with promotional interest rates on term deposits, with particular emphasis in the last quarter of 2025.

The result of intensive marketing efforts (campaigns and advertising) combined with the Bank's offerings at key moments during the year maintained the Bank's stable position in the Croatian deposit market.

In 2025, further growth was recorded in the sale of current account packages as part of the Bank's strategy to gradually replace the entire base of basic current accounts with current account packages. Emphasis continues on introducing new products such as the family package, student package, and free package as a regulatory requirement effective from January 1, 2026. In 2025, FINA announced the takeover of the Bank's ATM network.

The entire project was led exclusively by FINA, with 16 banks participating to minimise ATM network operating costs.

In 2025, the focus was on maximising market orientation and market conditions, as well as on developing products and services that, with their pricing, quality, and response speed, form the backbone of the Bank's future digitalisation.

Corporate banking operations

The primary business goal with legal entities in 2025 was to ensure satisfactory profitability while moderately increasing assets by restructuring the corporate loan portfolio to boost the share of loans to small and medium-sized enterprises, which was successfully achieved.

At the end of 2025, the total net loan portfolio to legal entities stood at EUR 101 million, up by EUR 12.6 million, or 14.3%, from the end of 2024.

In its structure, loans to small, medium-sized, and micro enterprises grew by EUR 19.8 million or 54%, while net loans to large trading companies decreased by EUR 8.1 million.

Interest income from the legal entities segment accounted for 46% of the Bank's total interest income, while interest expenses represented only 13%. This resulted from systematic monitoring of deposit maturities and an individual approach to interest rate adjustments upon renewal of specific deposits.

Net interest income decreased by 14% from 2024, mainly due to the decline in Euribor, which had the greatest impact on the portfolios of large state-owned trading companies.

Fee and commission income fell by 3% from 2024, due to the absence of planned guarantee income, which was converted into other on-balance-sheet credit products. This was also partly due to the new fee calculation methodology in line with CNB guidelines.

During the year, 311 new giro accounts for legal entities were opened, and a new acquisition campaign was launched at year-end to further increase the client base.

Deposits from legal entities make up 39% of the Bank's total deposits. In their structure, demand deposits total EUR 65 million, and term deposits EUR 23 million.

In the legal entities segment, collections of receivables in arrears—or the share of non-performing placements in the total portfolio—are systematically monitored. Collections are regular and on time, with a low share of new non-performing placements.

Throughout 2025, activities continued to update internal acts and business processes.

Projects to introduce credit cards for individuals and legal entities were opened and successfully implemented; and the new CROBA digital banking was introduced, supporting instant payments and VOP verification.

Notably, a new branch in Rijeka-Kukuljanovo was opened, making the Bank more accessible to existing clients in that area and offering significant potential for new acquisition activities.

Treasury operations

During 2025, the Treasury, as foreign currency deposits with domestic and foreign banks and euro deposits at CNB and FINA (funds on two instant accounts at FINA introduced on 6 January 2025—on the technical account the Bank earns interest at the ester reference rate, while funds on the TIPS account do not earn interest but are included in the calculation of mandatory reserves), on average placed EUR 52.7 million daily. This represents a 4.7% increase from the EUR 50.3 million average daily placement in 2024.

From these operations in 2025, the Bank generated interest income of EUR 1.3 million, accounting for about 10% of its total interest income, compared to EUR 1.8 million in 2024. The 29.68% decline in interest income was caused by falling market interest rates, primarily affecting euro-denominated funds.

Interest rates at which the Treasury placed foreign currency term deposits in 2025 ranged from 0.05% to 4.20% (2024: 0.20% to 5.15%), while funds on overnight deposits at CNB and FINA were placed at rates from 1.92% to 3.00% (2024: 3.00% to 4.00%).

In 2025, the securities portfolio increased nominally by EUR 0.2 million (0.6%) and in value by EUR 0.02 million (0.08%).

During 2025, EUR 7.1 million in treasury bills matured from the Bank's portfolio, while EUR 8.8 million (nominal) were newly subscribed. This increased the treasury bill portfolio nominally by EUR 1.7 million (3.2%) and in value by EUR 1.7 million. The reason for expanding the treasury bill portfolio was its slightly better yield compared to funds placed at CNB (2.05% / 2.00%).

At the same time, the bond portfolio was reduced nominally by 1.6 million EUR (5.9%) and in value by 1.64 million EUR (5.80%). In 2025, a total of EUR 9.73 million in bonds matured, while EUR 8.19 million (nominal) were purchased. Unlike in previous years, the purchase of new, longer-duration bonds with longer maturities was not driven by the need to maintain sufficient collateral levels at the CNB Pool. 5 million EUR was purchased based on a proposal from the Risk Management Department and a decision by the Liquidity Committee to reduce the Bank's interest rate risk exposure. An additional 3.19 million EUR was purchased to secure stable interest income (2.65%) during the period of expected decline in CNB placement rates (falling below 2.00%).

Since the Bank holds securities in the portfolio until maturity, changes in the portfolio do not affect price change risk in the P&L.

In 2025, the Bank continued using existing structural loans at an average interest rate of 0.25%. These are two loans originally approved for a total of HRK 140 million, converted to EUR at 2 x 9.29 million EUR. These loans were exceptionally favourable for the Bank, not only because of their low interest costs but also because they extended liability maturities. After Croatia joined the eurozone, CNB no longer provides structural loans, but loans issued before 31 December 2022 remain in force under their original terms until maturity.

The first structural loan matured on 18 March 2025, but the Bank repaid it early on 24 February 2025, in accordance with the agreement with CNB. This avoided the obligation to subscribe to new securities to replace bonds that matured shortly before that date, thereby maintaining the CNB Pool. The repayment of the second structural loan was made at maturity, on 20 November 2025.

After repaying both structural loans, to obtain additional liquidity, the Bank can use standard European Central Bank instruments (main refinancing operations with a 7-day term and longer-term refinancing operations with a term of approximately 3 months) or repo loans from banks with which it has signed master repo agreements. In 2025, the Bank maintained sufficient liquidity and did not use these instruments. Unlike in 2024, when the Bank had no need to use Treasury passive deposits, on 30 September 2025, a deposit was agreed with Hrvatska poštanska banka in the amount of EUR 2.6 million for a term of 3 years at an interest rate of 3%. This was done based on a proposal from the Risk Management Department and on conclusions from the Liquidity Committee and the ALCO Committee to bring the EVE indicator within the predicted regulatory framework.

For managing currency openness and achieving the Bank's strategy to keep it within +/- 2% of regulatory capital, in 2025, the Treasury had the FX spot trading instrument available and did not use FX swaps.

Internal controls and internal audit

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

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

Internal audit

The purpose of internal audit is to strengthen the Bank's ability to create, protect, and maintain value by providing the Supervisory Board, Audit Committee, and Bank Management with independent, risk-based, and objective assurance, advice, and insight. The Bank's internal audit enhances the achievement of objectives, corporate governance processes, risk management and controls, decision-making and oversight, reputation and credibility with its stakeholders, and the ability to serve the public interest.

The Bank's internal audit activities are conducted in accordance with the Global Internal Audit Standards. The internal audit function operates in accordance with the principles and standards of ethics and professionalism.

Internal audit is organised as a separate organisational unit, functionally and organisationally independent of the activities it audits and of other organisational units of the Bank. The Bank's internal audit is functionally accountable to the Supervisory Board and Audit Committee, and administratively to the Bank Management.

The mandate of the internal audit function is established, approved, and supported by the Supervisory Board and Audit Committee.

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

Corporate Governance Statement

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

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

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

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

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

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

The Bank's governance structure

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

Other information

The Bank did not conduct any research and development activities during 2025.

The Bank did not repurchase its own shares during 2025.

By decision of the General Assembly dated 29 March 2023, the share capital was aligned with the Act on the Introduction of the Euro as the Official Currency of the Republic of Croatia, set at EUR 62,990,244.87.

The Bank does not own any other legal entities.

The purchase and sale of financial instruments is an integral part of the Bank's regular operations and is described in detail in the financial report.

The Bank's objectives and policies regarding financial risk management, including exposure to price risk, credit risk, liquidity risk, and other risks, are described in detail in the financial report.

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

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

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

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

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

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

Signed on behalf of the Management Board:

26 March 2026

Katarina Stanić
President of the Management Board

Danijel Luković
Member of the Management Board

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

Report on the audit of the annual financial statements

OPINION

We have audited the annual financial statements for the year ended 31 December 2025 of Croatia banka d.d. Zagreb, Ulica Roberta Frangeša – Mihanovića 9 (hereinafter „the Bank“), which include the Statement of Financial Position (Balance Sheet) as of 31 December 2025, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, as well as the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present, in all significant respects, a true and fair view of the Bank's financial position as of 31 December 2025, its financial performance and the cash flows for the year then ended, in accordance with International Financial Reporting Standards (hereinafter "IFRS") established by the European Union.

BASIS FOR OPINION

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

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants ("IESBA Code"), including international standards issued by the Committee on International Ethics Standards for Accountants (IESBA), as well as in accordance with ethical requirements relevant to our audit of annual financial statements in Croatia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

As described in Note 37 to the annual financial statements, on 4 March 2026, the Croatian Deposit Insurance Agency signed a share purchase agreement with Hrvatska poštanska banka d.d. for shares representing 100% of the share capital of Croatia banka d.d. This event does not indicate the existence of a significant uncertainty related to the going concern assumption. Our opinion is not modified in respect of this matter.

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

KEY AUDIT MATTERS

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

Key audit matter	How we addressed the key audit matter
<i>Impairment of loans and advances to clients</i> In Note 17 "Loans and advances to customers" accompanying the Bank's annual financial statements, the gross value is presented amounting to EUR 193,180 thousand, loan loss allowances amounting to EUR 10,557 thousand, and impairment losses for credit losses recognized in profit or loss in Note 9 amounting to EUR 757 thousand (as at 31 December 2024, gross value of EUR 166,115 thousand, loan loss allowances of EUR 11,156 thousand, and impairment losses for credit losses recognized in profit or loss in Note 9 amounting to EUR 1,166 thousand). This area has been identified as a key audit matter because credit risk is the Bank's most significant financial risk and directly impacts capital preservation, requiring significant management judgment in determining the amount of the impairment allowance. The determination of appropriate impairment relies on subjective assumptions and judgments; estimating the amount of provisions for impairment requires the Bank's Management to determine the timing of recognition and the amount of impairment. Management performed an assessment of the entire portfolio using expected credit losses ("ECL") for individual loans in accordance with International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9"). In determining the timing and amount of required impairment for loans and advances to customers, in the measurement model, Management applied subjective judgments in the following significant areas of estimates:	<i>Audit procedures</i> Audit procedures designed to respond to the key audit matter included: · Consideration of the business model for credit management, review of loan portfolio groups, methods of credit management and their valuation; · Verification of loan classification into performing loans, loans with significant increase in credit risk, and loans requiring impairment, in accordance with IFRS 9 and the Decision on Classification of Placements and Off-Balance Sheet Liabilities of Credit Institutions; · Obtaining an understanding of the functioning of internal control systems related to the process of assessing the required impairment of loans and advances to customers, established by Management, and evaluating their effectiveness; · Review and evaluation of the ECL provision recognition methodology, including estimates of probability of default (PD), loss given default (LGD), and exposure at default (EAD); · Verification of the quality and accuracy of historical financial information used, assessment of the appropriateness of collateral value estimates, appropriateness of assumptions used, review of circumstances and events related to the financial asset, and use of forward-looking macroeconomic information that causes the need for impairment due to ECL; · Assessment of the appropriateness of disclosures in relation to International Financial Reporting Standards. For impairments determined on an individual basis:

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How we addressed the key audit matter
- The level of reliance on historical data in the process of determining risk parameters, - Allocation of credit risk to the appropriate level for individual and overall exposure, - Assessment of changes indicating significant deterioration that requires adjusting the credit risk level and the associated ECL over the instrument's lifetime, - Estimation of expected future cash flows from operations, - Estimation of collateral value and the duration of its realisation. The Bank continuously adjusts the model parameters, which also requires our heightened attention during the audit. Due to the financial significance of the impairment provisions, their impact on the financial statements, the intensity of subjective assumptions and judgments used in estimating the amount of required impairment provisions, and the complexity of the estimation models used, we concluded that the valuation adjustment resulting from the recognized impairment provisions and the related loans and advances to customers represent our key audit matter in the audit of the Bank's annual financial statements for the year ended 31 December 2025. Related disclosures in the respective annual financial statements See notes: 2.2. Financial assets and liabilities, 9. Impairment losses on credit losses, 17. Loans and advances to customers, and 33.1. Credit risk, 33.1.6. Overdue and non-overdue loans and receivables, to the annual financial statements	- We selected a sample of loans, specifically those with the largest amounts and highest risk within individual characteristic groups of placements; - We verified the appropriateness of the criteria used to determine a significant increase in credit risk, the accuracy of financial information for identifying loans requiring impairment, recalculated or critically reassessed the assessment of financial position and business performance, expected future cash flows, time required for collection, appropriateness of collateral valuation, and assessment of the financial impact from collateral realisation. For impairments determined on a collective basis: - We reviewed the appropriateness of assumptions used for calculating the lifetime probability of default (PD) and loss given default (LGD); - We reviewed the appropriateness of ECL impairment measurement by critically assessing the client's financial position and business performance, estimating expected future cash flows, time required for exposure collection, appropriateness of collateral valuation, and assessment of financial impact from using collateral for recovery of unpaid exposures; - We evaluated the appropriateness of exposure classification and ECL calculation for individual exposures as at the balance sheet date, as well as their compliance with CNB requirements; - We performed substantive testing on a selected sample of loans and related receivables to assess the correctness of loan classification and valuation.

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

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the annual financial statements and our auditor's report thereon. Our opinion on the annual financial statements does not cover the other information.

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

Regarding the Management Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include verifying whether the Management Report has been prepared in accordance with Article 24 of the Accounting Act. Based on the procedures performed, to the extent we are able to assess, we report that:

1. The information in the attached Management Report is consistent, in all material respects, with the attached annual financial statements;
2. The attached Management Report has been prepared in accordance with Article 24 of the Accounting Act.

Based on our knowledge and understanding of the Bank's business and its environment, obtained as part of the audit of the annual financial statements, we are required to report any material misstatements in the Other Information (excluding the Sustainability Report). In this regard, we have nothing to report.

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

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

In preparing the annual financial statements, management is responsible for assessing the 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 Bank or to cease operations, or has no realistic alternative but to do so.

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

1. On 30 September 2025, the Bank's General Assembly appointed us, based on the recommendation of the Audit Committee, to perform the audit of the annual financial statements for the years 2025 and 2026.
2. As of the date of this report, we have been continuously engaged to perform the statutory audits of the Bank from the audit of the Bank's annual financial statements for the year 2022 through the audit of the Bank's annual financial statements for the year 2025, totalling four years.
3. Our audit opinion is consistent with the additional report to the Audit Committee of the Bank that has been prepared in accordance with the requirements of Article 11 of Regulation (EU) No 537/2014.
4. During the period from the reference date of the audited annual financial statements of the Bank for 2025 to the date of this report, we have not provided the Bank with any prohibited non-audit services, nor have we provided, in the fiscal year preceding the aforementioned period, services involving the design and implementation of internal control or risk management procedures related to the preparation and/or control of financial information, or the design and implementation of IT systems for financial reporting. We have maintained our independence from the Bank throughout the audit engagement.
5. In addition to the statutory audit, we provided the Bank with a limited assurance engagement on the determination of profit for the period from 1 January to 31 December 2025, and issued a report thereon dated 3 February 2026.

REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT

Pursuant to the Decision on the Structure and Content of Annual Financial Statements of Credit Institutions (Official Gazette 80/25, hereinafter 'the Decision'), Management has prepared the templates presented on pages 98 to 112 under the headings: Statement of Financial Position (Balance Sheet) as of 31 December 2025, Income Statement, Cash Flow Statement, and Changes in the Bank's Equity for the year then ended, together with information on compliance with the Bank's annual financial statements.

Report on other legal and regulatory requirements (continued)

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

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

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

In Zagreb, on 26 March 2026

PKF FACT revizija d.o.o.

Zadarska 80

10000 Zagreb

Jeni Krstičević,
President of the Management
Board

Jeni Krstičević,
Certified Auditor

in EUR '000

	Note	2025	2024
Interest income calculated using the effective interest rate method	3	11,178	11,812
Interest expenses	4	(2,215)	(2,022)
Net margin from interest and similar income		8,963	9,790
Losses from impairment for credit losses	9	(819)	(1,177)
Net margin from interest and similar income after provisions for loan losses		8,144	8,613
Income from fees and commissions	5	2,486	2,433
Expenses from fees and commissions	6	(552)	(475)
Provisioning and impairment charges	10	(770)	(270)
Gains less losses from trading in foreign currencies		185	153
Gains less losses from modifications of financial assets measured at amortized cost that are not caused by derecognition		1	-
Gains less losses from exchange differences		3	-
Income from rentals	7.1	641	595
Other operating income	7.2	1,267	643
Employee expenses	8	(5,158)	(4,482)
Depreciation	8	(426)	(379)
Other operating expenses	8	(4,166)	(3,452)
Profit before tax		1,915	3,379
Profit tax	11	(489)	(583)
Profit for the year after tax		1,426	2,796
Other comprehensive income			
Items that can be transferred to profit and loss		-	-
Gains less losses during the year based on the reclassification of financial assets at fair value through other comprehensive income		-	-
Gains less losses from the sale of financial assets at fair value through other comprehensive income transferred to profit or loss on realization			-
Items that will not be transferred to the profit and loss		-	-
Profit tax recognized directly in other comprehensive income	11	-	-
TOTAL COMPREHENSIVE INCOME		1,426	2,796

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

in EUR '000

	Note	2025	2024
ASSETS			
Cash	12	10,961	6,389
Receivables from the Croatian National Bank	13	24,682	81,152
Placements with banks	14	3,975	6,641
Financial assets measured at fair value through OCI	15	26	26
Financial assets at amortized cost	16	29,767	29,816
Loans and advances to clients	17	182,623	154,959
Investment property	18	5,501	4,957
Property and equipment	19	678	820
Intangible assets	19	1,735	1,224
Assets foreclosed	20	927	1,180
Deferred tax assets	11	83	82
Other assets	21	1,379	2,799
Total assets		262,337	290,045
EQUITY AND LIABILITIES			
Liabilities to banks	22	2,635	384
Demand deposits	23	127,252	136,632
Term deposits	24	102,125	106,362
Liabilities under loans received	25	965	19,812
Lease liabilities	26	84	185
Other liabilities	26	2,732	2,335
Provisions	27	1,942	1,159
Total liabilities		237,735	266,869
CAPITAL AND RESERVES			
Share capital	28	62,990	62,990
Loss carried forward		(38,388)	(39,814)
Total capital and reserves		24,602	23,176
Total equity and liabilities		262,337	290,045

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

in EUR '000

	Share capital	Loss carried forward	Profit for the year	Total
Balance as of 1 January 2024	62,990	(45,079)	2,469	20,380
Profit carried forward	-	2,469	(2,469)	-
Profit for the year	-	-	2,796	2,796
Other comprehensive income	-	-	-	-
Total comprehensive income for 2024	-	-	2,796	2,796
Balance as of 31 December 2024	62,990	(42,610)	2,796	23,176
Balance as of 1 January 2025	62,990	(42,610)	2,796	23,176
Profit carried forward	-	2,796	(2,796)	-
Profit for the year	-	-	1,426	1,426
Other comprehensive income	-	-	-	-
Total comprehensive income for 2024	-	-	1,426	1,426
Balance as of 31 December 2025	62,990	(39,814)	1,426	24,602

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

in EUR '000

	Note	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		1,915	3,379
Adjustment to net cash provided from operating activities			
Depreciation and amortization	8	426	379
Foreign exchange gains		60	(47)
Net credit losses	9	771	1,177
Provisions and impairment charges	10	(770)	(270)
Interest income	3	(11,203)	(11,812)
Interest expense	4	2,214	2,022
Other non-cash items		(1,209)	(762)
Operating cash flows before changes in working capital:			
Decrease in loans and receivables		(27,664)	(10,284)
Decrease in receivables from the CNB and placements with banks		56,466	(41,043)
Decrease in other assets		946	(517)
(Decrease) in other short-term liabilities		233	196
Increase/(decrease) in liabilities to banks		2,251	(52)
(Decrease) in deposits		(13,617)	48,670
Changes in working capital			
Interest income		10,533	10,696
Interest expenses		(70)	(145)
Profit tax paid		(490)	(588)
Net cash flow from operating activities		20,792	999
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of foreclosed assets		354	94
Purchase of property, plant and equipment		-	645
Net cash flow from investing activities		354	739
CASH FLOW FROM FINANCING ACTIVITIES			
Expenditure for payment of received loans	25	(18,847)	970
Lease payments	25	(130)	(138)
Net cash flow from financing activities		(18,977)	832
Cash and cash equivalents at the beginning of the year	31	13,030	10,462
Net change in cash and cash equivalents		1,909	2,570
Impact of change in expected credit losses on cash and cash equivalents		(3)	(2)
Cash and cash equivalents at the end of the year	31	14,936	13,030

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

1. GENERAL INFORMATION

Legal framework and activities

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

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

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

The Bank has 9 Commercial centres - Commercial centre Čakovec, Commercial centre Osijek, Commercial centre Pula, Commercial centre Slavonski Brod, Commercial centre Split, Commercial centre Vinkovci, Commercial centre Virovitica, Commercial centre Vukovar, Commercial centre Županja, Commercial centre Zagreb and four outlets: Outlet Županja, Outlet Šubićeva Zagreb, Outlet Sky Office Zagreb and Outlet Rijeka.

Governing bodies

Supervisory Board

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

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

During 2025, the members of the Supervisory Board were:

From 1 January to 13. August 2025

Alen Stojanović, President

Branka Grabovac, Deputy President

Zdenka Pogarčić, Member

Danijela Miloš Sprčić, Member

Igor Borošak, Member

From 14 August to 31. December 2025

Danijela Miloš Sprčić, President

Branka Grabovac, Deputy President

Zdenka Pogarčić, Member

Igor Borošak, Member

During 2024, the members of the Supervisory Board were:

From 1 January to 14 April 2024:

Branka Grabovac, President

Zdenka Pogarčić, Deputy President

Maruška Vizek, Member

Igor Borošak, Member

Alen Stojanović, Member

From 15 April to 26 August 2024:

Alen Stojanović, President

Branka Grabovac, Deputy President

Maruška Vizek, Member

Zdenka Pogarčić, Member

Igor Borošak, Member

From 27 August to 7 October 2024:

Alen Stojanović, President

Branka Grabovac, Deputy President

Igor Borošak, Member

From 8 October to 31 December 2024:

Alen Stojanović, President

Branka Grabovac, Deputy President

Igor Borošak, Member

Zdenka Pogarčić, Member

Danijela Miloš Sprčić, Member

Management Board

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

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

The Management Board consists of at least two and no more than three members, one of whom is appointed as the President of the Management Board. The President and a member of the Management Board represent the Bank solely and independently.

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

The members of the Management Board during 2025 were:

Katarina Stanić – President of the Management Board

Danijel Luković – Member of the Management Board

The members of the Management Board during 2024 were:

From 15 April 2024 to 31 December 2024:

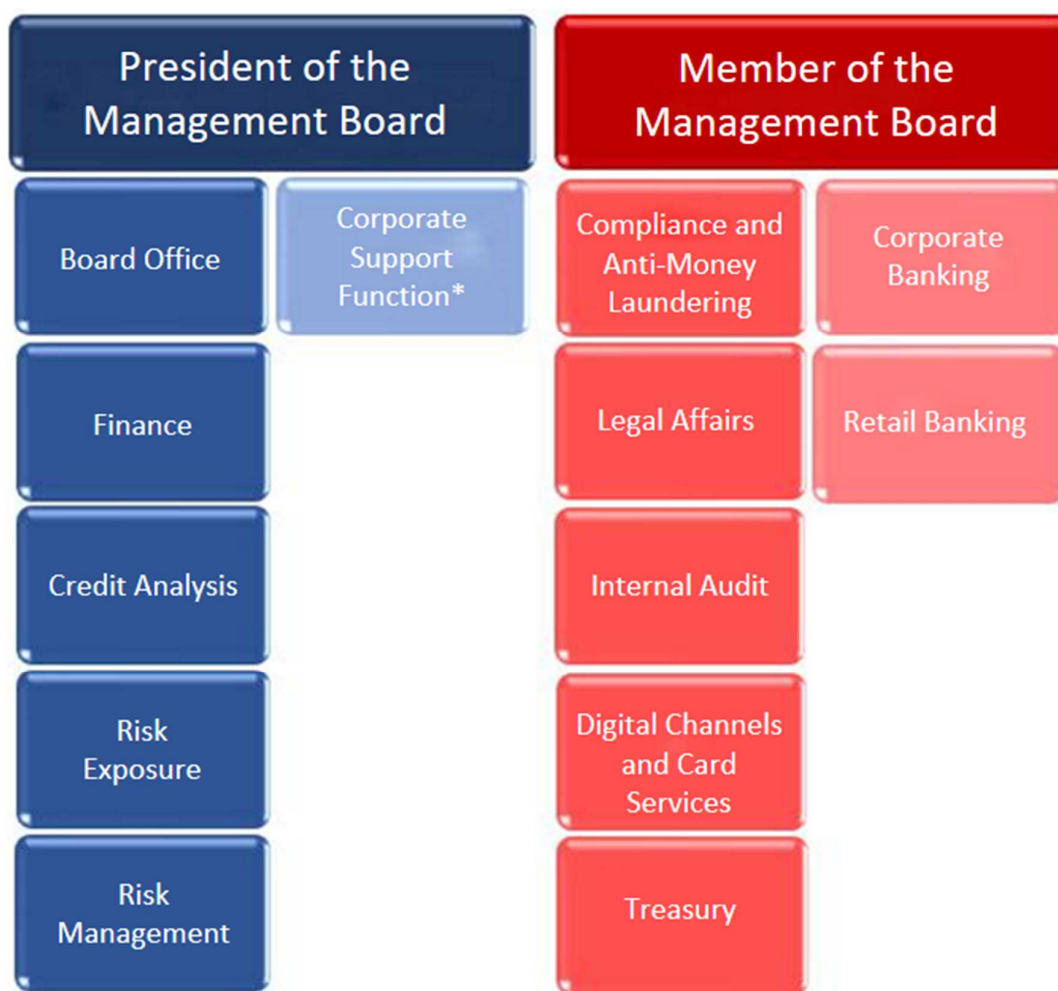
Katarina Stanić – President of the Management Board

Danijel Luković – Member of the Management Board

From 1 January 2024 to 14 April 2024:

Danijel Luković – President of the Management Board

Katarina Stanić – Member of the Management Board

Organizational structure

* payment transactions, IT, loan administration, general affairs

Capital management

In the previous period, the Bank's owner increased its share capital on several occasions. The most recent increase was made in October 2012 in the amount of HRK 200 million (EUR 26.5 million), by converting bonds into equity bonds, representing in aggregate a hybrid instrument, i.e. supplementary capital in the amount of HRK 70 million (EUR 9.3 million) and contributing HRK 130 million (EUR 17.3 million) in cash. Like the previous year, in 2025 the Bank's lending activities continued to focus on extending loans to the government and state-owned companies guaranteed by the Republic of Croatia that, under applicable regulations, are not subject to capital requirements and continue to generate satisfactory interest income.

As of 31 December 2025, the Bank's regulatory capital amounted to EUR 23,899 thousand, and the total capital ratio was 19.66%.

Basis of preparation

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

Basis of measurement

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

Functional and presentation currency

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

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

Other

The Bank had no significant impairments in the value of foreclosed tangible assets in 2025. The Bank continued its ongoing sale of foreclosed tangible assets, selling five additional properties in 2025.

2. SIGNIFICANT ACCOUNTING POLICIES

New and amended International Financial Reporting Standards

One amendment to a standard has been issued that is mandatory for annual reporting periods beginning on or after 1 January 2025, has been endorsed by the EU and has not been adopted by the Bank earlier:

- Amendments to IAS 21 – Lack of Exchangeability (issued 15 August 2023)

The amendment defines that a currency can be exchanged for another currency when an entity can access the other currency within a time frame that permits normal administrative delays, through a market or exchange mechanism that creates enforceable rights and obligations. An entity shall estimate the spot exchange rate at the measurement date when a currency is not exchangeable into another currency. The amendment provides guidance on determining the exchange rate and related disclosures when the exchange rate is unavailable.

This amendment to the standard has no significant impact on the Bank's annual financial statements.

Future Standards (effective 1 January 2026+)

New standards and amendments to standards issued but not yet effective (applicable for annual reporting periods beginning on 1 January 2026 or thereafter):

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

Amendments to IFRS 9 and IFRS 7 – Contracts referencing electricity prices dependent on natural factors

Annual Improvements – Package 11 – includes certain amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7

It is not expected that these amendments will have a material effect on the Bank's annual financial statements.

Future Standards (effective 1 January 2027+, not EU-endorsed)

New standards and amendments to standards issued but not yet effective or endorsed by the EU (applicable for annual reporting periods beginning on 1 January 2027 or thereafter):

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 19 – Non-Publicly Accountable Subsidiaries: Disclosures

Amendments to IFRS 19

Amendments to IAS 21 – Exchange rates in hyperinflationary economies

Management is still assessing the impacts of the new and amended standards. Except for the effects of IFRS 18, which will have a significant impact on presentation, primarily operating results, it is not expected that the new standards and interpretations will significantly affect the Bank's annual financial statements.

2.1. Cash and cash equivalents

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

2.2. Financial assets and liabilities***Measurement techniques***

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

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

Interest income and expense

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

Purchased or originated credit-impaired financial assets. For such assets, a credit-adjusted effective interest rate is used,

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

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

Initial recognition and measurement

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

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

FINANCIAL ASSETS

The Bank classifies financial assets into three basic categories:

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

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

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

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

Business model

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

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

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

Impairment

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

The measurement of expected credit losses reflects:

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

Loan modifications

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

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

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

Derecognition other than on modification

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

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

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

FINANCIAL LIABILITIES***Classification and subsequent measurement***

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

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

Derecognition of financial liabilities

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

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

Contingent liabilities and commitments

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

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

2.3. Investment property

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

2.4. Property and equipment

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

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

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

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

	2025	2024
Buildings	20 – 40 years	20 – 40 years
Computers	4 – 6 years	4 – 6 years
Furniture and equipment	4 – 10 years	4 – 10 years
Motor vehicles	4 years	4 years
Other tangible assets not mentioned	4 – 20 years	4 – 20 years

2.5. Intangible assets

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

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

	2025	2024
Intangible assets - software	5 – 10 years	5 – 10 years
Intangible assets (other)	4 – 10 years	4 – 10 years

2.6. Foreclosed assets

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

2.7. Assets held for sale

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

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

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

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

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

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

2.8. Impairment of non-financial assets

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

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

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

2.9. Income and expenses from fees and commissions

Fee and commission income comprises mainly fees received from clients for loans, guarantees, letters of credit and other services provided by the Bank. Fees are recognised as income upon the maturity date of services.

Fee and commission expenses consist of fees paid to licensed banks for foreign exchange payment services, as well as to the Financial Agency (FINA) for domestic payments.

2.10. Provisions

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

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

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

2.11. Employee benefits

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

The Bank recognises a provision for bonuses when a constructive obligation arises from a contract or past practice. Furthermore, the Bank recognises accrued benefits based on the annual vacation days outstanding as of the date of the financial statements.

2.12. Foreign currencies

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

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

2.13. Profit tax

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

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

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

2.14. Leases

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

Bank as lessor

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

Bank as lessee**Lease liabilities**

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable payments based on an index and

- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

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

To determine the incremental borrowing rate, the Bank:

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

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

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

Right-of-use assets

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

Assets arising from a lease are initially measured at present value.

Right-of-use assets are measured at cost, comprising the following:

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

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

2.15. Loan liabilities

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

2.16. Activities for and on behalf of third persons

The Bank manages funds for and on behalf of corporate customers. These amounts do not represent the Bank's assets and are excluded from the statement of financial position. For the services provided, the Bank charges a fee which is recognised in profit or loss. Based on these charges, in 2024 the Bank generated revenue of EUR 2,000.

2.17. Accounting estimates and judgments in applying accounting policies

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

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

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

2.18. Credit losses on loans and advances

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

in EUR '000

	31 December 2025	31 December 2024
Credit losses on loans and advances to clients	8,458	9,140
Credit losses for off-balance sheet credit exposure	-	2
Total credit losses	8,458	9,142
Gross value of exposures for which credit losses are calculated on an individual basis	13,429	13,947

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

2.19. Legal disputes

The Bank carries out an individual assessment of all legal disputes. As stated in Note 27, the Bank made a provision of EUR 1,525 thousand for principal and interest on liabilities for legal disputes (2024: EUR 504 thousand). The stated amounts represent the Bank's best estimate of losses due to legal disputes

3. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST RATE METHOD

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

in EUR '000

	2025	2024
Retail	5,193	4,449
Corporate	3,912	4,608
Government units	689	896
Banks and other financial institutions	1,375	1,850
Other organisations	9	9
Total	11,178	11,812

Interest income includes income from placements in default status in the amount of EUR 326 thousand (2024: EUR 529 thousand), of which EUR 133 thousand (2024: EUR 419 thousand) relates to corporate, and the remaining EUR 193 thousand (2024: EUR 110 thousand) relates to retail operations

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

in EUR '000

	2025	2024
Financial assets at amortised cost	11,178	11,812
Total	11,178	11,812

4. INTEREST EXPENSES

4.1 Interest expenses by source

in EUR '000

	2025	2024
Retail	(1,750)	(1,626)
Non-residents	(81)	(114)
Croatian National Bank	(24)	(47)
Corporate	(275)	(184)
Banks and other financial institutions	(71)	(34)
Government units	(2)	(2)
Leases/Rents	(5)	(10)
Other organisations	(7)	(5)
Total	(2,215)	(2,022)

4.2. Interest expenses by portfolio

in EUR '000

	2025	2024
Financial liabilities measured at amortised cost	(2,215)	(2,022)
Total	(2,215)	(2,022)

5. INCOME FROM FEES AND COMMISSIONS**5.1. Income from fees and commissions by source**

in EUR '000

	2025	2024
Corporate	986	1,019
Retail	998	883
Financial institutions	347	333
Non-residents	82	125
Non-profit institutions	44	47
Government units	29	26
Total	2,486	2,433

5.2. Income from fees and commissions by type

in EUR '000

	2025	2024
Payment transaction fees	583	678
Fees from guarantees and letters of credit	298	309
Account maintenance fees	323	333
Online banking fees	332	317
Income from fees - sales of third-party products	231	227
Card transaction fees	212	192
Brokerage and custodial fees	14	17
Product packages	231	127
Other commissions	262	233
Total	2,486	2,433

6. FEE AND COMMISSION EXPENSES**6.1. Fee and commission expenses by source**

in EUR '000

	2025	2024
Domestic clients	(328)	(278)
Service fees and commissions to FINA	(175)	(165)
Foreign banks	(42)	(26)
Republic of Croatia	(7)	(6)
Total	(552)	(475)

6.2. Fee and commission expenses by type

in EUR '000

	2025	2024
Credit card commission	(229)	(202)
FINA's non-cash and cash payment services (clients)	(175)	(165)
Financial institutions service costs	(126)	(90)
Other commissions	(22)	(18)
Total	(552)	(475)

7. OTHER INCOME

7.1. Rental income

in EUR '000

	2025	2024
Rental income	641	595

In 2025, the Bank generated rental income from investment properties in the amount of EUR 641 thousand (2024: EUR 595 thousand).

7.2. Other operating income

in EUR '000

	2025	2024
Gain on sale of property, plant and equipment and foreclosed assets	710	188
Gain on fair value adjustment of investment property	544	199
Other income	273	256
Total	1,527	643

8. OTHER OPERATING EXPENSES

in EUR '000

	2025	2024
Net salaries	(2,732)	(2,428)
Contributions, taxes and surtaxes	(972)	(848)
Pension contributions	(767)	(671)
Other employee expenses	(642)	(506)
Unused vacation days (Note 27)	(45)	(29)
Total employee benefits	(5,158)	(4,482)
Depreciation and amortisation (Note 19)	(426)	(379)
Material and services	(2,875)	(2,604)
Deposits insurance premium expense	(112)	-
Rental expenses	(360)	(325)
Legal and administrative fees	(20)	(31)
Marketing	(199)	(148)
Losses of fixed tangible assets	(354)	(94)
Other	(246)	(250)
Total other operating expenses	(4,166)	(3,452)
Total	(9,750)	(8,313)

As of 31 December 2025, the Bank had 174 employees (2024: 165 employees).

Employee expenses include EUR 767 thousand (2024: EUR 671 thousand) in contributions, including the prescribed amount for pension insurance, paid into mandatory pension funds. Contributions are calculated as a percentage of employees' gross salaries.

In 2025, consulting services amounted to EUR 66 thousand (2024: EUR 204 thousand) and relate to the audit of annual reports, the audit of information systems, the audit of semi-annual reports, and other intellectual services.

9. CREDIT LOSS ALLOWANCES*in EUR '000*

	2025	2024
Credit losses on interest receivables (Note 17.2)	(8)	(25)
Credit losses on securities	(2)	3
Credit losses on other assets	(48)	11
Credit losses on loans and advances to clients (Note 17.2)	(757)	(1,166)
Credit losses on deposits with banks	(4)	-
Total	(819)	(1,177)

10. COST OF PROVISIONS AND IMPAIRMENT*in EUR '000*

	2025	2024
Impairment of foreclosed assets (Note 20)	(6)	(7)
Impairment of other tangible assets (Note 20)	-	(11)
Income from collection of loans written off in previous years	11	48
Provisions for contingencies (Note 27)	248	10
Provision for legal disputes against the Bank (Note 27)	(1,028)	(264)
Other provisions (Note 26)	5	(46)
Total	(770)	(270)

11. PROFIT TAX*in EUR '000*

	2025	2024
Current profit tax	(490)	(588)
Deferred profit tax	1	5
Total profit tax	(489)	(583)

in EUR '000

	2025	2024
Profit before tax	1,915	3,379
Profit tax (18%)	345	608
Effect of items increasing tax base	196	102
Effect of items decreasing tax base	(51)	(58)
Utilisation of carried-forward tax losses for which no deferred tax asset has been recognised		(64)
Deferred tax asset arising from temporary differences	(1)	(5)
Profit tax	(489)	(583)
Effective profit tax rate	-25.54%	-17.25%

Movements in tax losses carried forward*in EUR '000*

	2025	2024
Tax losses carried forward from the previous period	-	357
Utilisation of tax losses	-	357
Tax loss available to carry forward in future periods	-	-

Movements in deferred tax assets*in EUR '000*

	Deferred fee income included in effective interest rate on given loans	Total
As of 1 January 2024	77	77
Recognised in profit or loss	5	5
As of 31 December 2024	82	82
Recognised in profit or loss	1	5
As of 31 December 2025	83	82

12. CASH*in EUR '000*

	2025	2024
Giro account	2,756	1,802
Cash on hand		
- EUR	2,328	3,607
- foreign currency	140	189
Cash in foreign currency accounts with domestic banks	5,740	793
Expected credit losses	(3)	(2)
Total	10,961	6,389

13. RECEIVABLES FROM THE CROATIAN NATIONAL BANK*in EUR '000*

	2025	2024
Other deposits with the CNB		
EUR	24,686	81,152
Expected Credit losses (Note 9)	(4)	-
Total	24,682	81,152

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

The reserve requirement rate as of 31 December 2025 was 1% (2024: 1%) of euro and foreign currency deposits, loans taken and debt securities issued.

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

14. PLACEMENTS WITH BANKS*in EUR '000*

	2025	2024
Deposits with foreign banks	3,742	6,378
Deposits with domestic banks	233	263
Total	3,975	6,641

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME*in EUR '000*

	2025	2024
Shares	26	26
Total	26	26

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

in EUR '000

	Treasury bills	Bonds	Shares	Calculated interest	Total
Balance as of 1 January 2025	-	-	26	-	26
Balance as of 31 December 2025	-	-	26	-	26

in EUR '000

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

As of 31 December 2025, the Bank had no received structural loans with financial collateral from the Croatian National Bank (2024: EUR 18,581 thousand received structural loans from the Croatian National Bank) and had no pledged treasury bills and bonds (2024: EUR 19,972 thousand treasury bills and government bonds).

There were no securities received as collateral as of 31 December 2025, as there were no placements in repo loans (2024: also none).

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

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

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

in EUR '000

	31 December 2025				31 December 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Shares	-		26	26	-		26	26
Total	-	-	26	26	-	-	26	26

16. FINANCIAL ASSETS AT AMORTIZED COST

in EUR '000

	2025	2024
Treasury bills of the Republic of Croatia	4,911	3,247
Foreign government bonds	8,116	7,656
Republic of Croatia bonds	16,462	18,563
Foreign corporate bonds	34	33
Promissory notes	-	-
<i>Expected credit losses</i>	(8)	(6)
Accrued interest	252	323
Total	29,767	29,816

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

in EUR '000

	Treasury bills	Bonds	Shares	Calculated interest	Total
Balance as of 1 January 2025	3,247	26,246	-	323	29,816
Purchase	8,720	8,110	-	-	16,836
Sale/maturity	(7,103)	(9,733)	-	-	(16,836)
Other (exchange rate differences, reclassification)	47	(19)	-	(71)	(43)
Balance as of 31 December 2025	(4,911)	24,604	-	252	29,767

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

in EUR '000

	31 December 2025				31 December 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Eurobonds	24,856	-	-	24,856	26,569	-	-	26,569
Treasury bills	-	4,911	-	4,911	-	3,247	-	3,247
Bills of exchange	-	-	-	-	-	-	-	-
Total	24,856	4,911	-	29,767	26,569	3,247	-	29,816

17. LOANS AND ADVANCES TO CLIENTS

17.1. Analysis by client type

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

in EUR '000

	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail								
Cash loans	56.259	1.693	2.212	60.164	42.739	1.298	1.626	36.903
Housing loans	7.330	183	385	7.898	8.099	223	42	8.364
Loans for agriculture	7.738	89	263	8.090	7.606	162	156	7.924
Other loans	9.460	434	84	9.978	6.642	212	204	7.058
Overdrafts on transaction accounts	4.151	43	267	4.461	3.656	39	169	3.864
Mortgage loans	-	-	-	-	2.953	-	25	2.978
Loans for tourism	55	-	355	410	402	17	118	537
Lombard loans	402	-	-	402	443	13	-	456
Margin loans	-	-	-	-	-	-	-	-
Total loans - retail	85.395	2.442	3.566	91.403	72.540	1.964	2.340	76.844
Expected credit losses (principal)	(1.563)	(95)	(1.393)	(3.051)	(1.304)	(59)	(1.276)	(2.639)
Expected credit losses (interest)	(8)	(1)	(32)	(41)	(6)	-	(24)	(30)
Total expected credit losses	(1.571)	(96)	(1.425)	(3.092)	(1.310)	(59)	(1.300)	(2.669)
Accrued interest	443	14	51	508	399	17	36	452
Total loans - retail, net	84.267	2.360	2.192	88.819	71.629	1.922	1.076	74.627
Corporate								
Syndicated loan	40.324	-	-	40.324	40.737	-	-	40.737
Investment loans	11.465	288	5.445	17.198	8.312	227	6.358	14.897
Loans for working capital	18.410	1.254	2.769	22.433	14.347	479	3.377	18.203
Lombard loans	6.136	-	-	6.136	6.091	-	-	6.091
Other loans	8.415	-	1.108	9.523	2.149	285	960	3.394
Overdrafts on transaction accounts	4.347	76	285	4.708	3.575	34	390	3.999
Loans for agriculture	322	-	20	342	584	6	98	688
Tourism loans	37	-	-	37				
Loans for payments made based on guarantees	-	-	-	-	-	-	101	101
Total loans - corporate	89.456	1.618	9.627	100.701	75.795	1.031	11.284	88.110
Expected credit losses (principal)	(353)	(9)	(7.065)	(7.427)	(545)	(27)	(7.864)	(8.436)
Expected credit losses (interest)	(1)	-	(37)	(38)	(2)	-	(49)	(51)
Total expected credit losses	(354)	(9)	(7.102)	(7.465)	(547)	(27)	(7.913)	(8.487)
Accrued interest	499	11	58	568	618	12	79	709
Total loans - corporate, net	89.601	1.620	2.583	93.804	75.866	1.016	3.450	80.332
Total loans (gross)	175.793	4.085	13.302	193.180	149.352	3.024	13.739	166.115
Total credit losses by loans	(1.925)	(105)	(8.527)	(10.557)	(1.857)	(86)	(9.213)	(11.156)
Total loans and advances to clients, net	173.868	3.980	4.775	182.623	147.495	2.938	4.526	154.959

As of 31 December 2025, the gross exposure per customer in default status amounted to EUR 13,302 thousand (2024: EUR 13,739 thousand), and the related credit loss amounted to EUR 8,527 thousand (2024: EUR 9,213 thousand).

17.2. Changes in credit losses

Changes in credit losses are shown as follows:

in EUR '000

	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	1,881	105	9,170	11,156	1,389	338	9,958	11,685
Impact on P&L								
Net credit losses on loans and advances to clients (Note 9)	77	6	681	764	134	(6)	1,063	1,191
Foreign exchange differences		(45)		(45)	-	19	-	19
No impact on P&L								
Write-off	(26)	(7)	(1,285)	(1,318)	334	(246)	(1,827)	(1,739)
Balance as of 31 December	1,932	59	8,566	10,557	1,857	105	9,194	11,156

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

in EUR '000

	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	1,857	86	9,213	11,156	1,389	347	9,949	11,685
Retail								
Balance as of 1 January	1,310	59	1,300	-	1,050	168	839	2,057
Overdrafts on transaction accounts	(134)	(2)	36	(100)	31	(13)	9	27
Mortgage loans	(41)	0	(17)	(58)	6	(8)	1	(1)
Housing loans	10	2	7	19	12	-	(8)	4
Cash loans	411	37	78	526	184	(73)	427	538
Agricultural loans	(5)	(2)	18	11	(6)	(3)	20	11
Margin loans	-	-	-	-	(1)	-	-	(1)
Lombard loans	-	-	-	-	-	-	-	-
Tourism loans	(4)	-	9	5	(2)	(3)	2	(3)
Other loans	24	1	(5)	20	36	(9)	10	37
Balance as of 31 December	1,571	95	1,426	3,092	1,310	59	1,300	2,669
Corporate								
Balance as of 1 January	547	27	7,913	8,487	339	179	9,110	9,628
Overdrafts on transaction accounts	(41)	-	(10)	(51)	38	(7)	73	104
Loans for payments made on the basis of guarantees	-	-	(44)	(44)	-	-	23	23
Syndicated loan	-	-	-	-	(6)	-	-	(6)
Loans for working capital	(48)	(7)	(278)	(333)	63	(9)	784	838
Investment loans	(53)	1	(525)	(577)	61	(23)	212	250
Agriculture loans	(8)	-	18	10	(3)	-	-	(3)
Lombard loans	(55)	-	-	(55)	55	(122)	-	(67)
Loans for tourism	1	-	-	1	-	-	-	-
Other loans	11	(11)	27	27	-	9	(2,289)	(2,280)
Balance as of 31 December	354	10	7,101	7,465	547	27	7,913	8,487
Balance as of 31 December	1,925	105	8,527	10,557	1,857	86	9,213	11,156

17.3. Changes in gross loans and credit losses by credit risk stages**17.3.1. Changes in gross loans by credit risk changes**

in EUR '000

	Stage 1	Stage 2	Stage 3	Total
On 1 January 2024	126,361	14,561	15,438	156,360
From Stage 1 to Stage 2	(1,525)	1,525	-	-
From Stage 1 to Stage 3	(853)	-	853	-
From Stage 2 to Stage 1	10,258	(10,258)	-	-
From Stage 2 to Stage 3	-	(977)	977	-
From Stage 3 to Stage 2	-	299	(299)	-
Newly approved loans	45,255	-	-	45,255
Derecognition of assets	(30,144)	(2,126)	(3,230)	(35,500)
On 31 December 2024	149,352	3,024	13,739	166,115
On 1 January 2025	149,352	3,024	13,739	166,115
From Stage 1 to Stage 2	(1,523)	1,523	-	-
From Stage 1 to Stage 3	(1,718)	-	1,718	-
From Stage 2 to Stage 1	393	(393)	-	-
From Stage 2 to Stage 3	-	(865)	865	-
From Stage 3 to Stage 2	-	530	(530)	-
Newly approved loans	63,995	-	-	63,995
Derecognition of assets	(34,706)	266	(2,490)	(36,930)
On 31 December 2025	175,793	4,085	13,302	193,180

Note: The above amounts do not include interest receivable

17.3.2. Changes in credit losses by credit risk stages

in EUR '000

	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail								
From Stage 1 to Stage 2	-	25	-	25	-	12	-	12
From Stage 1 to Stage 3	-	-	273	273	-	-	207	207
From Stage 2 to Stage 1	(8)	-	-	(8)	(73)	-	-	(73)
From Stage 2 to Stage 3	-	-	109	109	-	-	135	135
From Stage 3 to Stage 2	-	(59)	-	(59)	-	(120)	-	(120)
Newly approved loans	618	-	-	618	485	-	-	485
Derecognition and changes in provisions	-337	65	509	237	188	125	(517)	(204)
Corporate								
From Stage 1 to Stage 2	-	(8)	-	(8)	-	(4)	-	(4)
From Stage 1 to Stage 3	-	-	10	10	-	-	68	68
From Stage 2 to Stage 1	-	-	-	-	(90)	-	-	(90)
From Stage 2 to Stage 3	-	-	221	221	-	-	149	149
From Stage 3 to Stage 2	-	(10)	-	(10)	-	-	-	-
Newly approved loans	228	-	-	228	(182)	-	-	(182)
Derecognition and changes in provisions	(430)	(7)	(435)	(872)	(195)	(18)	1,021	808
Foreign exchange differences	-	-	(45)	845	-	-	19	19
Total (impact on P&L)	71	6	642	719	133	(5)	1,082	1,210

During 2025, the Bank sold loans granted to legal entities and individuals in default status with a gross amount of EUR 1,065 thousand (2024: EUR 516 thousand)

18. INVESTMENT PROPERTY

in EUR '000

	2025	2024
Investment property	5.501	4.957
Total	5.501	4.957

The contract with the lessee was concluded for an indefinite period and given the particularly good business relationship over many years and the attractiveness of the location, the Bank does not expect it to be terminated in the next 5 years. In accordance with the current contract, the Bank is not obliged to invest in the premises, and there were no costs on this basis. In 2025, the Bank increased the value of the aforementioned property in accordance with the new market assessment. The property is encumbered by a legal dispute that prevents free disposal of the property in terms of sale.

Presentation of changes in fair value:

in EUR '000

Balance on 1 January 2025	4,957
Change in fair value	544
Balance on 31 December 2025	5,501

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

in EUR '000

	31 December 2025		31 December 2024	
	Decrease	Increase	Decrease	Increase
Investment property	(55)	55	(50)	50

18.1. Fair value hierarchy

in EUR '000

	Level 1	Level 2	Level 3	Total
1 January 2025				
Investment property	-	-	5,501	5,501
Total	-	-	5,501	5,501

in EUR '000

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

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

19. PROPERTY, EQUIPMENT, AND INTANGIBLE ASSETS

in EUR '000

	Land and buildings	Furniture and vehicles	Equipment and other tangible assets	Tangible assets under construction	Right-of-use assets	Total tangible assets	Software	Other	Total intangible assets	Total
Purchase value										
Balance as of 1 January 2024	1,439	393	1,678	8	1,042	4,560	3,793	391	4,184	8,744
New acquisitions		12	154	1	3	170	376	99	475	645
Transfer from account during the year	-	-	-	(6)	-	(6)	-	(12)	(12)	(18)
Disposals and sales	-	(16)	(922)	-	-	(938)	(93)	(8)	(101)	(1,039)
Balance as of 31 December 2024	1,439	389	910	3	1,045	3,786	4,076	470	4,546	8,332
Balance as of 1 January 2025	1,439	389	910	3	1,045	3,786	4,076	470	4,546	8,332
New acquisitions		25	15	21	28	89	793	13	806	895
Transfer from account during the year	-	-	-	(2)		(2)	-	(95)	(95)	(97)
Disposals and sales	(187)	-	(117)	-	-	(304)	-	-	-	(304)
Balance as of 31 December 2025	1,252	414	808	22	1,073	3,569	4,869	388	5,247	8,826
Value adjustment										
Balance as of 1 January 2024	1,141	363	1,433	-	730	3,667	3,007	257	3,264	6,931
Depreciation for 2024	24	11	58	-	137	230	125	24	149	379
Disposals and sales	-	(15)	(916)	-	-	(931)	(93)	2	(91)	(1,022)
Balance as of 31 December 2024	1,165	359	575	-	867	2,966	3,039	283	3,322	6,288
Depreciation for 2025	25	15	60	-	126	226	171	29	200	426
Disposals and sales	(187)	-	(114)	-	-	(301)	-	-	-	(301)
Balance as of 31 December 2025	1,003	373	521	-	993	2,890	3,209	313	3,522	6,412
Net carrying value as of 31 December 2024	274	30	335	3	178	820	1,037	187	1,224	2,044
Net carrying value as of 31 December 2025	249	40	287	22	80	678	1,659	76	1,735	2,413

During the year, the Bank disposed of certain assets from property and equipment with a purchase value of EUR 117 thousand (2024: EUR 937 thousand) and sold a portion of them for EUR 215 thousand (2024: EUR 1 thousand).

As of 31 December 2025, the Bank did not have any assets in its possession that it had pledged as collateral. The same applies for 2024.

The amount of assets in use that were fully depreciated as of 31 December 2025 amounted to EUR 3,250 thousand (2024: EUR 1,095 thousand).

20. FORECLOSED ASSETS

Changes in foreclosed assets for uncollected receivables are as follows:

in EUR '000

	2025	2024
As of 1 January,	1,180	713
Increase based on assets foreclosed	412	525
Decrease due to impairment (Note 10)	(6)	(7)
Decrease due to sale of foreclosed assets	(659)	(51)
Total	927	1,180

In 2025, the Bank sold EUR 659 thousand (2024: EUR 51 thousand) of foreclosed assets, resulting in a gain on sale of EUR 244 thousand (2024: EUR 94 thousand).

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

in EUR '000

	31.12.2025		31.12.2024	
	Decrease	Increase	Decrease	Increase
Foreclosed assets	(9)	9	(12)	12

21. OTHER ASSETS

in EUR '000

	2025	2024
Financial assets		
Receivables from clients	283	211
Fee and commission receivables	253	256
Receivables for purchase proceeds deposited in court by third parties	1	2
Impairment for expected credit losses on financial assets	(96)	(90)
Non-financial assets		
Receivables from the state	-	2,297
Receivables from employees on other grounds	546	546
Other receivables	1,091	548
Receivables from domestic legal entities based on paid legal costs	63	73
Impairment for expected credit losses on non-financial assets	(762)	(1,044)
Total	1,379	2,799

22. LIABILITIES TO BANKS*in EUR '000*

	2025.	2024.
Demand deposits		
- euro	15	371
- foreign currencies	-	13
Total demand deposits	384	384
Time-deposits		
Euro	2,600	-
The total amount of time-deposits	2,600	-
Accrued interest	20	-
Total	2,635	384

23. DEMAND DEPOSITS*in EUR '000*

	2025	2024
Demand deposits retail		
- euro	52,528	48,079
- foreign currency	3,694	3,638
Total retail	56,222	51,717
Demand deposits corporate		
- euro	54,719	68,269
- foreign currency	1,311	548
Total corporate	56,030	68,817
Demand deposits of financial institutions		
- foreign currency	199	148
Total financial institutions	199	148
Demand deposits of state and other institutions		
- euro	7,017	7,885
- foreign currency	40	43
Total state and other institutions	7,057	7,928
Limited deposits		
- euro	1,647	3,667
Total limited deposits	1,647	3,667
Deposits of foreign persons		
- euro	5,127	3,343
- foreign currency	970	1,012
Total foreign persons	6,097	4,355
Total	127,252	136,632

24. TERM DEPOSITS*in EUR '000*

	2025	2024
Deposits retail		
- euro	70,932	83,246
- foreign currency	2,039	2,321
Total retail	72,971	85,567
Deposits corporate		
- euro	18,451	13,245
- foreign currencies	3701	
Total corporate	22,152	13,245
Deposits of the state and other institutions		
- euro	493	433
Total state and other institutions	493	433
Deposits of foreign persons		
- euro	5,807	6,393
- foreign currency	30	30
Total foreign persons	5,837	6,423
Accrued interest	672	694
Total	102,125	106,362

25. LIABILITIES UNDER RECEIVED LOANS*in EUR '000*

	2025	2024
Croatian National Bank	-	18,581
Domestic banks	965	1,021
Accrued interest	-	210
Total	965	19,812

26. FINANCIAL LIABILITIES*in EUR '000*

	2025	2024
Financial liabilities		
Trade payables	243	265
Fees and commissions payable	36	21
Other liabilities	491	39
Non-financial liabilities		
Liabilities to employees	476	414
Deferred income and accrued expenses	208	219
Other liabilities	1,278	1,377
Total	2,732	2,335

Lease liabilities reported within Other liabilities are presented as follows:

in EUR '000

	2025	2024
Lease liabilities		
- current	63	126
- non-current	21	59
Total	84	185

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

in EUR '000

	Liabilities from financial instruments	Lease liabilities	Total debt	Cash and cash equivalents	Net debt
As of 1 January 2024	(18,842)	(321)	(19,163)	10,462	(8,701)
New leases/new borrowings		(3)	(3)		(3)
Cash flow	(970)	139	(831)	2,558	1,726
As of 31 December 2024	(19,812)	(185)	(19,997)	13,020	(6,978)
As of 1 January 2025	(19,812)	(185)	(19,997)	13,020	(6,977)
New leases/new borrowings		(29)	(29)		(29)
Cash flow	18,847	130	18,977	1,916	20,893
As of 31 December 2025	(965)	(84)	(1,049)	14,936	13,887

27. PROVISIONS*in EUR '000*

	2025	2024
Provisions for legal disputes	1,525	504
Provisions for contingent liabilities and commitments	216	464
Provisions for unused vacation days, severance pay and other rewards	59	44
Other provisions	142	147
Total	1,942	1,159

Changes in provisions are shown as follows:

	<i>in EUR '000</i>	
	2025	2024
As of 1 January	1,159	1,185
Reversal of provisions for legal disputes against the bank (Note 10)	(66)	(47)
New provisions for legal disputes (Note 10)	1,094	280
Changes in provisions for contingent liabilities and commitments (Note 10)	(248)	(10)
Cost of provisions for termination benefits, etc. (Note 8)	45	29
Changes in other provisions	(6)	77
Changes in payments made under legal disputes	(6)	(333)
Changes in payments made under termination benefits	(30)	(22)
As of 31 December	1,942	1,159

In respect of legal disputes against the Bank during 2025, an amount of EUR 6 thousand was paid against provisions (2024: EUR 333 thousand). The total amount of legal disputes against the Bank as of 31 December 2025 is EUR 1.525 thousand (31 December 2024: EUR 504 thousand)

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

28. CAPITAL

As of 31 December 2025 and 2024, the sole shareholder of the Bank is the Croatian Deposit Insurance Agency, owned by the Republic of Croatia, so the Bank's ultimate owner is the Republic of Croatia.

Share capital amounts to EUR 62,990.24 thousand (2024: EUR 62,990.24 thousand).

29. OFF-BALANCE SHEET EXPOSURES

	<i>in EUR '000</i>			
31 December 2025	Stage 1	Stage 2	Stage 3	Total
Guarantees	13,764	646	-	14,410
Revolving loans	10,071	77	1	10,149
Other common risk-bearing off-balance sheet items	11,724	396	-	12,120
Total	35,559	1,119	1	36,679

	<i>in EUR '000</i>			
31 December 2024	Stage 1	Stage 2	Stage 3	Total
Guarantees	14,726	14	79	14,819
Revolving loans	8,855	56	2	8,913
Other common risk-bearing off-balance sheet items	10,026	-	-	10,026
Total	33,607	70	81	33,758

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

30. LEGAL DISPUTES

The Bank is currently involved in 40 legal disputes in which the Bank is a defendant.

In accordance with internal acts and legal regulations, the Bank estimates the potential cash outflows for disputes with a risk of loss and establishes the corresponding provisions.

As of 31 December 2025, provisions for losses from legal disputes against the Bank amounted to EUR 1,525 thousand (EUR 504 thousand in 2024).

31. CASH AND CASH EQUIVALENTS

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

	<i>in EUR '000</i>	
	2025	2024
Cash on hand and on current accounts with banks (Note 12)	10,964	6,391
Balances with other banks with maturities up to 3 months (Note 14)	3,975	6,641
Total	14,939	13,032
Expected credit losses (Note 12)	(3)	(2)
Total	14,936	13,030

32. RELATED PARTY TRANSACTIONS

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

The balances of assets and liabilities, as well as income and expenses as of 31 December 2025 and 31 December 2024 and for the years then ended, resulting from key transactions with related parties, are as follows:

	<i>in EUR '000</i>			
2025	Receivables	Liabilities	Income	Expenses
CDIA (sole shareholder)	-	165	1	-
Key management				
Short-term (demand deposits, bonuses, salaries, benefits)	17	275	2	687
Pension contributions	-	-	-	129
Long-term (loans, term deposits and other)	189	30	7	4
State in narrow and broad definitions	76,830	23,071	2,866	413
Total	77,036	23,541	2,876	1,233

in EUR '000

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

Key management

Key management does not own Bank shares. Loans and receivables from clients include EUR 206 thousand (2024: EUR 183 thousand) related to loans granted to key management. During the year, the Bank collected interest of EUR 8 thousand (2024: EUR 7 thousand) on loans and receivables from key management, approved at annual interest rates of 3.70%-4.65% (2024: 3.55%-4.51 %). The amount of current accounts and customer deposits includes EUR 30 thousand of time deposits of key management (2024: EUR 194 thousand). On this basis, during 2025 the Bank paid interest in the amount of EUR 4 thousand (2024: EUR 1 thousand), with annual interest rates of 1,50% - 2,30% (2024: 0,15% - 3,05%).

The Supervisory Board's costs in 2025 amounted to EUR 74 thousand (2024: EUR 77 thousand).

State in narrow and broad definitions

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

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

Most significant receivables from the state, in both narrow and broad definitions, are as follows:

As of 31 December 2025, exposure to the state, in the narrow and broad senses, consists of exposure to the state-owned company Hrvatske autoceste d.o.o. in the amount of EUR 40,324 thousand (2024: EUR 41.249 thousand), based on receivables under a syndicated loan.

Exposure to the company HŽ Cargo amounts to EUR 0 thousand (in 2024: EUR 0 thousand). In 2024, receivables from the company HŽ Cargo were transferred to the Ministry of Finance of the Republic of Croatia. Receivables from the company Borovo d.d. amount to EUR 6,959 thousand (2024: EUR 6,283 thousand). Receivables from the company Đuro Đaković group amount to EUR 759 thousand (2024: EUR 0.4 thousand).

The Bank is exposed to the Ministry of Finance based on listed bonds of the Ministry of Finance in the amount of EUR 16,696 thousand (2024: EUR 18,871 thousand), based on issued treasury bills of the Ministry of Finance in the amount of EUR 4,911 thousand (2024: EUR 3,247 thousand), and based on receivables taken over from HŽ Cargo in the amount of EUR 772 thousand (2024: EUR 2,096 thousand).

The restricted deposit of the Ministry of Finance was written off in 2025 (2024: EUR 2,000 thousand).

The Restructuring Centre has EUR 3 thousand in its transaction account with the Bank as of 31 December 2025 (2024: EUR 3 thousand).

The Bank's shareholder, the Croatian Deposit Insurance Agency, has EUR 165 thousand in its transaction account as of 31 December 2025 (2024: EUR 234 thousand).

As of 31 December 2025, the Bank has a liability to the Croatian Bank for Reconstruction and Development based on loans received (lending to clients in cooperation with HBOR) in the amount of EUR 963 thousand (the balance as of 31 December 2024 was EUR 1,019 thousand).

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

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

The income recognised in the statement of profit or loss in 2025 that are treated as key transactions are:

- income from loans to Hrvatske autoceste in 2025 amounts to EUR 1,618 thousand (2024: EUR 2,165 thousand);
- income from the Ministry of Finance relating to the loan taken over from HŽ Cargo in 2025 amounts to EUR 69 thousand (2024: EUR 115 thousand);
- income from securities of the Republic of Croatia amounts to EUR 546 thousand (2024: EUR 737 thousand).

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

- expenses of loans received from HBOR in 2025 in the amount of EUR 29 thousand (2024: EUR 34 thousand);
- in 2025, expenses towards the Croatian Deposit Insurance Agency, which primarily relate to insurance premiums for savings deposits, amounted to EUR 112 thousand (2024: EUR 0 thousand).

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

in EUR '000

31 December 2025	Key management personnel	State in narrow and broad definition
Framework loans and other off-balance-sheet items	47	1,360

in EUR '000

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

The Bank has the largest off-balance sheet exposure in the Government group, in both the narrow and broad senses, to the client Borovo d.d., in the amount of EUR 398 thousand (2024: Borovo d.d., EUR 385 thousand). All exposures presented in this note are on a gross basis (before deduction for credit losses).

33. RISK MANAGEMENT POLICIES

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

33.1. Credit risk

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

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

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

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

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

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

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

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

- providing opinion on new credit placements
- providing an opinion on proposals for changes in the conditions of existing placements
- analysing the viability of the proposed renewal and restructuring of the existing placements
- periodic reviews of all existing placements

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

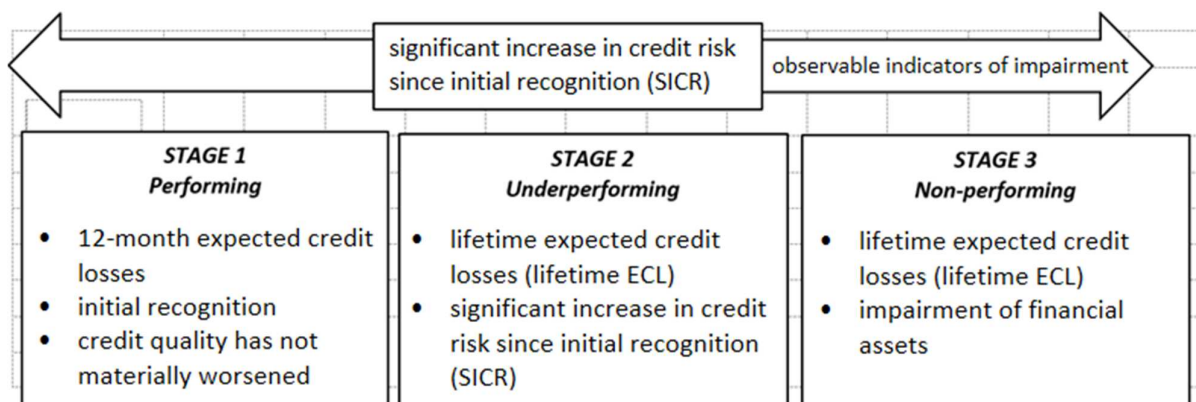
Further responsibilities of staff engaged in loan analysis include monitoring credit risk exposure and providing early warning of increased credit risk. The duties and responsibilities of the Credit Analysis Department include the credit portfolio control activity, which, in cooperation with other organisational units within the Bank, ensures the timely identification of customers with potential risk. Such an approach involves complex management of business relations with customers, aiming to reduce credit risk costs and improve the quality of the Bank's credit portfolio.

Credit risk control is based on an individual approach to credit risk assessment, specifically tailored to each client, including identifying clients with potential risk, analysing, and classifying them, determining the form and manner of managing business relations with clients, and conducting follow-up.

Special attention is paid to managing exposures to related parties by reference to the effective organisational, normative and operational rules, as well as all other aspects of exposure to credit risk defined by the Credit Institutions Act and the related by-laws and internal acts governing its implementation.

33.1.1. Credit risk management

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

Increase in credit risk since initial recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected credit loss measurement

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

- PD - probability of default
- LGD - loss given default

- EAD - exposure at default

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

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

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

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

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

The Bank calculates the exposure at default (EAD):

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

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

33.2. Credit risk measurement

Loans and receivables (including contingent liabilities)

The Bank assesses the probability of default for individual clients using internal assessment tools tailored to all customer categories.

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

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

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

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

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

The Risk Management Department estimates future cash flows from non-performing loans to determine impairment provisions. Such an assessment is prepared for all loans managed.

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

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

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

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

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

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

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

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

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

The credit risk exposure is also managed through regular analysis of the ability of existing and potential clients to repay their liabilities, including interest and principal, and by adjusting credit limits as necessary. Further specific measures for credit risk control and mitigation are stated below.

33.1.3. Risk limit control and mitigation policies

(a) Insurance instruments

The Bank uses insurance policies for receivables that prescribe the main rules aimed at minimising the risk from credit operations. Insurance instruments for receivables serve as a secondary collection source. At the same time, clients’ operations and their ability to generate sufficient cash to settle financial liabilities are the primary sources of collecting the Bank’s receivables. The rules prescribing the obligation to take insurance instruments, for which the normative acts set the conditions for acceptability, are standardised for each specific insurance instrument category. Also, specific credit protection modalities aimed at reducing or mitigating credit risks are identified.

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

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

Appropriate insurance instruments generally cover non-current financial assets and loans to companies and natural persons.

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

(b) Commitments related to loans

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

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

33.1.4. Impairment and provisioning policies

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

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

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

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

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

1) Stage 1 and Stage 2 include loans that meet the following criteria:

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

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

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

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

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

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

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

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

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

33.1.5. Debt securities

To realise future yield, the Bank usually invests surplus liquid funds in high-quality government debt securities.

33.1.6. Past due and not due loans and receivables

Past-due and not past-due loans and receivables by type as of 31 December 2025.

in EUR '000

Past due	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Up to 30 days	117	1,686	578	1,129	4	77	3,591
31-60 days	19	692	21	51	-	5	788
61-90 days	14	302	-	15	-	61	392
Over 90 days	502	8,020	157	464	-	816	9,959
Not due	59,836	36,934	8,161	7,479	7,922	58,118	178,450
Total	60,488	47,634	8,917	9,138	7,926	59,077	193,180

Past-due and not past-due loans and receivables by type as of 31 December 2024.

in EUR '000

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

Unimpaired loans on 31 December 2025

in EUR '000

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	58,221	36,726	7,735	7,612	7,537	57,842	175,673
Past due	25	2,501	571	1,031	2	75	4,205
Total	58,246	39,227	8,306	8,643	7,539	57,917	179,878

Unimpaired loans on 31 December 2024

in EUR '000

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

Loans and receivables not impaired are classified in Stages 1 and 2 and relate to loans and receivables that clients regularly repay; the Bank does not perform impairment testing on them.

In the item Other, the largest share relates to the syndicated loan, which in 2025 amounted to EUR 40,711 thousand (2024: EUR 41,249 thousand), then to Lombard loans of EUR 6,557 thousand (2024: EUR 6,574 thousand), and the purchase of receivables (factoring) in the amount of EUR 7,075 thousand (2024: EUR 1,825 thousand). The remainder relates to smaller individual loans for various purposes.

33.1.7. Impaired loans**Impaired loans as of 31 December 2025**

in EUR '000

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	1,616	208	426	65	385	272	2,972
Past due	635	8,089	223	491	2	890	10,330
Total	2,251	8,297	649	556	387	1,162	13,302
Credit losses	1,123	6,339	136	357	8	564	8,527

Impaired loans as of 31 December 2024.

in EUR '000

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

In the item Other, loans to clients in pre-bankruptcy amount to EUR 333 thousand (2024: EUR 86 thousand), and loans to clients sued amount to EUR 430 thousand (2024: EUR 92 thousand). The remainder relates to smaller individual loans for various purposes.

33.1.8. Structure of loans and off-balance sheet contingent liabilities by type of activity**Structure of loans and off-balance contingent liabilities by type of activity as of 31 December 2025**

in EUR '000

Activity sector	Total loans and off-balance sheet liabilities	Unimpaired loans and off-balance sheet liabilities	Impaired loans and off-balance sheet liabilities	Credit loss balance	Credit loss %
Civil engineering	58,831	58,221	610	554	0.94%
Sector outside the National Classification of Activities - natural persons	74,993	72,125	2,868	2,811	3.75%
Manufacturing	23,069	17,052	6,017	4,583	19.87%
Agriculture, hunting, forestry and fishing	25,255	24,816	439	478	1.89%
Wholesale and retail trade, repair of motor vehicles and household items	14,872	14,271	601	582	3.91%
Transport, storage and connections	6,664	6,377	287	95	1.43%
Real estate business, renting	9,399	9,251	148	121	1.29%
Other social and personal service activities	4,140	3,760	380	427	10.31%
Hotels and restaurants	4,132	2,468	1,664	1009	24.42%
Financial intermediation	2,307	2,044	263	189	8.19%
Public administration and defence; social security	4,547	4,546	1	2	0.04%
Electricity, gas and water supply	349	349	-	5	1.43%
Education	308	308	-	2	0.65%
Health care and social care	171	146	25	3	1.75%
Mining and ore extraction	50	50	-	1	2.00%
TOTAL	772	772	-	-	0.00%

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

in EUR '000

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

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

in EUR '000

	Retail	Corporate	Total
31 December 2025			
Total exposure	3,617	9,685	13,302
Provisions	1,425	7,102	8,527
Total net exposure	2,192	2,583	4,775
Market value of collateral	1,121	3,825	4,946
% of collateral coverage	51.14%	148.08%	103.58%

in EUR '000,

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

33.1.10. Credit risk sensitivity analysis

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

As the basis for creating a stress test scenario, the Bank uses the stress test scenario published in the CNB's Financial Stability document (June 2025). In the above scenario, credit quality is expected to deteriorate, and overall NPL could rise to 6.2% by the end of 2027.

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

- increase in Stage 3 loans in total loans by 62.5%,
- arranging new defaults in a way that 55% of loans are classified into sub-categories with ECLs of up to 30% loan value, and the remaining 45% of newly defaulted loans are classified into sub-categories with ECLs of 30%–70% loan value,
- transfer of existing defaulted loans from lower risk sub-categories into higher risk sub-categories (5% per each sub-category).

According to the latest testing, the test result would be a 9% decline in the Bank's regulatory capital.

33.1.11. Credit quality of financial assets

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

in EUR '000

	Rating agency	31 December 2025	31 December 2024
Cash		10,961	6,389
A1	Moody's	5,224	-
A3	Moody's	-	5,595
Baa1	Moody's	3,457	-
Baa3	Moody's	1	-
BBB+	Moody's	-	17
A-	Fitch	1,642	608
BBB+	Fitch	-	129
No rating	-	637	40
Receivables from the Croatian National Bank		24,682	81,152
A3	Moody's	24,682	81,152
Placements with banks		3,975	6,641
Aaa	Moody's	1,724	1,060
A1	Moody's	22	33
A3	Moody's	54	2
BBB+	Moody's	-	3,499
Baa1	Moody's	913	112
A-	Fitch	1,259	1,878
BBB+	Fitch	-	47
No rating	-	3	10
Financial assets measured at fair value through OCI		26	26
No rating	-	26	26
Financial assets at amortised cost		29,767	29,816
Aaa	Moody's	2,184	4,633
Aa3	Moody's	5,950	3,037
A3	Moody's	21,599	22,113
No rating	-	34	33
Loans and advances to clients		182,623	154,959
No rating	-	182,623	154,959
Other financial assets		441	379
No rating	-	441	379

33.1.12. Concentration risk

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

The Bank establishes credit risk levels it undertakes by imposing limitations on the amount of risk accepted for a single client or a group of clients, as well as for geographical and industry segments. Limitations on credit risk levels for products, industry sectors, and countries are approved by the Bank's Management Board.

33.2. Liquidity risk

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

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

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

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

The Risk Management Department controls limit in the monthly report and reports limit exceedances at the ALCO meetings.

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

The Bank adjusts its liquidity risk management in accordance with legal provisions and internal policies. The Bank manages assets and sources of funds from a perspective of financial and cash flows and concentration, to align cash inflows with Bank outflows.

Managing in that way involves identifying known, expected, and potential cash outflows and developing various asset and liability management strategies to secure the Bank's cash inflow needs. According to the stated, the liquidity risk management system comprises the evaluation and measurement of liquidity risk exposure, the setting of liquidity risk exposure limits, and the reporting and supervision of limit utilisation.

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

Indicators related to a possible liquidity crisis at the Bank and the broader banking system are monitored by the Risk Management Department and the Treasury. They are determined by the Risk Management Department and reported to the Management Board, the Liquidity Committee, and/or the Asset-Liability Committee.

As of the reporting date of 31 December 2025, the Bank satisfies all regulatory liquidity risk requirements, as measured by the short-term liquidity indicator (LCR 139.58%) and the long-term liquidity indicator (NSFR 141.22%).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2025 (continued)

Future outflows under financial liabilities, as of 31 December 2025, reflect undiscounted cash flows, including future interest payments, amounting to EUR 3,480 thousand on received deposits and borrowings, classified by remaining maturities. The maturity of their carrying amounts classifies asset items.

in EUR '000

2025.	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash	10,961	-	-	-	-	10,961
Receivables from the Croatian National Bank	24,682	-	-	-	-	24,682
Placements with banks	2,274	-	1,701	-	-	3,975
Financial assets at fair value through other comprehensive income	26	-	-	-	-	26
Financial assets at amortised cost	-	242	9,957	17,314	2,254	29,767
Loans and advances to clients	25,095	10,818	30,912	34,997	80,801	182,623
Receivables from clients	283	-	-	-	-	283
Fees and commissions receivable	253	-	-	-	-	253
Receivables for third-party deposits made at the court	1	-	-	-	-	1
Provisions for expected credit losses on financial assets	(96)	-	-	-	-	(96)
Total assets	63,479	11,060	42,570	52,311	83,055	252,475
LIABILITIES						
Liabilities to banks	2,635	-	-	-	-	2,635
Demand deposits	127,252	-	-	-	-	127,252
Term deposits	5,115	15,293	29,898	51,182	3,937	105,425
Borrowings	10	24	107	269	736	1,146
Lease liabilities	6	11	46	21	0	84
Trade payables	243	-	-	-	-	243
Fees and commissions payable	36	-	-	-	-	36
Liabilities for savings deposit insurance	0	-	-	-	-	0
Total liabilities	135,297	15,328	30,051	51,472	4,673	236,821
OFF-BALANCE-SHEET ITEMS						
Payment guarantees	1,039	-	-	-	-	1,039
Performance guarantees	1,022	2,498	3,601	3,857	2,393	13,371
Unbacked letters of credit	-	-	-	-	-	0
Revolving loans and framework credit lines	2,840	1,383	4,970	864	92	10,149
Other common risk-bearing off-balance sheet items	692	200	2,351	4,086	4,791	12,120
Total off-balance sheet items	5,593	4,081	10,922	8,807	7,276	36,679
Net assets/liabilities	(77,411)	(8,349)	1,597	(7,968)	71,106	(21,025)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2025 (continued)

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

in EUR '000

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

Stress tests

Stress-testing is a risk management technique used to assess the potential impact of specific events and/or changes in several risk factors on the Bank's financial position.

The purpose of stress-testing is to establish whether the Bank has an adequate level of capital if certain specific events and/or changes in several risk factors occur. These are unforeseeable adverse events (extreme, but still possible) that affect the Bank's capital, risk profile and profitability. Stress-testing can be divided into scenario analysis and sensitivity analysis.

Scenario analysis is a type of stress-testing used to assess the impact of the simultaneous change of several risk factors on the Bank's financial position under clearly defined stress conditions. Sensitivity analysis is a type of stress-testing used to assess the impact of a specific risk factor on the Bank's financial position, where the underlying source of stress is not explicitly identified. Liquidity risk stress testing is conducted monthly.

When stress-testing for liquidity risk, the Bank assumes a liquidity shock in the market – the withdrawal of deposits and the inability to place the Bank's instruments on the market without significant losses – and calculates potential outflows through scenario and sensitivity analyses. In defining the scenarios, the Bank considers circumstances arising from the outflow of a significant portion of deposits and a reduced renewal rate of the same, as well as the complete or partial loss of unsecured sources of funding, including large-client deposits.

The basic scenarios used in the analysis, with selected factors specified at two levels of intensity of the disturbance, are as follows:

- internal Bank crisis
- market crisis
- a combination of internal Bank crisis and market crisis

Liquidity stress tests are performed by the Risk Management Department, which reports the results to the Bank's Management Board, the Liquidity Committee, and the Asset-Liability Management Committee.

33.3. Market risks

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

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

Market risks are as follows:

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

The Bank's activities are exposed to the risk of changes in the value of the main currencies, which affect the Bank's financial results and cash flows. The Bank manages foreign currency assets and liabilities to avoid inadequate currency risk.

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

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

33.3.1. Position risk

Position risk is the risk of loss arising from adverse movements in the prices of financial instruments, either under the influence of factors specific to an individual instrument or its issuer (specific risk) or of all factors affecting all instruments traded on the market (general risk).

The Bank is not exposed to position (market) risk, as the Bank's debt securities portfolio is measured at amortised cost.

33.3.2. Currency risk

Currency risk is the risk of loss arising from changes in currency exchange rates.

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

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

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

Restrictions and limits on exposure to foreign exchange risk

The Bank defines a basic position limit by maintaining the openness of the total foreign exchange position at or below 2% of the recognised capital; on the last day of the month, the target level of openness of the foreign exchange position shall be below 2% of the recognised capital.

Within a month, the Bank may use the following position limits:

- the openness of the Bank's total foreign exchange position does not exceed 25% of the Bank's regulatory capital,
- the maximum permitted openness of the foreign exchange position in USD and CHF shall not exceed 10% of the Bank's regulatory capital,
- the maximum permitted openness of the foreign exchange position in other currencies shall not exceed 5% of the Bank's regulatory capital.

The openness of the foreign exchange position remains within the limits

Open foreign exchange position	Internal limits	Regulatory capital	Long/short position as of 31 December 2025.
Currency USD	10.00%	23,899,270	18,000
Currency CHF	10.00%		8,000
Other currencies	5.00%		28,000

Technique for measuring exposure to market risk (foreign exchange risk)

The Bank uses the Value at Risk (VaR) methodology to assess exposure to market risk and the expected maximum potential loss arising from the Bank's open foreign exchange positions and adverse movements in exchange rates.

The Value at Risk methodology measures the maximum expected loss for the Bank in the event of the most unfavourable movements in foreign currency exchange rates over an observed time interval, under normal market conditions and at a given level of confidence, based on historical data. The Bank conducts its business primarily by seeking to minimise mismatches between assets and liabilities denominated in foreign currency or carrying a foreign exchange clause. The Bank manages its assets and liabilities to maintain currency alignment of individual asset and liability items, aiming to optimise the relationship between risk and profitability in the event of unfavourable inter-currency movements.

Measurement of exposure to foreign exchange risk is carried out monthly, based on the historical daily movements of the euro exchange rate against the most significant currencies (USD, CHF, AUD) over the last 2 years. When measuring, three levels of intensity are applied:

- the geometric mean of daily exchange rate changes over a two-year horizon (Scenario 1),
- the 95th percentile of daily exchange rate changes over a two-year horizon (Scenario 2),
- the 99th percentile of daily exchange rate changes over a two-year horizon (Scenario 3).

The potential maximum daily loss from the open foreign exchange position (VaR at the 95% confidence level) as of 31 December 2025 amounted to EUR 47,64 thousand (2024: EUR 48,72 thousand).

in EUR '000

Currency	Regulatory capital	Scenario 2 to capital ratio	Scenario 1	Scenario 2	Scenario 3
USD - maximum allowed openness (10%)	23,899.27	0.09%	4,63	21,69	31,13
CHF - maximum allowed openness (10%)		0.07%	3,48	16,29	24,11
AUD - maximum allowed openness (5%)		0.04%	2,40	9,66	19,45
TOTAL		0.20%	10,50	47,64	74,69

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

in EUR '000

2025	USD	Other	EUR with currency clause	Total FX equivalent	EUR	Total
ASSETS						
Cash	1,444	4,435	-	5,879	5,082	10,961
Receivables from the Croatian National Bank	-	-	-	-	24,682	24,682
Placements with banks	2,830	913	-	3,743	232	3,975
Financial assets at fair value through other comprehensive income	-	-	-	-	26	26
Financial assets at amortised cost	-	-	-	-	29,767	29,767
Loans and advances to clients	100	-	91	191	182,432	182,623
Receivables from clients	-	-	-	-	283	283
Fees and commissions receivable	-	-	-	-	253	253
Receivables for third-party deposits made at the court	-	-	-	-	1	1
Provisions for expected credit losses on financial assets	-	-	-	-	(96)	(96)
Total assets	4,374	5,348	91	9,813	242,662	252,475
LIABILITIES						
Liabilities to banks	-	-	-	-	2,635	2,635
Demand deposits	1,943	4,071	-	6,014	121,238	127,252
Term deposits	2,508	1,278	-	3,786	98,339	102,125
Borrowings	-	-	-	-	965	965
Trade payables	-	-	-	-	243	243
Fees and commissions payable	-	-	-	-	36	36
Liabilities for savings deposit insurance	-	-	-	-	-	0
Total liabilities	4,451	5,349	-	9,800	223,456	233,256
Net assets/liabilities	(77)	(1)	91	13	19,206	19,219

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

in EUR '000

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

33.4. Interest rate risk arising from business activities carried out in the non-trading book positions

Interest rate risk in the banking book is the current or potential risk to earnings and the economic value of capital arising from unfavourable movements in interest rates affecting interest-rate-sensitive assets, liabilities and off-balance sheet items of the Bank, including re-pricing mismatch risk, basis risk and option risk.

The Bank's operations are affected by interest rate risk to the extent that interest-earning assets and liabilities reprice or adjust their interest rates at different points in time or by different amounts. Risk management activities are directed towards optimising the exposure of the banking book to interest rate risk in line with the Bank's business strategy. The objective of interest rate risk management is to ensure an optimal and stable net interest margin and, consequently, net profit.

Interest rate risk in the banking book arises from mismatches in the timing of interest-rate-sensitive assets, liabilities, and off-balance sheet items. The Bank manages and assesses exposure to interest rate risk in the banking book in accordance with regulatory requirements and internal acts governing the identification, measurement, and control of such exposure.

The key elements for managing interest rate risk in the banking book are as follows:

- identification of interest-rate-sensitive positions in assets, liabilities and off-balance sheet items;
- control of risk exposure based on indicators of the economic value of capital and net interest income;
- sensitivity analysis for interest rate risk;
- establishment of internal limits and restrictions;
- monitoring of compliance with and adherence to the established limits;
- stress testing for interest rate risk and analyses of the resulting outcomes;
- introduction of hedging techniques/procedures if the need arises.

Interest rate risk in the banking book is measured based on the following indicators:

- Economic value of capital – the potential reduction in the market (fair) value of the banking book due to changes in interest rates on the market;
- Net interest income – the potential reduction in net interest income due to changes in interest rates on the market.

When calculating exposure to interest rate risk arising from business activities carried out in non-trading book positions, the Bank applies the standardised approach under Delegated Regulation (EU) 2024/857, based on supervisory stress scenarios for interest rates under Delegated Regulation (EU) 2024/856. In addition, the Bank conducts a stress test once a year based on an intensified interest rate scenario.

Indicators of exposure to interest rate risk arising from business activities carried out in the non-trading book positions are monitored by the Risk Management Department every month, and the Bank reports on them to the Management Board, the Liquidity Committee and the Asset-Liability Management Committee. Results of the indicators are reported to the Croatian National Bank every quarter.

As of the reporting date 31 December 2025, the Bank satisfies all regulatory requirements in the area of exposure to interest rate risk in the banking book, measured based on the indicator of change in the economic value of capital (EVE 6.83%) and the indicator of change in net interest income (NII 3.31%).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2025 (continued)

The following table presents the Bank's assets and liabilities at book value, classified by contractual change in price or maturity, whichever is earlier, as of 31 December 2025.

in EUR '000

2025	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest-bearing	Total
ASSETS							
Cash	-	-	-	-	-	10,961	10,961
Receivables from the Croatian National Bank	24,682	-	-	-	-	-	24,682
Placements with banks	2,859	1,060	56	-	-	-	3,975
Financial assets at fair value through other comprehensive income	-	-	-	-	-	26	26
Financial assets at amortised cost	-	-	9,950	17,318	2,499	-	29,767
Loans and advances to clients	80,128	5,493	45,260	19,770	31,972	-	182,623
Receivables from clients	-	-	-	-	-	283	283
Fees and commissions receivable	-	-	-	-	-	253	253
Receivables for third-party deposits made at the court	-	-	-	-	-	1	1
Total assets	107,669	6,553	55,266	37,088	34,471	11,524	252,571
LIABILITIES							
Liabilities to banks	-	-	2,635	-	-	-	2,635
Demand deposits	127,252	-	-	-	-	-	127,252
Term deposits	7,443	14,592	28,099	48,334	3,657	-	102,125
Borrowings	9	18	80	209	649	-	965
Trade payables	-	-	-	-	-	243	243
Fees and commissions payable	-	-	-	-	-	36	36
Liabilities for savings deposit insurance	-	-	-	-	-	-	0
Total liabilities	134,704	14,610	30,814	48,543	4,306	279	233,256
Net assets/liabilities	(27,035)	(8,057)	24,452	(11,455)	30,165	11,245	19,315

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2025 (continued)

The following table presents the Bank's assets and liabilities at book value, classified by contractual change in price or maturity, whichever is earlier, as of 31 December 2024.

in EUR '000

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

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

	u %	
	2025	2024
Assets		
Cash	0.00-0.00	0.00-0.00
Placements with banks	0.05-4.20	0.20-5.15
Financial assets at amortised cost	(0.68)-3.65	(0.68)-3.65
Financial assets at fair value through other comprehensive income	-	-
Loans and advances to clients	2.55-7.40	2.65-8.16
Equity and liabilities		
Liabilities to banks	0.00-0.00	0.00-0.00
Demand deposits	0.00-0.20	0.00-0.05
Term deposits	0.00-3.50	0.00-3.50
Borrowings	0.25-4.57	0.025-4.52

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

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

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

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

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

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

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

Since 2023, the Bank has no longer invested in financial instruments with the aim of generating trading profits and has measured all securities at amortised cost.

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

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

33.6. Operational risk

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

The Bank seeks to achieve optimal operational risk management in accordance with the principles and policies defined by its regulator, with a view to mitigating and avoiding operational risks. In this regard, the

Bank collects data on operational risk events, monitors key risk indicators, conducts scenario analysis, assesses operational risk across its operations, reports to the Management Board on operational risk exposure, and proposes measures to reduce, avoid, and transfer operational risk.

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

in EUR '000

	Carrying value		Fair value	
	2025	2024	2025	2024
Financial assets				
Cash	10,961	6,389	10,961	6,389
Receivables from the Croatian National Bank	24,682	81,152	24,682	81,152
Placements with banks	3,975	6,641	3,975	6,641
Loans and advances to clients	182,623	154,959	171,040	146,753
Financial assets at FVOCI	26	26	26	26
Financial assets at amortized cost	29,767	29,816	29,767	29,816
Financial liabilities				
Deposits from banks	2,635	384	2,635	384
Deposits from clients	229,377	242,994	228,841	236,094
Borrowings	965	19,812	965	19,812

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

in EUR '000

	Carrying value		Fair value	
	2025	2024	2025	2024
Corporate				
Financial assets				
Loans and receivables from clients	93,804	80,332	92,498	92,646
Financial liabilities				
Deposits from clients	87,708	94,335	87,543	76,934
Retail				
Financial assets				
Loans and receivables from clients	88,819	74,627	78,541	78,480
Financial liabilities				
Deposits from clients	141,669	148,659	141,298	147,070

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

in EUR '000

	2025			2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Cash	2,468	8,493	-	3,796	2,593	-
Receivables from the Croatian National Bank	-	24,682	-	-	81,152	-
Placements with banks	-	3,975	-	-	6,641	-
Loans and receivables from clients	-	171,040	-	-	146,753	-
Financial assets at FVOCI	-	-	26	-	-	26
Financial assets at amortised cost	24,857	4,910	-	26,570	3,246	-
Financial liabilities						
Deposits from banks	-	2,635	-	-	384	-
Deposits from clients	-	126,955	-	-	132,752	-
Loans taken	-	101,886	-	-	103,342	-
Borrowings	-	965	-	-	19,812	-

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

Loans and receivables from banks

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

Loans and receivables from clients

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

Deposits from banks

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

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

Deposits from clients

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

35. CAPITAL MANAGEMENT

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

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

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

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

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

in EUR '000

	2025	2024
Regulatory capital		
Tier 1 capital		
Issued share capital	62,990	62,990
Share premium	-	-
Loss carried forward	(39,814)	(42,610)
Profit for the current year	1,426	2,796
Deductions according to the Regulation (EU) No. 575/2013 /i/	(703)	(511)
Total Tier 1 capital	23,899	22,665
Total regulatory capital	23,899	22,665

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

As of 31 December 2025, the Bank's regulatory capital amounted to EUR 23,899 thousand (2024: EUR 22,665 thousand).

in EUR '000

	2025	2024
Total capital ratio according to Regulation EU No. 575/2013		
Capital requirements		
Credit risk exposure	8,593	6,926
Balance sheet items	8,328	6,605
Off-balance sheet items	265	321
Operational risk exposure	1,131	1,537
Capital requirements for total capital ratio	9,724	8,463
Additional capital requirements		
Capital requirements for prescribed additional capital rate	3,428	2,930
Capital conservation buffer	3,039	2,645
Systemic risk buffer	1,823	1,587
Countercyclical capital buffer	1,799	1,566
Total capital requirements	19,812	17,191
Common Equity Tier 1 capital ratio	19.66%	21.42%
Tier 1 capital ratio	19.66%	21.42%
Total capital ratio	19.66%	21.42%

As of 31 December 2025, the Bank meets all capital requirements. The same applies as of 31 December 2024.

The total capital ratio as of 31 December 2025 amounts to 19.66% (2024: 21.42%). The Bank has included the entire profit for 2025 in capital as of 31 December 2025; however, even without the inclusion of profit, the Bank would still satisfy all capital requirements.

Legal reserves

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

Fair value reserves

The fair value reserves include unrealised gains and losses on changes in fair value of financial assets recognised in other comprehensive income, as well as foreign exchange differences on non-monetary financial assets recognised in other comprehensive income.

Loss carried forward

Loss carried forward includes losses accumulated from previous years.

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

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

in EUR '000

	2025			2024		
	Assets	Liabilities	Off-balance sheet items	Assets	Liabilities	Off-balance sheet items
Geographical region						
Republic of Croatia	249,294	250,092	36,679	279,270	279,010	33,758
Europe	10,061	5,320	-	8,856	4,298	-
Other	2,982	6,925	-	1,919	6737	-
Total by geographical region	262,337	262,337	36,679	290,045	290,045	33,758
Sector						
Republic of Croatia (state)	26,996	6,570	514	27,455	5,652	463
Croatian National Bank	25,958	-	-	82,954	18,581	-
Trade and commerce	9,361	3,050	5,593	6,313	3,386	5,956
Finance	9,963	3,150	233	8,664	1,021	273
Tourism	3,952	271	206	2,915	338	212
Agriculture	22,311	890	3,090	18,606	958	2,113
Industry	65,576	5,365	17,070	63,486	5,393	16,950
Individuals	78,305	141,319	2,115	62,635	148,309	2,036
Other	19,915	101,722	7,858	17,017	106,407	5,755
Total by sector	262,337	262,337	36,679	290,045	290,045	33,758

37. EVENTS AFTER THE BALANCE SHEET DATE

On 4 March 2026, Hrvatska poštanska banka d.d. and the Croatian Deposit Insurance Agency concluded a purchase-and-sale agreement for shares representing 100% of the share capital of Croatia banka d.d., with a total transaction value of EUR 15 million.

The transaction closure is subject to the fulfilment of the conditions relating to the obtaining of all necessary approvals, consents and other actions that the contracting parties are required to fulfill, including the approval of the acquisition of shares by the Bank's General Assembly, after which the transaction and the transfer of all shares to Hrvatska poštanska banka d.d. will proceed.

The report was adopted on 26 March 2026

For and on behalf of the Management Board:

26 March 2026

Katarina Stanić
President of the Management Board

Danijel Luković
Member of the Management Board

SUPPLEMENTAL REPORT FOR THE CROATIAN NATIONAL BANK

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

Statement of financial position (Balance sheet)

in EUR '000

Position	Position name	31 December 2025	31 December 2024
	ASSETS		
1.	Cash in hand and balances with central banks	27,330	86,739
2.	Marketable securities and other short-term instruments eligible for refinancing with central banks (2.1. + 2.2.):	0	0
2.1.	(a) marketable securities and similar papers	0	0
2.2.	(b) other short-term securities	0	0
3.	Loans and advances to credit institutions (3.1. + 3.2.):	10,809	7,444
3.1.	(a) on demand	5,911	995
3.2.	(b) other loans and advances	4,898	6,449
4.	Loans and advances to customers	186,154	159,650
5.	Debt securities, including fixed-income securities (5.1. + 5.2.):	29,768	29,816
5.1.	(a) issued by government bodies	29,734	29,783
5.2.	(b) other debt securities	34	33
6.	Shares and other securities with variable return	26	26
7.	Participating interests	0	0
8.	Investments in associated companies	0	0
9.	Intangible assets	1,672	1,132
10.	Tangible fixed assets (10.1. + 10.2.):	6,242	5,869
10.1.	(a) property, plant and equipment	741	912
10.2.	(b) investment in real estate	5,501	4,957
11.	Tax assets (11.1. + 11.2.):	616	82
11.1.	(a) current tax assets	532	0
11.2.	(b) deferred tax assets	83	82
12.	Other assets	1,004	1,253
13.	Prepaid expenses and other current accrued assets	0	0
14.	Non-current assets held for sale and discontinued operations	0	0
15.	TOTAL ASSETS (from 1. to 14.)	263,620	292,012
	LIABILITIES AND EQUITY		
16.	Liabilities to credit institutions (16.1. + 16.2.):	2,635	18,854
16.1.	(a) on demand	15	64
16.2.	(b) with agreed maturity date or notice period	2,620	18,791
17.	Liabilities to customers (17.1. + 17.2.):	230,588	244,579
17.1.	(a) secured deposits (17.1.1. + 17.1.2.):	206,501	216,412

APPENDIX A – OTHER LEGAL AND REGULATORY REQUIREMENTS

17.1.1.	(aa) on demand	115,274	114,837
17.1.2.	(ab) with agreed maturity date or notice period	91,227	101,575
17.2.	(b) other liabilities to customers (17.2.1. + 17.2.2.):	24,087	28,167
17.2.1.	(ba) on demand	7,741	14,941
17.2.2.	(bb) with agreed maturity date or notice period	16,347	13,226
18.	Issued debt securities	0	0
19.	Other liabilities	3,366	3,657
20.	Deferred expenses and other current accrued liabilities	0	0
21.	Provisions (21.1. + 21.2.):	1,883	1,114
21.1.	(a) provisions for pensions and similar obligations	0	0
21.2.	(b) other provisions	1,883	1,114
22.	Tax liabilities (22.1. + 22.2.):	546	631
22.1.	(a) current tax liabilities	546	630
22.2.	(b) deferred tax liabilities	0	0
23.	Liabilities included in groups held for sale classified as held for sale	0	0
24.	Subordinated liabilities	0	0
25.	Capital (25.1. + 25.2.):	62,990	62,990
25.1.	(a) paid-in capital	62,990	62,990
25.2.	(b) called-up capital not yet paid	0	0
26.	Share premium	0	0
27.	Other items of capital	0	0
28.	** (–) Treasury shares**	0	0
29.	Reserves (29.1. + 29.2. + 29.3. + 29.4.):	0	0
29.1.	(a) statutory reserves	0	0
29.2.	(b) legal reserves	0	0
29.3.	(c) reserves for own shares	0	0
29.4.	(d) other reserves	0	0
30.	Revaluation reserves	0	0
31.	Accumulated other comprehensive income	0	0
32.	Retained earnings	-39,814	-42,610
33.	Profit or loss for the current year	1,426	2,796
34.	Non-controlling interests	0	0
35.	TOTAL LIABILITIES AND EQUITY (from 16. to 34.)	263,620	292,012
	OFF-BALANCE-SHEET ITEMS		
36.	Assumed liabilities on loans	10,148	8,913
37.	Assumed financial guarantees	14,411	14,820
38.	Other assumed liabilities	12,120	10,026
39.	TOTAL OFF-BALANCE-SHEET ITEMS (from 36. to 38.)	36,679	33,759

Statement of Profit or Loss for the period from 1 January 2025 to 31 December 2025*in EUR '000*

Position	Position name	31 December 2025	31 December 2024
1.	Interest income and similar interest-related income	11,239	11,812
1.1.	of which: income from fixed-income securities	606	699
2.	Interest expense and similar interest-related expenses	2,275	2,023
3.	Income from securities (3.1. + 3.2. + 3.3.):	0	0
3.1.	(a) income from shares and other securities with variable return	0	0
3.2.	(b) income from participating interests	0	0
3.3.	(c) income from shares in associated companies	0	0
4.	Fee income	2,485	2,433
5.	Fee expenses	552	476
6.	Net profit or loss on financial assets	185	153
7.	Other operating income	1,817	1,146
7.1.	of which: gains and losses arising from derecognition of financial assets measured at amortised cost	0	0
8.	General administrative expenses (8.1. + 8.2.):	9,266	8,202
8.1.	(a) employee-related expenses	5,231	4,560
8.2.	(b) other administrative expenses	4,035	3,642
9.	Impairment or reversal of impairment of intangible and tangible assets	6	18
10.	Other operating expenses	130	16
11.	Provisions or reversal of provisions (11.1. + 11.2.):	773	301
11.1.	(a) provisions for assumed liabilities and guarantees	-248	-10
11.2.	(b) other provisions	1,021	311
12.	Impairment or reversal of impairment of loans and advances	812	1,126
13.	Impairment or reversal of impairment of securities, participating interests and shares in associated companies	-2	3
14.	Profit or loss before tax from continuing operations (1. – 2. + 3. + 4. – 5. + 6. + 7. – 8. – 9. – 10. – 11. – 12. – 13.)	1,914	3,379
15.	Income tax expense or income related to profit or loss from continuing operations	488	583
16.	Profit or loss after tax from continuing operations (14. – 15.)	1,426	2,796
17.	Profit or (loss) before tax from discontinued operations	0	0
18.	Income tax expenses or (income) related to discontinued operations	0	0
19.	Profit or loss after tax from discontinued operations (17. – 18.)	0	0
20.	Profit or loss for the current year (16. + 19.; 21. + 22.)	1,426	2,796
21.	Attributable to non-controlling interests	0	0
22.	Attributable to owners of the parent	1,426	2,796

Statement of cash flows, indirect method

in EUR '000

Reporting entity; CROATIA BANKA d.d.				
Position	AOP code	Note no.	Previous year	Current year
1	2	3	4	5
Operating activities and adjustments				
1. Profit / loss before tax	001		3,379	1,914
2. Impairment and provisions	002		1,448	1,591
3. Depreciation	003		516	552
4. Net unrealized gain / loss on financial assets and liabilities at fair value through profit or loss	004		(153)	(185)
5. Gain / loss on sale of tangible assets	005		(94)	(354)
6. Other non-cash items	006		(586)	337
Changes in assets and liabilities from operating activities				
7. Balances with the CNB	007		(41,043)	56,466
8. Deposits with financial institutions and loans to financial institutions	008		-	-
9. Loans and advances to other clients	009		(1,068)	15,303
10. Securities and other financial instruments at fair value through other comprehensive income	010		-	-
11. Securities and other financial instruments held for trading	011		-	-
12. Securities and other financial instruments that are not actively traded and are measured at fair value through profit or loss	012		-	-
13. Securities and other financial instruments that are mandatorily carried at fair value through profit or loss	013		-	-
14. Securities and other financial instruments carried at amortized cost	014		(2,380)	(6)
15. Other assets from operating activities	015		(49,967)	(147,492)
Increase/Decrease in operating activities				
16. Deposits from financial institutions	016		(185)	(4,883)
17. Transaction accounts of other clients	017		82,132	(6,085)
18. Savings deposits of other clients	018		(8,142)	97,931
19. Term deposits of other clients	019		7,000	(5,140)
20. Derivative financial liabilities and other liabilities that are traded	020			
21. Other liabilities	021		733	(290)
22. Unpaid interest from operating activities	022		11,336	11,144
23. Received dividends from operating activities	023		-	-
24. Interest paid from operating activities	024		(144)	(70)
25. Profit tax paid	025		(588)	(490)
A) Net cash flows from operating activities (AOP 001 to 025)	026		2,194	20,244
Investing activities				
1. Proceeds from sales / payments for purchases / tangible and intangible assets	027		(329)	207
2. Proceeds from sales / payments for purchases / investments in subsidiaries, joint ventures and associates	028		-	-
3. Proceeds from collections / payments for purchases / securities and other financial instruments from investing activities	029		-	-
4. Dividends received from investing activities	030		-	-
5. Other proceeds / payments / from investing activities	031		-	-
B) Net cash flows from investing activities (AOP 027 to 031)	032		(329)	207
Financing activities				
1. Net increase / decrease / of received loans from financial activities	033		924	(18,637)
2. Net increase / decrease / of issued debt securities	034		-	-
3. Net increase/decrease in supplementary capital instruments	035		-	-
4. Increase in share capital	036		-	-
5. Dividend paid	037		-	-
6. Other receipts / payments from financial activities	038		(218)	94
C) Net cash flows from financial activities (AOP 033 to 038)	039		706	(18,543)
D) Net increase / decrease in money and cash equivalents (AOP 026+032+039)	040		2,571	1,908
Cash and cash equivalents at the beginning of the year	041		10,461	13,030
The effect of changes in foreign exchange rates on cash and cash equivalents	042		(2)	(2)
Cash and cash equivalents at the end of the year (AOP 040+041+042)	043		13,030	14,936

CHANGES IN EQUITY for the period from 1 January 2025 to 31 December 2025

in EUR '000

Position	AOP code	Not e no	Distributable to equity holders of the parent company											Minority interest		Total
			Capital	Share premium	Issued equity instrument except capital	Other equity share s	Accumulated other comprehen sive income	Retained earnings	Rev - Res erv es	Other reserv es	Treas ury share s	Profit/loss attributable to the owners of the parent	Dividen ds during the year	Accumu lated other compre hensive income	Oth er item s	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 to 16)
1. Opening balance (before restating)	01		62,990				-	(42,610)				2,796				23,176
2. Effect of corrections of errors	02															-
3. Effect of changes in accounting policies	03															-
4. Opening balance (current period) (AOP 01 to 03)	04		62,990	-	-	-	-	(42,610)		-	-	2,796		-	-	23,176
5. Issuance of ordinary shares	05															-
6. Issuance of preference shares	06															-
7. Issuance of other equity instruments	07															-
8. Exercise or expiration of other issued equity instruments	08															-
9. Conversion of debt into equity instruments	09															-
10. Capital reduction	10															-
11. Dividends	11															-
12. Purchase of treasury shares	12															-
13. Sale or cancellation of treasury shares	13															-
14. Reclassification of financial instruments from equity instruments to liabilities	14															-
15. Reclassification of financial instruments from liabilities to equity instruments	15															-
16. Transfers between components of equity instruments	16							2,796				(2,796)				-
17. Increase or decrease in equity instruments as a result of business combinations	17															-
18. Share-based payments	18															-
19. Other increase or decrease in equity instruments	19						-									-
20. Total comprehensive income for the current year	20											1,426				1,426
21. Closing balance (current period) (AOP 04 to 20)	21		62,990	-	-	-	-	(39,814)	-	-	-	1,426	-	-	-	24,602

Reconciliation of the Statement of Financial Position – Balance Sheet as of 31 December 2025

Differences between the balance sheet items disclosed in the Annual Report and the classification prescribed under the Croatian National Bank (CNB) standard relate to the following categories:

ASSETS

The items disclosed in the CNB-standard report under the positions Cash in hand and Loans and advances to credit institutions are shown in the Annual Report within the items Cash and cash equivalents, Claims on the Croatian National Bank (CNB) and Placements with banks.

In the Annual Report, the item Loans and advances to customers includes the amounts of principal and accrued interest reduced by loan prepayments and interest income received in respect of future periods. In the CNB-standard report, the amounts of principal and interest presented under Loans and advances to customers are reduced only by interest income received relating to future periods, whereas loan prepayments are disclosed in the item Other liabilities (not netted).

Other receivables are shown in the CNB-standard report under the position Loans and advances, while in the Annual Report, they are presented under the item Other assets.

The item Tangible fixed assets in the CNB-standard report includes investments in other real estate, whereas these investments are classified under the item Intangible assets in the Annual Report. Repossessed assets are presented separately in the Annual Report, while in the CNB-standard report, they are included in the item Other assets.

Ultimately, the balance sheet positions disclosed in the Annual Report and the CNB-standard report differ due to the deduction of prepayments from Loans and advances in the Annual Report and the netting of deferred tax assets and deferred tax liabilities in the CNB-standard report.

LIABILITIES AND EQUITY

The position Liabilities to customers in the CNB-standard report is shown in the Annual Report under the items Demand deposits, Time deposits and Liabilities on loans received.

The position Other liabilities in the CNB-standard report differs from the same position in the Annual Report, as it includes loan prepayments and interest income received in respect of future periods, whereas these items are included in Loans and advances to customers in the Annual Report.

The item (a) Current tax liabilities in the CNB-standard report is disclosed separately, whereas in the Annual Report, it is presented within the position Other liabilities.

Reconciliation of the Statement of Profit or Loss as of 31 December 2025

Differences between the items in the Statement of Profit or Loss disclosed in the Annual Report and the items in the same report prepared in accordance with the Act of the Croatian National Bank generally arise due to methodologically different definitions of income and expense items in those reports.

For example, in the Annual Report, the item Provisions for credit losses includes also impairments of securities, whereas in the CNB report, this item is disclosed separately under Impairment or reversal of impairment of securities and of participating interests and shares in related entities.

In the CNB report, item (a) employee expenses also include costs of the Supervisory Board, while this item is included in the Annual Report under Other operating expenses.

Items relating to amortisation are shown separately in the Annual Report under the line-item Amortisation, whereas in the CNB report, they are included within item (b) other administrative expenses.

Reconciliation of the Statement of Cash Flows for 2025

Differences between the items in the Statement of Cash Flows disclosed in the Annual Report, and the items prescribed under the Croatian National Bank (CNB) guidelines mainly arise due to different methodologies used in the preparation of these reports, i.e. due to differently presented input data for the calculation of cash flows by categories

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

The Statement of Other Comprehensive Income and the Statement of Changes in Equity, prepared in accordance with the CNB standard, do not differ from the same statements in the Annual Report.

In accordance with Article 164 of the Act on Credit Institutions, the Bank is required to disclose the following information relating to the preceding financial year:

the banking and financial services it provides, the nature of its activities and the geographical location of these services;

the amount of total income;

the number of employees on a full-time equivalent basis;

the amount of profit or loss before tax;

the amount of income tax; and

the amount of public subsidies received.

Ad. 1.

In accordance with the Act on Credit Institutions, the Bank provides the following banking and financial services in the Republic of Croatia and abroad:

- accepting monetary deposits;
- granting loans and other placements in its own name and for its own account;
- issuing payment instruments in the form of e-money;
- issuing guarantees or other sureties;
- factoring;
- financial leasing;
- lending, including consumer credits, mortgage loans and financing of commercial transactions (including forfeiting);
- trading in its own name and for its own account or in its own name and for the account of clients: money market instruments and other transferable securities, foreign means of payment including foreign-exchange operations, financial forward contracts and options, foreign exchange and interest rate instruments;
- carrying out payment transactions in the country and with abroad in accordance with special laws;

- collecting, preparing analyses and providing information on the creditworthiness of legal and natural persons engaged in business;
- issuing and managing payment instruments;
- renting safe deposit boxes;
- insurance intermediation;
- receiving and transmitting orders relating to one or more financial instruments;
- executing client orders;
- proprietary trading;
- services of executing an offer or sale of financial instruments with an obligation to repurchase;
- services of executing an offer or sale of financial instruments without an obligation to repurchase;
- custody and administration of financial instruments for clients, including trustee activities and related services such as management of cash and insurance-related instruments;
- granting credit or loans to investors in order to enable them to conclude a transaction with one or more financial instruments, when the company granting the loan or credit is involved in the transaction;
- foreign exchange business services if they are related to the provision of investment services;
- services related to services of executing an offer or sale of financial instruments with an obligation to repurchase.

The activity of Croatia banka, in accordance with the National Classification of Activities, is: 64.19 Other monetary intermediation.

Croatia banka performed its services in 2025 solely within the territory of the Republic of Croatia.

Ad. 2.

Croatia banka achieved total net income of EUR 14,936 thousand in 2025.

Ad. 3.

As of 31 December 2025, Croatia banka had 158 employees on a full-time-equivalent basis, while the number of employees at year-end 2025 was 174.

Ad. 4.

Income tax expense is based on taxable profit for the year and consists of current tax and deferred tax. In 2025, the Bank achieved a tax benefit (favourable tax adjustment) of EUR 2,721 thousand. As in 2025 there is no possibility to use a tax incentive, the Bank is obliged to pay EUR 490 thousand of income tax. During 2025, the Bank paid EUR 536 thousand of advance income tax, and the difference of EUR 46 thousand will be used against the advance income tax liability in 2026. The amount disclosed under the item income tax relates to the net deferred tax asset from pre-collected/paid fees in the amount of EUR 1 thousand of income and current income tax expense in the amount of EUR 490 thousand.

Ad. 5.

In 2025, Croatia Banka did not receive any state subsidies.

NAME AND REGISTERED OFFICE

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

BUSINESS NETWORK

City	Address	Phone	E-mail
Commercial centre Čakovec	Ulica Ivana Mažuranića 2 40000 Čakovec	040 310 160 040 311 672	cakovec@croatiabanka.hr
Commercial centre Osijek	Ulica Josipa Jurja Strossmayera 4 31000 Osijek	031 203 001 031 203 005	osijek@croatiabanka.hr
Commercial centre Pula	Istarska ulica 14 52100 Pula	052 451 202 052 451 304	pula@croatiabanka.hr
Commercial centre Slavonski Brod	Trg Ivane Brlić Mažuranić 15 35000 Slavonski Brod	035 442 112	slavonski.brod@croatiabanka.hr
Commercial centre Split	Gundulićeva 26A 21000 Split	021 539 795	split@croatiabanka.hr
Commercial centre Vinkovci	Duga ulica 2 32100 Vinkovci	032 331 453 032 331 213	vinkovci@croatiabanka.hr
Commercial centre Virovitica	Trg kralja Zvonimira 10 33000 Virovitica	033 725 441	virovitica@croatiabanka.hr
Commercial centre Vukovar	Josipa Jurja Strossmayera 5 32000 Vukovar	032 450 520	vukovar@croatiabanka.hr
Commercial centre Zagreb	R.F. Mihanovića 9 10110 Zagreb Poslovni toranj Sky Office	091 2332 033	zagreb@croatiabanka.hr
Outlet Šubićeva, Zagreb	Šubićeva 67 10000 Zagreb	01 4623 024	subiceva@croatiabanka.hr
Outlet Sky Office, Zagreb	R.F. Mihanovića 9 10110 Zagreb	01 2391 294 01 2391 282	sky@croatiabanka.hr
Outlet Županja	Strossmayerova 5 32270 Županja	032 831 051	zupanja@croatiabanka.hr
Outlet Rijeka	Kukuljanovo 387 51000 Rijeka	091 233 2632 091 233 2633	rijeka@croatiabanka.hr

