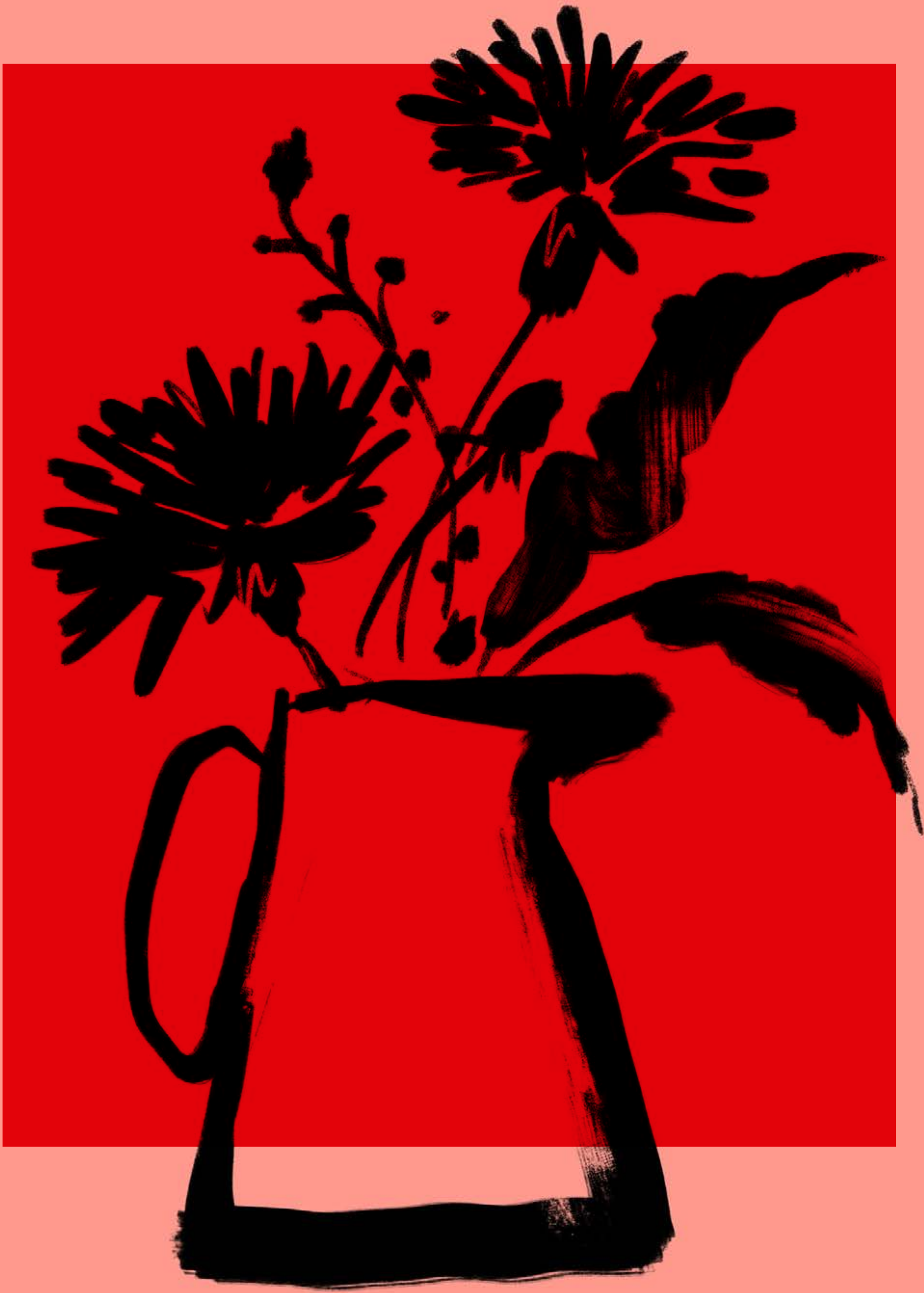
Annual Report for 2024

HPB
HRVATSKA POŠTANSKA BANKA

Another Year of Growth

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



HRVATSKA POŠTANSKA BANKA

Annual Report

for 2024

Zagreb, March 2025

Content

Introduction

The Annual Report provides a comprehensive summary of financial information, an overview of operations, a sustainability report and audited financial statements accompanied by the independent auditor's opinion for the year ended 31 December 2024. This document is presented in English. The original and official Annual Report is published in Croatian.

Legal status

The Annual Report encompasses the annual financial statements, prepared in compliance with the statutory accounting standards for banks within the Republic of Croatia and audited in alignment with International Standards on Auditing.

The Annual Report has been prepared in accordance with the Accounting Act and the Companies Act, which require the Management Board to report to shareholders at the Annual General Meeting.

In line with the Accounting Act, the statutory financial statements include the statement of financial position, the profit and loss account along with the statement of other comprehensive income, the statement of changes in equity and reserves, the cash flow statement, and the accompanying notes to the financial statements. Furthermore, the Companies Act, specifically Articles 250.a and 250.b, mandates the submission of an annual report detailing the condition of the Bank and other entities within the HPB Group.

Abbreviations

In the Annual report Hrvatska poštanska banka p.l.c. is referred to as «the Bank» or «HPB», Hrvatska poštanska banka Group is referred to as «the HPB Group» or just «the Group», the Croatian National Bank is referred to as «the CNB» or «HNB», Republic of Croatia is referred to as «RH» or «HR» and the Croatian Bank for Reconstruction and Development is referred to as «the CBRD» or «HBOR».

Exchange rates

For the purpose of converting amounts in foreign currencies into euro amounts, the following average exchange rates of the CNB were used:

December 31, 2024

1 EUR = 1.044400 USD

December 31, 2023

1 EUR = 1.105000 USD

Vision and Mission

Vision

The largest banking group in Croatian ownership that takes the best possible care of its clients, shareholders and community.

Mission

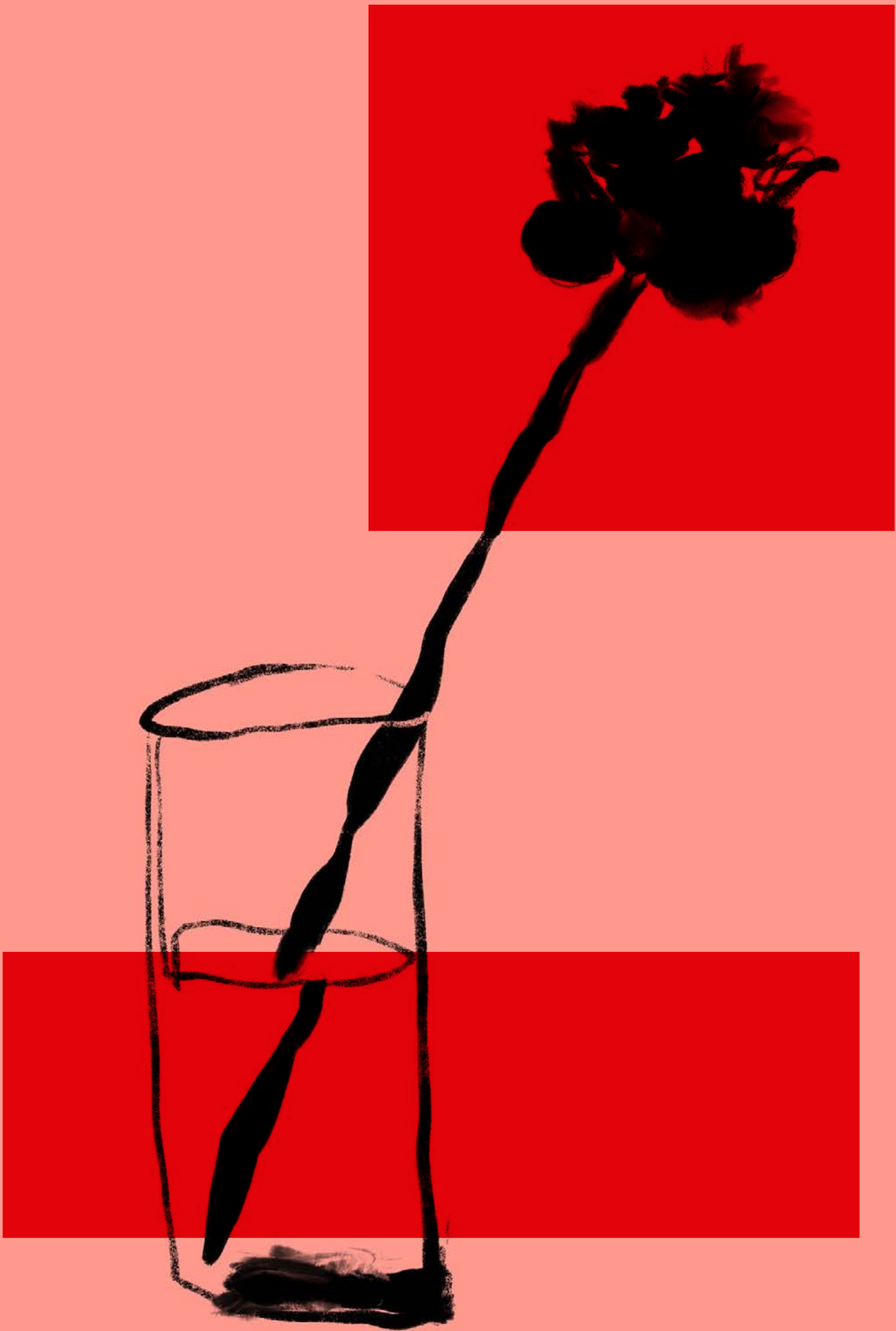
We are creating conditions for a better life in Croatia.

Key Financial Indicators

GROUP (EUR '000)	2024	2023	2022	2021	2020
Basic Indicators					
Profit for the Year	74	83	127	27	24
Operating Profit	112	99	28	41	39
Total Assets	7,882	7,046	5,540	3,694	3,380
Loans to Customers	2,869	2,910	3,062	1,892	1,954
Received Deposits	6,733	5,923	4,641	3,111	2,815
Share Capital and Reserves	560	534	457	353	329
Other Indicators					
Return on Equity	45.40%	51.30%	78.56%	16.68%	15.10%
Return on Assets	0.93%	1.18%	2.29%	0.73%	0.72%
Operating expenses[1] to Operating Income Ratio	50.17%	53.15%	79.18%	62.36%	64.10%

BANK (EUR '000)	2024	2023	2022	2021	2020
Basic Indicators					
Profit for the Year	74	81	18	27	24
Operating Profit	112	94	24	41	38
Total Assets	7,883	7,046	4,563	3,694	3,380
Loans to Customers	2,869	2,910	2,107	1,892	1,954
Received Deposits	6,734	5,924	3,924	3,112	2,816
Share Capital and Reserves	560	534	347	352	328
Other Indicators					
Return on Equity	45.46%	49.77%	10.92%	16.64%	14.99%
Return on Assets	0.93%	1.14%	0.39%	0.73%	0.71%
Operating expenses[1] to Operating Income Ratio	49.85%	50.56%	76.01%	62.03%	63.78%
Regulatory Capital	512	505	345	349	307
Capital Adequacy	21.13%	22.51%	23.57%	25.65%	21.82%

[1]General and Administrative Expenses, Depreciation and Amortization and Other Cost



Statement by the President of the Management Board

Dear and esteemed shareholders,

In the banking industry, “normal” years have become increasingly rare, and 2024 was no exception. However, I take great pride in saying that Hrvatska poštanska banka (HPB) remained steadfast in its strategic course—expanding market share and reinforcing the foundations for sustainable growth. As anticipated, 2024 served as a year of consolidation following HPB’s record-breaking expansion in 2023.

Total assets recorded a robust 11.9% growth, reaching EUR 7.9 billion as of December 31, 2024. This led to a record-high market share of 9.4%, reaffirming that HPB’s ascent into the top five banks in Croatia at the end of 2023 was not a fleeting milestone, but a firmly cemented position.

While our long-term priority remains strengthening market presence—driven by the belief that a bank’s relevance creates value for all stakeholders—HPB’s growth is already evident in its strong profitability. In 2024, HPB Plc. achieved a net profit of EUR 73.6 million. Although this represents an 8.7% decline from the record-breaking previous year, it still stands as the second-highest result in the Bank’s history, with a historically above-average return on equity (ROE) of 13.5%. The decline in net profit was primarily attributed to EUR 21.7 million in provisioning costs, compared to EUR 0.4 million in provision income the year before—an overall EUR 22 million swing, underscoring our highly prudent risk management approach. This strategic decision reinforces the Bank’s resilience against potential macroeconomic challenges in key export markets.

Our core operations remain robust. Operating profit before provisions grew by 21.9%, reaching EUR 111.8 million, supported by strong revenue growth and disciplined cost management—despite unavoidable inflationary pressures. This record-high operating profit is a testament to HPB’s ability to sustain growth in a complex economic environment. Looking ahead, we remain committed to ensuring that our expanding market share continues to generate long-term value.

On the revenue side, net interest income rose by EUR 32 million (21.9%), primarily due to higher liquidity levels and persistently elevated central bank deposit rates. Non-interest income also increased, reflecting the successful integration of Nova hrvatska banka and growth in transaction and card business volumes. As a result, total operating income rose by 20.7% year-over-year, with the cost-to-income ratio remaining below 50%, underscoring the Bank’s efficiency—even as total assets have more than doubled over the past five years.

The successful integration of Nova hrvatska banka, finalized in June 2024, further strengthened HPB’s financial position and performance while unlocking human and IT resources for future growth initiatives. The insights gained from this process have reinforced our ability to turn challenges into opportunities, contributing to yet another transformative year that firmly positions HPB among the leading banks in Croatia. HPB’s achievements continue to garner industry and public recognition. In 2024, the Bank was honored with the prestigious Zlatna kuna award as the most successful bank, while our HPB SUPER ŠTEDNJA product received the Best Buy award. Additionally, our LinkedIn community grew beyond 10,000 followers, solidifying HPB’s position among the most-followed banks in Croatia.

Over the past five years, we have quadrupled HPB’s market capitalization, with the share price outperforming key benchmark indexes such as CROBEX, EURO STOXX, and EURO STOXX BANKS. In 2024, we distributed EUR 5.3 million in dividends from 2022 earnings, while a record dividend payout of EUR 48.4 million from 2023 earnings was approved in 2024.

In 2024, HPB further strengthened its commitment to sustainability—both in response to institutional investor expectations and as part of our long-term strategic vision. Key initiatives included integrating environmental risks into our credit processes and enhancing climate risk assessment methodologies with more sophisticated scenario modeling.

Looking ahead to 2025, we are already advancing with a strategy centered on market share expansion, operational excellence, profitability, and sustainability. Our priorities include maintaining a solid return on equity, further enhancing our digital platforms, and continuing our prudent risk management approach, applying the same disciplined decision-making that has guided us over the past five years. We aim to leverage HPB’s position as one of Croatia’s top five banks to remain a reliable partner, delivering value to our clients, employees, and you—our shareholders.

On behalf of the Management Board of Hrvatska poštanska banka, I extend my sincere gratitude to our shareholders and Supervisory Board members for their collaboration and support, as well as to our clients for their trust in HPB as a key player in the domestic market.

Marko Badurina
President of the Management Board

Management Board of Hrvatska poštanska banka p.l.c.

Management board	Marko Badurina *President of the Management Board*	Anto Mihaljević *Member of the Management Board*	Ivan Soldo *Member of the Management Board*	Tadija Vrdoljak *Member of the Management Board*	Josip Majher *Member of the Management Board*
Area of responsibility	• Large Companies and Public Sector • Financial Markets • Compliance Division • Internal Audit • Management Board Office • HR • Legal affairs • Strategic development • Sustainability Office • Digitization of Business	• Retail • Direct Channels Banking • SME • Marketing • Quality Service Management • Service Development and Sales Personnel Office	• Credit Risk Management of natural person • Credit Risk Management of legal entities • Strategic Risk and Risk Control • Collection Management	• Financial management • ALM • Procurement and General Affairs • Corporate Security	• Business Support • IT • Products and Delivery Processes Management Division • Organization and Project Management
Experience	• 2019 – HPB d.d. President of the Management Board • 2017 – Sberbank d.d. Advisor to the Business Strategy Board for Financial Markets, Investment Banking, Financial Institutions • 2013 – Sberbank d.d. Deputy Director of the Financial Markets Division • 2012 – Volksbank d.d. Deputy Director of the Financial Markets Division • 2007 – Volksbank – Liquidity and Trading Management	• 2019 – HPB d.d. Member of the Management Board • 2019 – Kentbank d.d. Director for Retail • 2017 – Allianz Zagreb d.d. Director of Sales Support • 2015 – Zagrebačka banka d.d. Sales Management Director for Individual Banking Clients • 2010 – Zagrebačka banka d.d. The Director of the Region Zagreb • 2005 – Zagrebačka banka d.d. The Director of the Region Sjeverozapadna Hrvatska • 2003 – Zagrebačka banka d.d. Leasing Sales Manager • 2001 – Zagrebačka banka d.d. Head of Sales Controlling • 1999 – Fer count d.o.o. Trainee Auditor	• 2019 – HPB d.d. Member of the Management Board • 2018 – Raiffeisen Bank International AG, Executive Director, Risk Management of Financial Institutions and States • 2015 – Raiffeisen Bank International AG, Director, Risk Management of Financial Institutions and States • 2013 – Raiffeisen Bank International AG, Risk Manager, Senior Risk Manager • 2011 – Raiffeisen Bank International AG • Analitičar, Senior Analyst banks and Financial Institutions • 2010 – Ipreo Ltd Analitičar Global Markets • 2005 – FIMA Fas d.o.o. Assistant Director • 2005 – KPMG Croatia d.o.o. Junior Associate	• 2023 – HPB d.d. Member of the Management Board • 2023 – HPB d.d., Direktor of Digitalization of Business • 2022 – Nova hrvatska banka PLC, President of the Management Board • 2018 – CROATIA BANKA PLC, Member of the Management Board • 2017 – Agromeđimurje PLC, President of the Management Board • 2016 – AGROKOR PLC Retail, Director of Projects • 2012 – KONZUM, PLC, Director • 2009 – Hypo Alpe Adria Bank PLC, Member of the Management Board • 2007 – Slavonska bankaPLC, Hypo Alpe Adria Bank PLC Advisor to the Management Board, Procurator	• 2023 – HPB d.d. Member of the Management Board • 2021 – Ministry of Labour, Pension System, Family and Social Policy, Cabinet of the Minister, Special Advisor • 2020 – V20 Turizam Ltd – Hotel Blue Zagreb, Director / Partner 2016 – CROATIA INSURANCE COMPANY Plc., Director, Insurance of Corporate clients and SME • 2012 – CROATIA INSURANCE COMPANY Plc., Director, Corporate client Management Service • 2011 – CROATIA INSURANCE COMPANY Plc., Head of Department for Developement of External Sales Network • 2009 – CROATIA INSURANCE COMPANY Plc., Senior specialist for improving sales channels with financial institutions

Note: organizational jurisdiction as of December 31, 2024

Macroeconomic Review

Gross domestic product

Decomposition of gross domestic product (GDP) growth by components

	2016	2017	2018	2019	2020	2021	2022	2023	2024
GDP – real growth rate	**3.5%**	**3.3%**	**2.9%**	**3.1%**	**(8.3%)**	**12.6%**	**7.3%**	**3.3%**	**3.8%**
GDP – nominal growth rate	**3.5%**	**4.6%**	**5.0%**	**5.2%**	**(7.6%)**	**15.0%**	**15.9%**	**15.4%**	**9.5%**
GDP deflator	**-**	**1.3%**	**2.1%**	**2.1%**	**0.7%**	**2.3%**	**8.6%**	**12.1%**	**5.7%**
Contribution to real GDP growth									
- household consumption	1.8%	1.8%	1.9%	2.3%	(2.9%)	6.3%	4.0%	1.8%	3.2%
- government expenditure	0.2%	0.5%	0.4%	0.7%	0.8%	0.7%	0.5%	1.6%	1.0%
- gross fixed capital investment	0.9%	0.3%	0.9%	2.6%	(1.4%)	1.1%	2.2%	2.2%	2.3%
- net exports	0.2%	(0.7%)	(1.9%)	(0.1%)	(5.2%)	5.1%	(0.5%)	1.5%	(2.5%)
- change in inventory and other	0.3%	1.5%	1.6%	(2.4%)	0.4%	(0.6%)	1.1%	(3.7%)	(0.2%)
Y-o-Y rate of change in real GDP									
- household consumption	3.2%	3.2%	3.4%	4.1%	(5.2%)	10.7%	6.9%	3.0%	5.6%
- government expenditure	1.0%	2.0%	1.6%	3.1%	3.4%	2.8%	2.2%	7.1%	4.5%
- gross fixed capital investment	4.7%	1.4%	4.4%	12.8%	(6.3%)	4.8%	10.4%	10.1%	9.9%
- goods and services exports	7.0%	6.9%	3.6%	6.8%	(23.2%)	32.7%	27.0%	(2.9%)	0.9%
- goods and services imports	6.5%	8.5%	7.4%	6.7%	(12.3%)	17.3%	26.5%	(5.3%)	5.3%

Source: CBS, www.dzs.hr (MSI Gross Domestic Product, Form 12.1.1.4.), processed by HPB

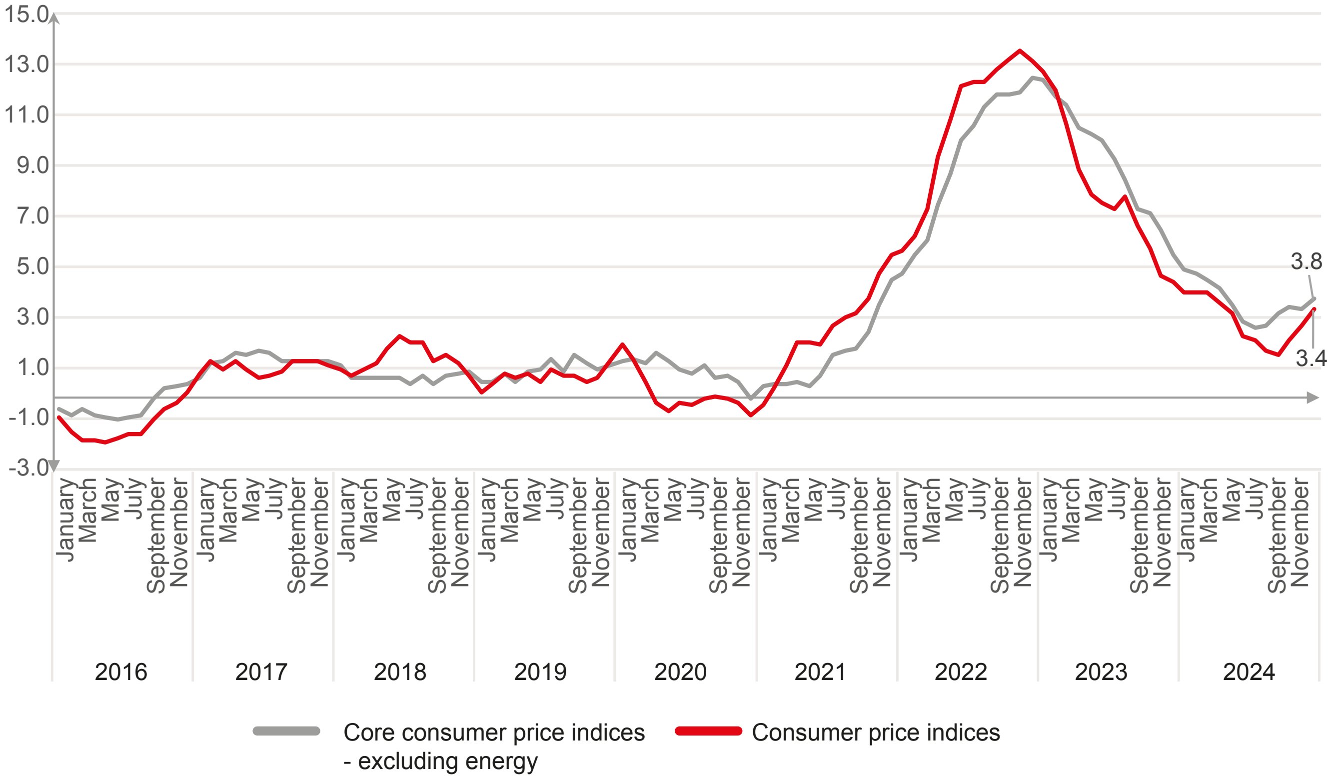
The global business environment in 2024 remained shaped by geopolitical forces, with the war in Ukraine continuing to exert a dominant influence, alongside other crisis hotspots such as conflicts in the Middle East. hese risks translated into higher energy prices and disruptions in global supply chains, slowing the pace of disinflation. However, the most impactful international event was the U.S. presidential election, which triggered a fundamental shift in global relations, primarily through the disruption of existing alliances and the reinforcement of protectionist policies, including proposed tariffs, whose full economic effects are likely to unfold in the years ahead.

Protectionist and deglobalization trends—ceteris paribus—continue to erode the eurozone's competitive position, indirectly weighing on Croatia's economic prospects. In 2024, preliminary estimates suggest that eurozone GDP expanded by just 0.7%, while Croatia's key trading partners recorded only marginal growth or economic contraction. In this context, Croatia's GDP growth of 3.8% represents an above-average outcome, positioning the country among the eurozone's strongest performers. Household consumption remained a key driver of economic growth, reflecting a structural characteristic of the domestic economy, with a 3.2% contribution—the second highest in the past decade. Notably, investment activity sustained its strong upward trajectory for the third consecutive year, buoyed by resilient business confidence and sustained economic optimism for the years ahead.

Net exports, however, weighed on real GDP growth with a negative contribution of -2.5%, largely driven by robust domestic consumption. A key downside factor was the contraction in industrial production over the past year, stemming from weaker demand for domestic products and intermediate goods. However, this decline reflects challenges in export markets rather than underlying structural weaknesses in the domestic economy. The strong absorption of EU funds remains a crucial driver of investment and public spending, helping to offset negative trends and reinforcing the prospects for sustained above-average growth in the national economy.

Prices

Consumer price index (year-on-year rate of change in %)



Source: CNB, CNB, www.hnb.hr (forms h-j1 and h-j2); Processing: HPB

Year-on-year price change rate of selected components of the consumer price index

	2017	2018	2019	2020	2021	2022	2023	2024
Consumer price index – total	**1.1%**	**1.5%**	**0.8%**	**0.1%**	**2.6%**	**10.7%**	**8.0%**	**2.6%**
Food and non-alcoholic beverages	2.9%	1.0%	(0.1%)	1.9%	1.6%	15.8%	12.9%	3.4%
Alcoholic beverages and tobacco	2.4%	2.8%	4.4%	3.6%	5.9%	3.7%	5.6%	3.7%
Clothing and footwear	0.8%	(1.3%)	(0.9%)	(0.6%)	(0.1%)	7.0%	8.5%	1.1%
Housing. water. electricity. gas and other fuels	(2.7%)	2.7%	3.1%	(1.0%)	1.6%	10.0%	7.1%	-
Furnishings. household equipment and routine household maintenance	0.1%	0.4%	0.8%	0.3%	1.0%	12.4%	9.5%	1.4%
Health	1.1%	1.4%	(0.9%)	1.2%	0.8%	2.0%	6.4%	4.9%
Transport	3.3%	3.5%	(0.3%)	(4.3%)	8.3%	14.2%	1.2%	1.8%
Communication	(1.6%)	(0.2%)	(0.2%)	1.5%	1.1%	0.3%	2.6%	(0.1%)
Recreation and culture	0.8%	0.9%	0.7%	0.1%	1.7%	7.2%	7.3%	4.1%
Education	0.8%	0.4%	0.8%	(0.4%)	0.5%	1.1%	3.6%	4.9%
Restaurants and hotels	5.1%	3.0%	3.0%	1.5%	2.9%	13.3%	15.0%	9.3%
Miscellaneous goods and services	0.3%	0.7%	0.3%	2.0%	0.9%	7.4%	9.0%	5.0%

Source: CSB (cro. DZS), www.dzs.hr (Form 1.2 Consumer price indices according to the ECOICOP classification), Processing: HPB

A comparison of consumer price index trends and the core consumer price index (excluding energy) indicates that inflationary pressures eased up until the final quarter of 2024, continuing the downward trajectory that began in 2022. However, this trend reversed in the last quarter of the business year, with the consumer price index reaching 2.8%, while the core index excluding energy stood at 3.8% in December. This reversal was primarily driven by persistent increases in service and food prices, as well as the expiration of administrative price caps on energy.

A detailed analysis of consumer basket subcomponents offers further insight into the key drivers of average annual consumer price growth. Given the significant share of food costs in household spending, the ongoing rise in food prices had a notable impact on consumer behavior and perceptions of inflationary pressure. While energy prices had a neutral impact on overall inflation throughout the year, the removal of price regulation led to renewed cost pressures in this category. Meanwhile, services continued their steady upward trend, remaining the single most influential component in overall inflation dynamics.

Employment and Wages

The number of employed persons continued to rise, averaging 1.7 million in 2024 compared to 1.65 million in the previous year. This upward trend reflects the growing demand for labor driven by a favorable economic environment and sustained optimism fueled by above-average GDP growth year after year. Meanwhile, wage growth has been influenced by the spillover effects of adverse demographic trends on the domestic labor market, leading to continued increases in both nominal and real gross earnings. Additionally, tax reforms introduced in 2024 contributed to easing the impact of inflation on household budgets.

Comparative movement of the number and gross income of employees

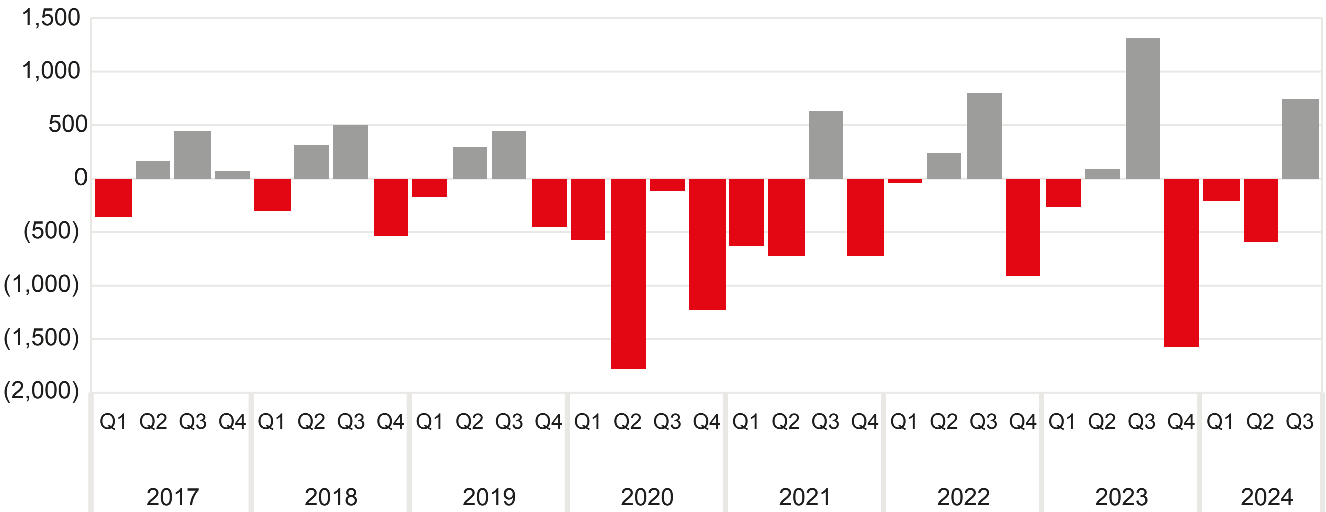
Source: CNB, www.hnb.hr (Bulletin, Additional economic, financial, and monetary indicators), Processing: HPB

Public Finances

Total government revenues in the first nine months of 2024 amounted to EUR 28.6 billion, falling short of total government expenditures by EUR 77 million. Indirect taxes accounted for 42.3% of total revenues during the first three quarters of the fiscal year, reflecting the strong contribution of household consumption to overall economic activity. On the expenditure side, social benefits totaling EUR 9.2 billion and employee compensation amounting to EUR 7.9 billion remained the largest budgetary items. These expenditures nearly matched the full-year levels recorded in the previous fiscal year, primarily due to rising costs and wage growth. Capital expenditures in the first nine months reached 65.7% of last year's total, amounting to EUR 2.7 billion.

The reduction in reference interest rates, following a shift in monetary policy direction, had a favorable impact on government debt financing costs, with expectations of an even more pronounced effect in the coming year. The interest burden on budgetary expenditures in the first nine months of 2024 stood at 3.54%, compared to 3.35% in 2023. By opting to finance budgetary needs through domestic financial markets—particularly via retail bond issuances—the government has made a significant contribution to the future development of the local capital market. A responsible and disciplined approach to public finances, maintaining the budget deficit below the target threshold of 3% of GDP, alongside positive economic prospects, has led to a further improvement in Croatia's credit rating. All three major credit rating agencies now classify Croatia as an investment-grade country, with either positive or stable outlooks.

Difference between total revenues and total expenditures of the consolidated general government (in EUR millions)



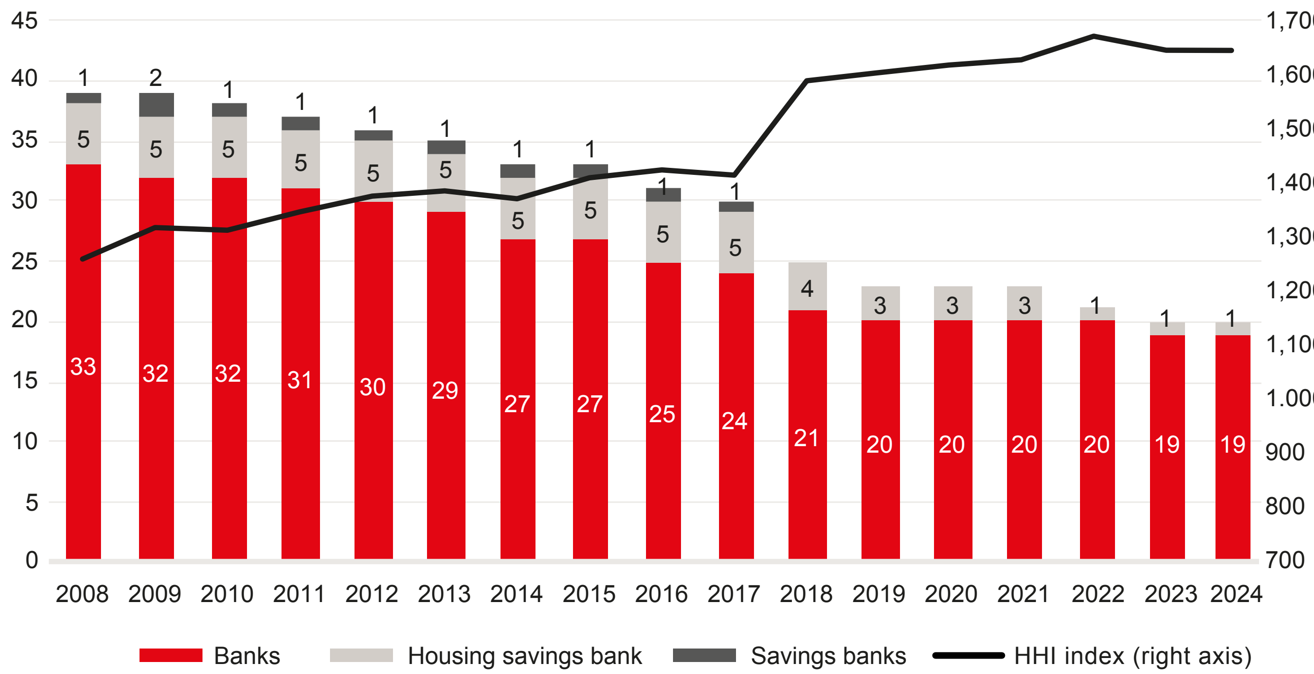
Source: CNB, www.hnb.hr (Non-financial accounts of general government, Form h-i_1), Processing: HPB

Business Environment

The number of credit institutions operating in the Croatian market has been steadily declining due to market consolidation and the cessation of smaller banks' operations. This trend was further reinforced by Hrvatska poštanska banka's merger with Nova hrvatska banka in 2023, following the earlier integrations of Jadranska banka and HPB Stambena štedionica in 2019. In 2024, the number of institutions remained unchanged, with 19 commercial banks and one housing savings bank operating as of December 31, 2024.

Sector concentration, measured by the market share of the five largest banks, has risen from an already high 74% in 2017 to over 80% by the end of 2019, further increasing to 82.82% at the close of 2024. Conversely, the Herfindahl-Hirschman Index (HHI) measuring the concentration of assets within credit institutions, after years of continuous growth, recorded a slight decline in 2024 to 1,631 points, indicating an increase in market competition.

Number of credit institutions and Herfindahl-Hirschman Index (HHI) for bank asset concentration



Source: Croatian National Bank, www.hnb.hr (revised performance indicators of credit institutions from 2008 to 2023, Selected indicators of structure, concentration, and performance of credit institutions as of 31.12.2024.), processed by HPB

A defining feature of financial markets across Central and Eastern Europe is the predominance of banks under foreign ownership, and Croatia is no exception. For years, foreign-owned banks and housing savings banks have accounted for approximately 90% of the total assets within the credit institution sector, with European Union-based banks—primarily Italian, Austrian, and Hungarian—holding a dominant position.

HPB remains one of the two remaining state-owned banks. As of December 31, 2024, it ranked fifth among Croatian credit institutions by total assets, with a market share of 9.37%. The only other state-owned bank, Croatia banka d.d., accounted for 0.35% of the system's assets, bringing the combined share of state-owned banks to 9.72%.

The total assets of the sector grew by EUR 5.6 billion in 2024, representing a year-over-year increase of 7.13%. This continued the sustained expansion of the financial sector's asset base, despite the frequent retail issuances of government securities, which diverted funds from the banking sector to the state budget via the Croatian National Bank.

Reflecting this, deposits with the central bank and loans and advances continued to represent the most significant asset components. The trend of gradual asset quality improvement persisted, with the share of non-performing loans (NPLs) decreasing to 2.36% at the end of 2024 from 2.62% at the end of 2023. Notably, NPLs in the household loan portfolio declined from 4.23% to 3.66%, while the NPL ratio for non-financial corporations dropped from 5.07% to 4.51%, largely driven by economic growth.

According to preliminary, unaudited data, credit institutions recorded a net profit of EUR 1.53 billion in 2024, continuing a streak of record-high net earnings. This performance was primarily driven by increased revenues from deposits held with the central bank. Consequently, profitability indicators significantly exceeded historical averages, alongside improvements in cost efficiency. The sector remained highly capitalized, with liquidity indicators staying at elevated levels due to the continued growth of funds held in bank transaction accounts with the central bank.

Key performance indicators for credit institutions (in %)

	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets (ROA)	0,85	1,21	1,37	0,61	1,17	1,00	1,75	1,88
Return on Equity (ROE)	5,91	8,40	9,82	4,40	8,75	8,18	15,46	16,37
Cost-income-ratio (CIR)	48,98	48,05	46,32	54,99	48,72	52,51	41,02	39,91
NPL share (NPL)	8,73	7,49	5,47	5,42	4,33	3,01	2,62	2,36
NPL coverage	61,64	60,41	68,01	64,05	63,16	66,98	69,04	66,31
Capital adequacy ratio	23,80	23,14	24,80	24,92	25,85	24,57	23,94	23,79
Liquidity coverage ratio (LCR)	190,83	164,38	173,71	181,94	202,48	242,38	238,08	230,90

Source: Croatian National Bank, www.hnb.hr (revised performance indicators of credit institutions for 2017–2023, unaudited performance indicators of credit institutions as of 31.12.2024.), processed by HPB

Credit Institutions – Overview of Selected Indicators Trends in 2024 (Ranking and Comparison of the Top 10 Banks by Market Share and Selected Categories)

Asset growth

No.	Institution name	Y-T-D (%)
1	Slatinska banka d.d.	24.66
2	Croatia banka d.d.	22.15
3	Erste&Steiermärkische Bank d.d.	14.00
4	KentBank d.d.	13.19
5	**Hrvatska poštanska banka d.d.**	**11.87**
6	Banka Kovanica d.d.	10.14
7	Karlovačka banka d.d.	6.80
8	OTP banka d.d.	6.37
9	Partner banka d.d.	6.31
10	Addiko Bank d.d.	6.30

Return on equity

No.	Institution name	ROE (%)
1	Zagrebačka banka d.d.	19.23
2	Karlovačka banka d.d.	18.94
3	Privredna banka Zagreb d.d.	18.67
4	Istarska kreditna banka Umag d.d.	18.37
5	BANK Kovanica d.d.	17.19
6	Erste&Steiermärkische Bank d.d.	14.74
7	OTP BANK d.d.	14.73
8	Raiffeisenbank Austria d.d.	14.02
9	**Hrvatska poštanska banka d.d.**	**13.47**
10	Agram BANK d.d.	12.96

Capital adequacy

No.	Institution name	Total capital ratio (%)
1	J&T BANK d.d.	34.98
2	Samoborska BANK d.d.	32.99
3	Addiko Bank d.d.	32.25
4	Privredna BANK Zagreb d.d.	26.12
5	Zagrebačka BANK d.d.	25.01
6	Erste&Steiermärkische Bank d.d.	24.45
7	Karlovačka BANK d.d.	24.07
8	KentBank d.d.	21.55
9	Croatia BANK d.d.	21.42
10	**Hrvatska poštanska banka d.d.**	**21.13**

Market share

No.	Institution name	Share in total assets
1	Zagrebačka banka d.d.	25.16
2	Privredna banka Zagreb d.d.	20.19
3	Erste&Steiermärkische Bank d.d.	17.96
4	OTP banka d.d.	10.15
5	**Hrvatska poštanska banka d.d.**	**9.37**
6	Raiffeisenbank Austria d.d.	8.14
7	Addiko Bank d.d.	2.78
8	KentBank d.d.	0.98
9	Istarska kreditna banka Umag d.d.	0.94
10	Podravska banka d.d.	0.86

Profitability

No.	Institution name	Profit or (–) loss for the year in 000 EUR
1	Zagrebačka banka d.d.	449,641
2	Privredna banka Zagreb d.d.	436,977
3	Erste&Steiermärkische Bank d.d.	225,426
4	OTP banka d.d.	152,322
5	Raiffeisenbank Austria d.d.	90,691
6	**Hrvatska poštanska banka d.d.**	**73.632**
7	Addiko banka d.d.	38,140
8	Istarska kreditna banka Umag d.d.	12,834
9	KentBank d.d.	9,557
10	Karlovačka banka d.d.	9,553

Liquidity coverage ratio

No.	Institution name	LCR (%)
1	J&T BANK d.d.	1.286,33
2	Istarska kreditna banka Umag d.d.	606.56
3	Samoborska banka d.d.	513.63
4	Karlovačka banka d.d.	417.22
5	Addiko Bank d.d.	329.71
6	Banka Kovanica d.d.	284.28
7	Podravska banka d.d.	273.49
8	**Hrvatska poštanska banka d.d.**	**261.40**
9	Raiffeisenbank Austria d.d.	260.39
10	Privredna banka Zagreb d.d.	242.85

Source: Croatian National Bank (HNB), www.hnb.hr (Data on the operations of credit institutions as of December 31, 2024 – provisional unaudited figures); processed by HPB.

Statement of the Management Board on the Condition of Group of Hrvatska poštanska banka, p.l.c.

History and Key Events in the Development of Hrvatska poštanska banka p.l.c.

Establishment and beginnings of HPB

The Bank was established in October 1991, with its registered office in Zagreb. Its inaugural business address was at Tkalčićeva Street 7. Fifty founders/shareholders subscribed to and acquired the Bank's shares, among whom the business partners of Croatian Post and Telecommunication 'HPT' were prominent. HPT, being the largest shareholder, provided the initial premises and personnel for the Bank's operations. Registered as a universal banking organization, the Bank was authorized to conduct 'all cash, deposit, credit, and guarantee operations with legal entities and all banking operations with natural persons, including the provision of payment services.

In response to the retail and corporate demand for banking services, particularly in local areas without banks, the Bank leveraged the extensive network of HPT offices to introduce banking services. This included the acceptance of retail and corporate deposits, particularly from HPT business partners. Starting in May 1992, the Bank began offering international foreign exchange payment services and accepting the first foreign exchange deposits. Throughout that year, the benefits of the newly established financial institution were recognized not only by its founders and HPT's business partners but also by smaller private businesses, which began depositing their funds with the Bank. Pursuant to the Regulation on Recovery of Debts and Funds Placed With Poštanska štedionica Beograd – Croatian Subsidiary, Zagreb (dated March 25, 1992, Official Gazette 15/92), the Bank was designated as the legal successor of the aforementioned subsidiary. This significantly enhanced its potential and activities, encompassing the exchange of passbooks and current accounts, assimilation of savers and depositors, and recovery of claims.

Initially, the Bank primarily engaged in retail banking, accepting HRD (dinar) and HRK deposits from individuals, managing payroll and pension payments, investing surplus funds in money markets, and providing short-term loans to legal entities. Despite the challenging operating conditions, the Bank consistently achieved growth in its balance sheet and profitability.

In 1995, the Bank acquired a building at Jurišićeva Street 4, which has served as its headquarters ever since and remains unchanged to this day.

Business expansion

The Bank's first branch opened in Split in April 2003, marking the start of a significant expansion of its business network. This network has since grown to encompass 56 business units as of today.

In July 2005, the Bank founded HPB-nekretnine, a real estate limited liability company, and HPB Invest, a limited liability company for investment fund management, thereby establishing the Hrvatska poštanska banka Group.

The Group's development continued in 2006 with the establishment of HPB Stambena Štedionica, a public limited company specializing in housing savings. This entity was successfully merged with the parent company on December 2, 2019, as part of a business rationalization and optimization effort.

Diversification of the ownership structure and capital strengthening

Through public share offering in September 2015, the Bank successfully raised its equity by EUR 73 million, leveraging both private and public equity investments. The diversified shareholding structure now includes pension funds, investment funds, and other private investors, who contributed EUR 40.6 million to acquire a 25.5% ownership stake The Republic of Croatia invested EUR 32.4 million, reducing its and its related persons' ownership from 99% to 74.5%. In 2021, this stake rose to 77.3% following the transfer of shares resulting from the dissolution of the Prosperus Economic Cooperation Fund, a Bank shareholder. The shares were distributed to the fund's participants: the Croatian Bank for Reconstruction and Development, which passed its shares to the Republic of Croatia, and the Fund for Financing the Decommissioning and Disposal of Radioactive Waste and Spent Nuclear Fuel from the Krško Nuclear Power Plant, wholly owned by the Republic of Croatia.

Acquisition and merger of Jadranska banka pl.c. Šibenik

In a historic move for the bank in 2018, it capitalized on an opportunity for inorganic growth by acquiring a 100% ownership stake in Jadranska Banka p.l.c. Šibenik (JABA) on July 14, 2018. JABA was previously undergoing a resolution process. The acquisition was swiftly followed by the initiation of a merger process with the bank, culminating successfully on April 1, 2019. Subsequently, JABA was integrated as a regional centre within the bank, yielding positive synergistic and financial impacts on the bank's capital.

Acquiring Sberbank p.l.c., stabilizing operations, rebranding as the New Croatian bank, and integration into HPB

Following the onset of Russian aggression against Ukraine, Sberbank's Croatian subsidiary experienced a sharp deterioration in liquidity due to an uncontrolled withdrawal of client funds, leading to the initiation of a resolution process on March 1, 2022.

HPB had performed exceptionally well since 2019, significantly strengthening its capital position and positioning itself for new acquisitions. When the Single Resolution Board and the Croatian National Bank (CNB) invited interested banks to acquire Sberbank p.l.c., HPB responded swiftly and decisively, acquiring a 100% ownership stake in Sberbank p.l.c. through an expedited procedure for HRK 71,000,000.00, securing all necessary regulatory approvals. This transaction successfully averted potential systemic risks that could have arisen from the failure of Sberbank p.l.c. Croatia.

Following the successful resolution of Sberbank, the Croatian National Bank (CNB) Council, at its session held on April 13, 2022, issued a Decision formally concluding the resolution procedure for Sberbank p.l.c. at precisely 11:59:59 p.m. on the same day.

HPB assumed control and management of Sberbank on April 14, 2022, from which point it has operated within the HPB Group under the name Nova Hrvatska Banka p.l.c. (NHB). This acquisition further strengthened the HPB Group by expanding its client portfolio and branch network for both retail and corporate banking, reinforcing its strategic objectives of developing a domestically owned banking group and contributing to Croatia's economic growth and prosperity.

To maximize the synergistic effects and benefits for shareholders and clients, HPB and NHB adopted a resolution on December 20, 2022, to initiate the legal, formal, and operational merger of Nova Hrvatska Banka p.l.c. into HPB.

On March 1, 2023, HPB, as the acquiring entity, and NHB, as the merging entity, signed a Merger by Acquisition Agreement. The Croatian National Bank approved the merger with its Decision dated April 12, 2023, and on July 3, 2023, the Commercial Court in Zagreb issued a ruling registering the merger, thereby formally completing the legal aspects of the integration. The operational aspects of the merger were fully finalized on June 3, 2024.

The Merger by Acquisition did not result in an increase in HPB's share capital as the acquiring entity. Instead, it entailed the transfer of NHB's assets and liabilities to HPB without any changes to HPB's shareholder structure.

In addition to acquiring Sberbank, on July 4, 2022, HPB executed a transaction for the purchase of claims and equity stakes related to the credit-deposit and other financial relationships of Nova Hrvatska Banka p.l.c. from Pronam Nekretnine d.o.o. and SBERBANK EUROPE AG (in liquidation), with a total transaction value of EUR 74,000,000. The legal merger of the entity was completed on March 14, 2023.

Transition to the euro

In line with the defined plans and timelines for replacing the Croatian kuna with the euro, HPB was among the first banks to successfully adapt all its systems to the euro, commencing regular operations promptly at 8:00 AM on Monday, January 2, 2023. Given its significant role in pension payments, the bank ensured immediate and uninterrupted disbursement to retirees across Croatia, alongside the continued provision of all other banking services.

Due to the extensive scope of diverse business activities required for a timely transition, hundreds of individual development tasks, meetings, and team coordination efforts were carried out, with IT specialists dedicating over 80,000 working hours to this project. A total of approximately 250 minor and major modifications were made to the IT system, making this one of the most extensive projects in the bank's history. As of January 1, 2023, with the euro officially becoming the currency of the Republic of Croatia, the bank, in accordance with legal requirements, executed the necessary alignment of its share capital and nominal share values with the provisions of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette nos. 57/22 and 88/22 – correction) and the Act on Amendments to the Companies Act (Official Gazette no. 114/22). In this context, following the Resolution of the General Assembly on August 30, 2023, the Commercial Court of Zagreb registered the adjustment of the share capital in September 2023. This alignment, required by the introduction of the euro, resulted in an increase of EUR 741,650.41, charged to legal reserves, and included amendments to the Articles of Association. Following the adjustment, the bank's share capital stands at EUR 161,970,000, divided into 2,024,625 ordinary shares, each with a nominal value of EUR 80.00. The total number of issued ordinary shares of the bank remained unchanged

Significant Milestones in the Corporate History of HPB p.l.c.

10/1991
Establishment of HPB as a subsidiary of Croatian Post and Telecommunications ("HPT")

12/1995
Purchase and relocation to a new headquarter in the famous building at Jurišićeva 4, Zagreb

4/2003
The first HPB branch opened in Split

7/2005
Corporate rebranding and the adoption of a new logo and a new slogan ("My Bank")

12/2010
The Republic of Croatia becomes the majority shareholder through recapitalization

9/2015
HPB's recapitalization through a combined private and public offer (HRK 550 million)

7/2018
Acquisition of Jadranska banka p.l.c. Šibenik

3/2022
Acquisition of Sberbank p.l.c., which becomes Nova hrvatska banka p.l.c.

7/2022
Acquisition of Pronam nekretnine Ltd. Zagreb

7/2023
Merger of Nova hrvatska banka p.l.c.

6/2024
Operational merger of Nova hrvatska banka p.l.c.

Significant Milestones in 2024

1/2024 – 12/2024
Successful launch and completion of the second and third cycles of HPB Super Štednja

6/2024
Successful completion of the operational merger of NHB with Hrvatska poštanska banka

6/2024
HPB recognized with the "Best Buy" award for best savings product

10/2024
HPB wins the Zlatna kuna award for the most successful bank in 2023

12/2024
Dividend approved at the Extraordinary General Meeting

Business Activities of Hrvatska poštanska banka

The Bank provides a comprehensive suite of banking and financial services, catering primarily to retail and corporate clients. These services include:

- a variety of deposit and credit products in both domestic and foreign currencies for corporate and retail clients,
- transactional services,
- issuance of guarantees, avals, and related products,
- factoring, financial lease services,
- securities-related services,
- creditworthiness analysis and information services for both legal entities and natural persons natural persons carrying out their business independently,
- activities related to the sale of insurance policies in accordance with the law governing insurance,
- electronic money issuance,
- issuing and administering other payment instruments, when not classified as payment services under specific legislation,
- miscellaneous banking products and services, such as safes and Western Union services.

Regulatory Framework

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

For the Bank's operations, subordinate regulations issued by the Croatian National Bank (CNB), as the competent regulatory authority, are of particular relevance. These regulations govern the Bank's core activities and operations related to its core business, most notably the Decision on Governance Arrangements (Official Gazette Nos. 96/2018, 67/2019, 145/2020, 145/2021, 51/2023, and 28/2024).

The provision of investment and ancillary services, as well as the conduct of investment activities in the Republic of Croatia, is regulated by the Capital Markets Act (Official Gazette Nos. 65/2018, 17/2020, 83/2021, 151/2022, and 85/2024), alongside subordinate regulations of the Croatian Financial Services Supervisory Agency (HANFA) and relevant EU regulations that directly or through their transposition into Croatian law ensure a unified capital market framework across the European Union. The Payment Services Act (Official Gazette Nos. 66/2018, 114/2022, and 136/2024), including its accompanying subordinate regulations, governs the payment services provided by the Bank. Additionally, in carrying out activities related to the sale of insurance policies, the Bank adheres to the Insurance Act (Official Gazette Nos. 30/2015, 112/2018, 63/2020, 133/2020, 151/2022, and 152/2024) and related regulations.

As the Republic of Croatia—either directly or through state-owned companies—is the majority shareholder of the Bank, the Bank also complies with specific laws and regulations applicable to majority state-owned companies. Furthermore, as the Bank's shares are listed on the regulated market of the Zagreb Stock Exchange, the Bank qualifies as an issuer and is therefore subject to the Capital Markets Act in relation to the obligations of issuers whose securities are admitted to trading on a regulated market. This includes compliance with subordinate regulations issued by HANFA and relevant EU regulations, the most significant of which is Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (Market Abuse Regulation), repealing Directive 2003/6/EC and related Commission Directives 2003/124/EC, 2003/125/EC, and 2004/72/EC.

The Bank applies European Union regulations, including those directly enacted by the European Parliament and Council. Among these, the most notable is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013, on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 (Official Journal of the EU L 176/2013). Additionally, delegated and implementing regulations of the European Commission are directly applicable to credit institutions operating in Croatia. Other relevant legal instruments regulate corporate operations within the Republic of Croatia, as well as the activities of Croatian entities and credit institutions engaged in cross-border transactions (e.g., regulations of other jurisdictions and international agreements related to anti-money laundering (AML), international payment transactions, etc.).

The Croatian Financial Services Supervisory Agency (HANFA) serves as the competent authority overseeing the Bank's operations as a credit institution that provides investment and ancillary services and conducts investment activities. The Croatian Deposit Insurance Agency supervises compliance with credit institutions' obligations under the Deposit Insurance Act (Official Gazette Nos. 146/2020 and 119/2022). The Croatian National Bank (CNB) establishes rules, procedures, and instruments for the resolution of credit institutions in accordance with the Resolution of Credit Institutions and Investment Firms Act (Official Gazette Nos. 146/2020, 21/2022, 27/2024, and 145/2024).

The Agency for Personal Data Protection oversees compliance with data protection regulations, primarily Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016, on the protection of individuals concerning the processing of personal data and the free movement of such data, repealing Directive 95/46/EC (General Data Protection Regulation – GDPR). The Agency also enforces the Act on the Implementation of the General Data Protection Regulation (Official Gazette No. 42/2018).

As a reporting entity under the Anti-Money Laundering and Terrorist Financing Prevention Act (Official Gazette Nos. 108/2017, 39/2019, and 151/2022), the Bank undertakes measures, actions, and procedures prescribed by this Act to prevent and detect money laundering and terrorist financing, ensuring the implementation of preventative measures to safeguard the financial system from illicit activities. Furthermore, the Bank complies with the European Banking Authority (EBA) Guidelines on Money Laundering and Terrorist Financing Risk Factors (EBA/GL/2021/02) and the EBA Guidelines on Compliance (EBA/GL/2022/05) and integrates them into its operational framework.

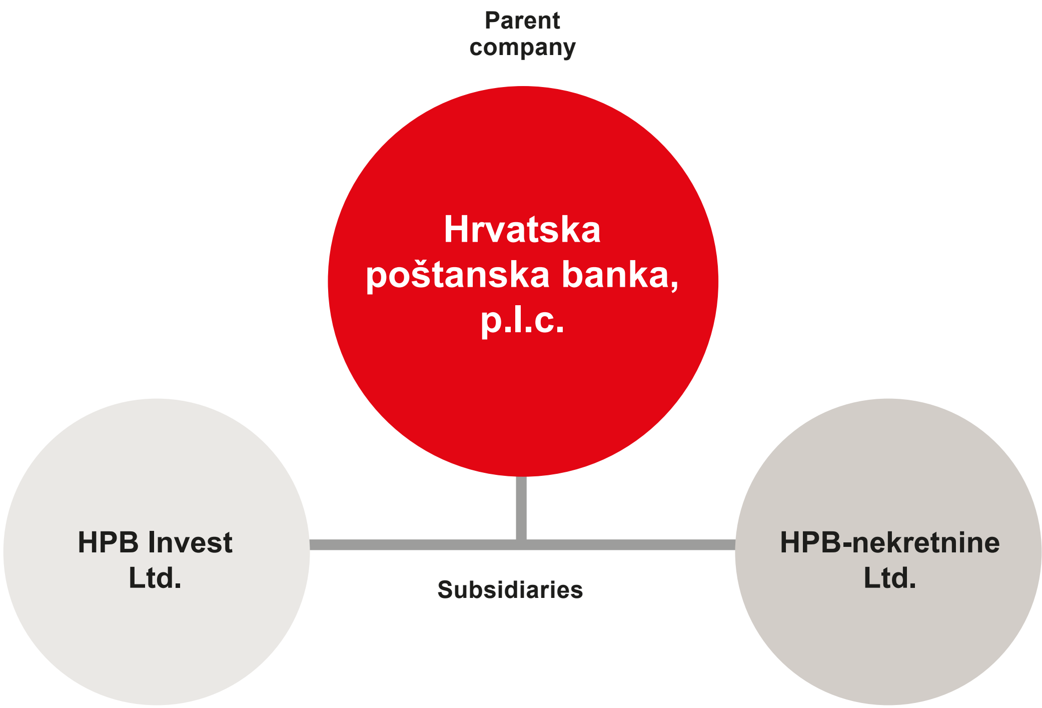
Additionally, the Bank adheres to the Restrictive Measures Act (Official Gazette No. 133/2023), which governs the implementation of restrictive measures (sanctions) enforced by the Republic of Croatia in accordance with EU legal acts, United Nations resolutions, and other international organizations' decisions aimed at protecting democratic values, the rule of law, human rights, and international legal principles, as well as maintaining international peace, preventing conflicts, and enhancing global security. Beyond this Act, the Bank also complies with other relevant regulations on restrictive measures.

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

Hrvatska poštanska banka, a public limited company, is part of a group of related entities as defined by the Credit Institutions Act and is a 100% shareholder in the following companies, together constituting the HPB Group:

	Industry	State	Ownership %
HPB Invest Ltd.	Investment Funds Management	Croatia	100.00
HPB-nekretnine Ltd.	Real Estate Agency and Construction	Croatia	100.00

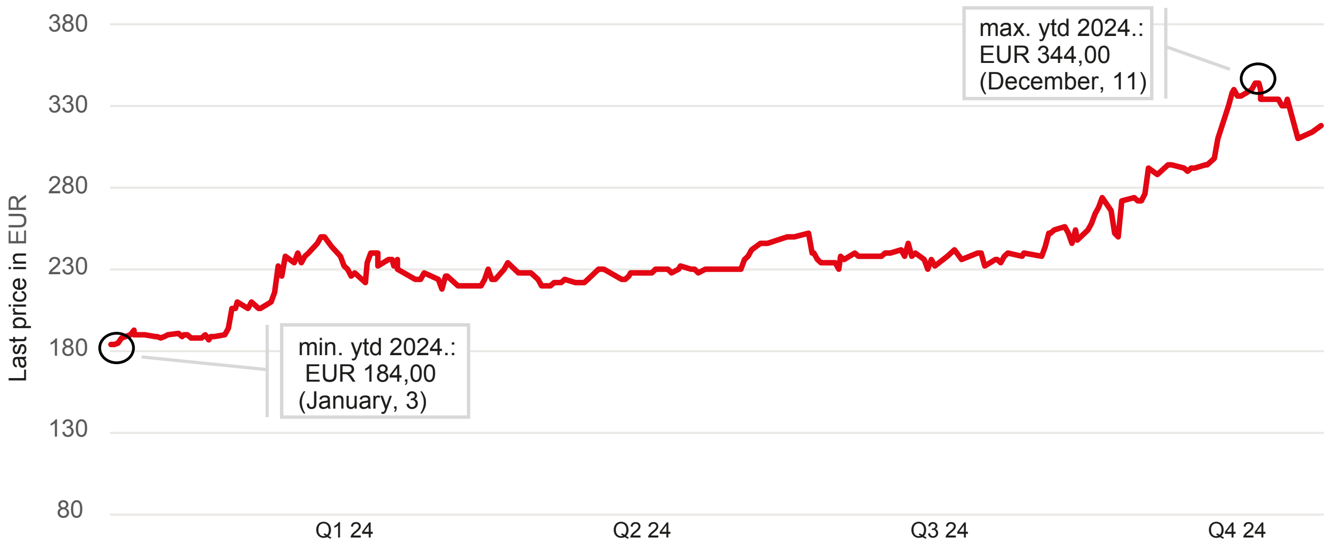
Hrvatska poštanska banka p.l.c. does not constitute a part of a concern as defined by the Companies Act.



HPB-R-A Share

HPB stock is listed on the Official Market of the Zagreb Stock Exchange. The last share price at the end of the reporting period in 2024 was EUR 318.00 (trading day December 30, 2024), representing an increase of 70.05 percent compared to the last recorded price in 2023 (EUR 187.00 on the trading day December 29, 2023).

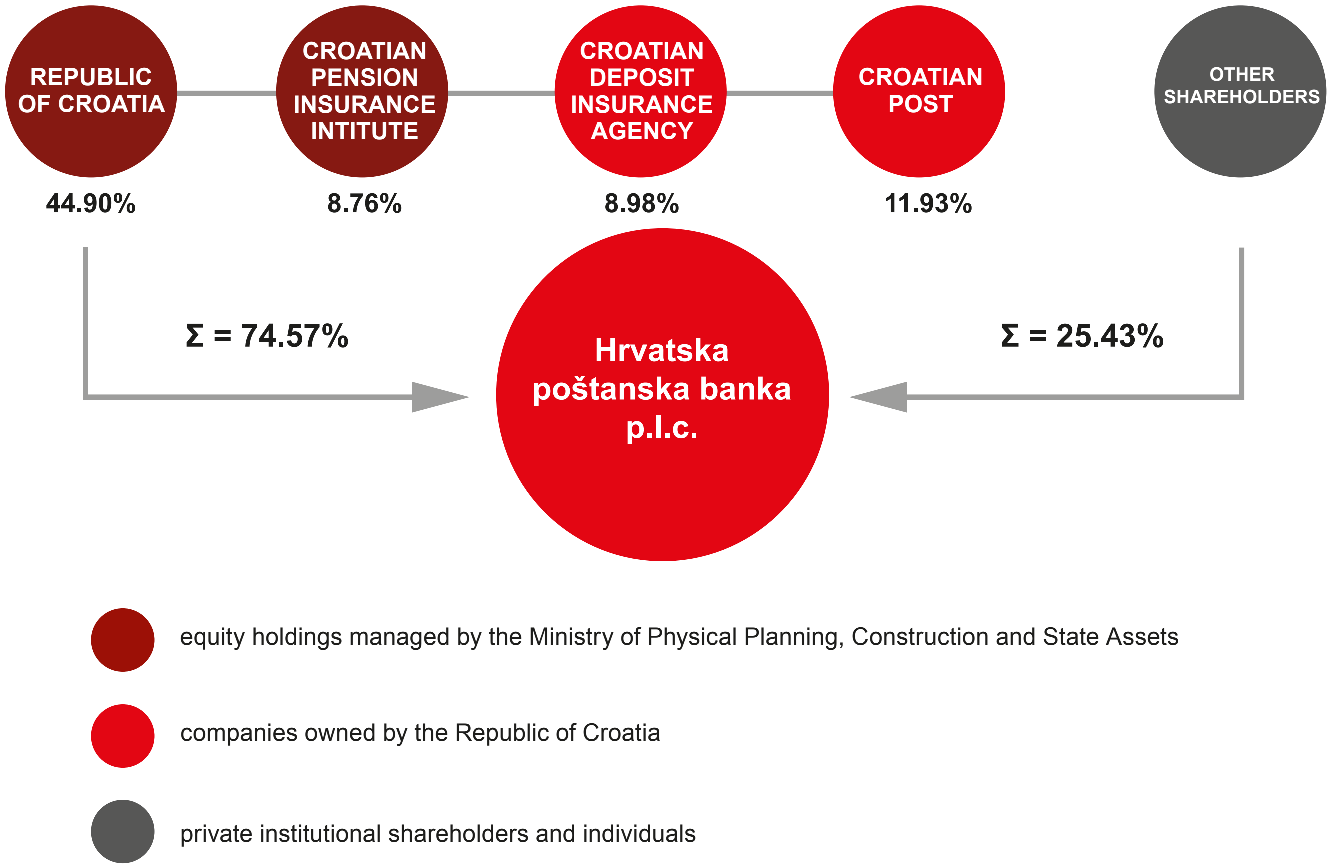
Trading of the HPB-R-A share during the reporting period was as follows:



Stock Data and Details	
Issue date	December 12, 2000
ISIN	HRHPB0RA0002
Segment	Official Market of the Zagreb Stock Exchange
Listed quantity	2,024,625
Share price as at December 30, 2024 (in EUR)	318.00
Market capitalization (in EUR million)	643.83

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

On December 31, 2024 the Bank's ownership structure was as follows:

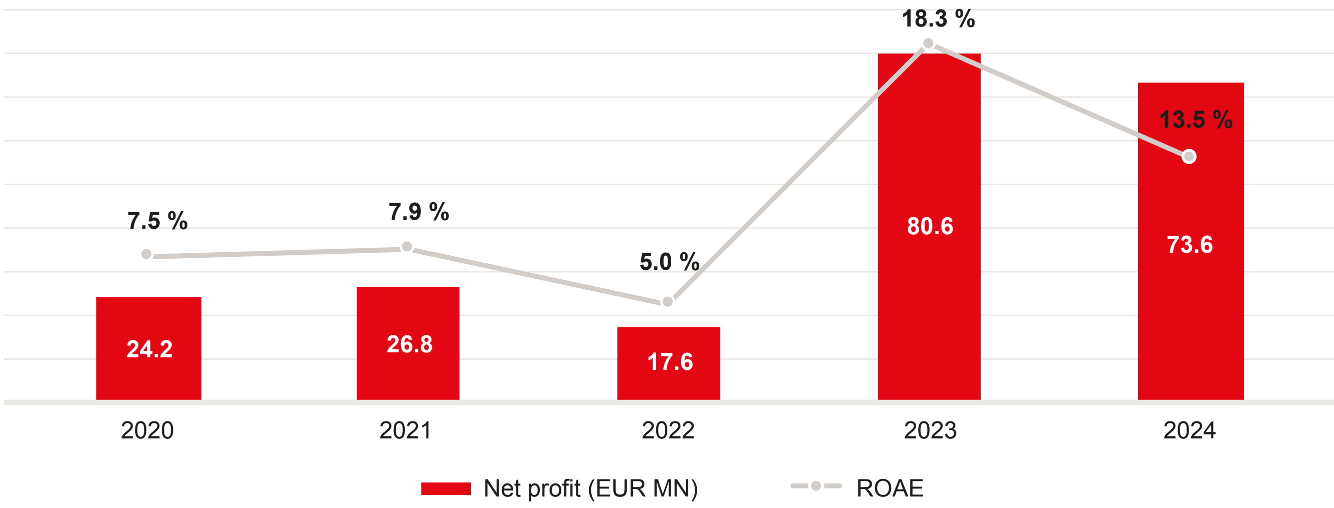


Source: SKDD

The Republic of Croatia, through the Ministry of Physical Planning, Construction and State Assets, along with other state institutions and legal entities under its ownership, held a 74.57% stake in the Company's share capital and voting rights as of December 31, 2024.

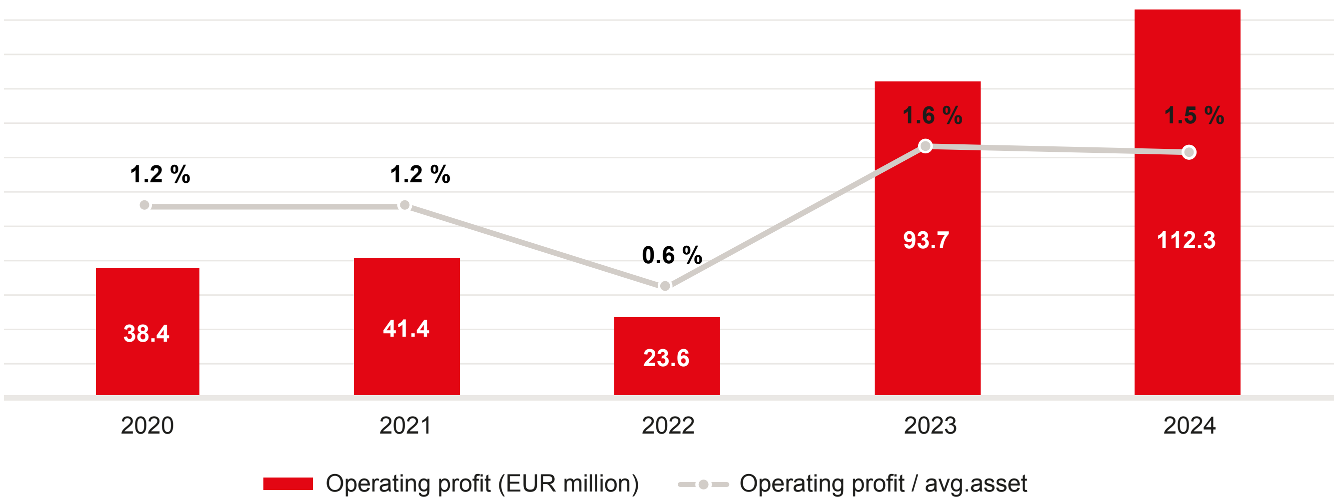
Business Overview and Financial Summary

Net profit



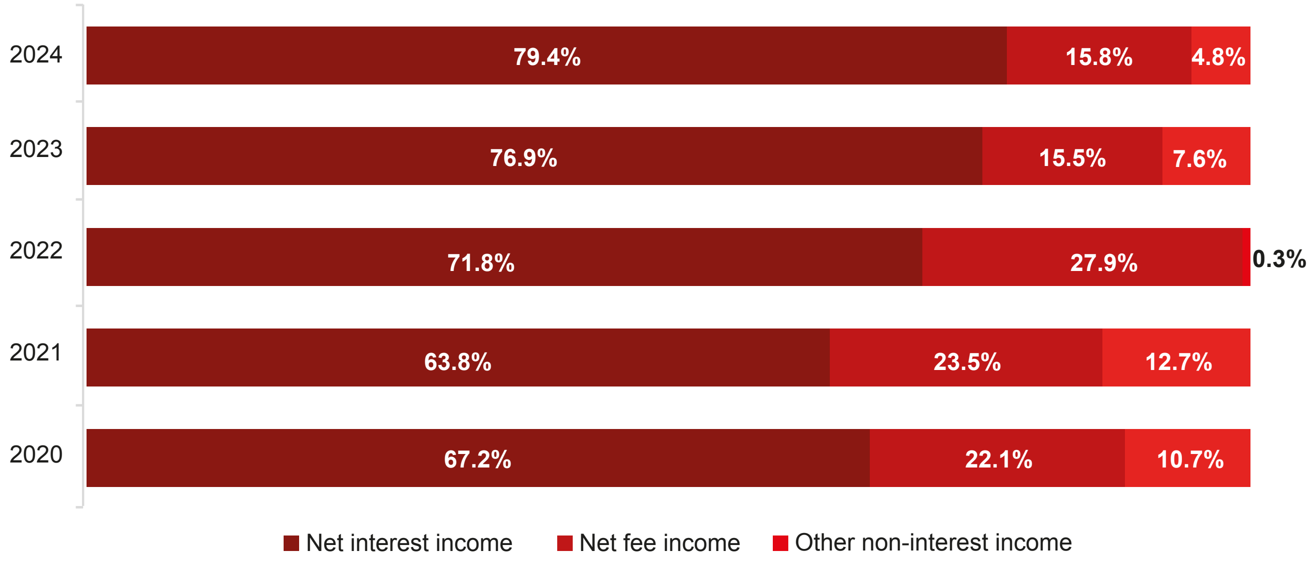
In 2024, the Bank achieved a net profit after taxes amounting to EUR 73.6 million.

Operating profit before provisions



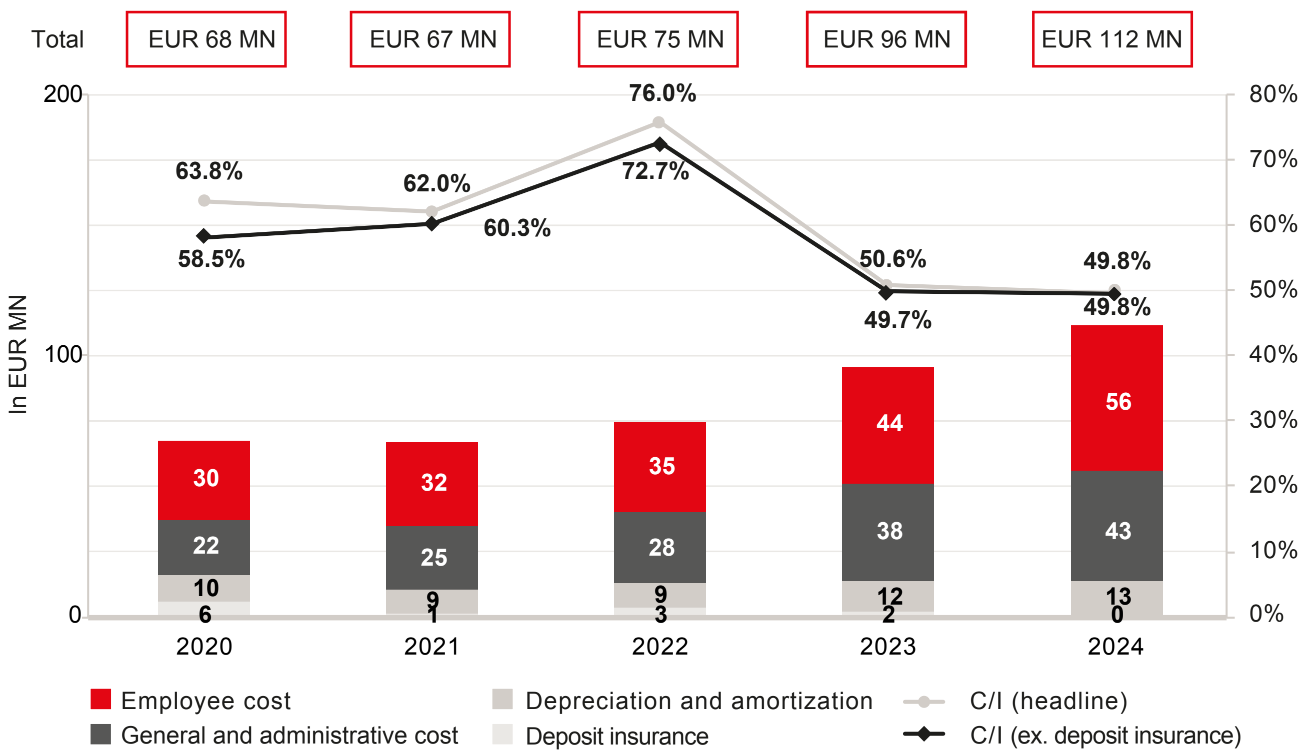
The operating profit before provisions was EUR 112.3 million. The provisioning cost for loan losses and other financial and non-financial asset adjustments amounted to EUR 14.4 million, while expenses from the reversal of provisions for liabilities and charges totaled EUR 7.8 million.

Net Operating Income Composition for the period from January 1 to December 31



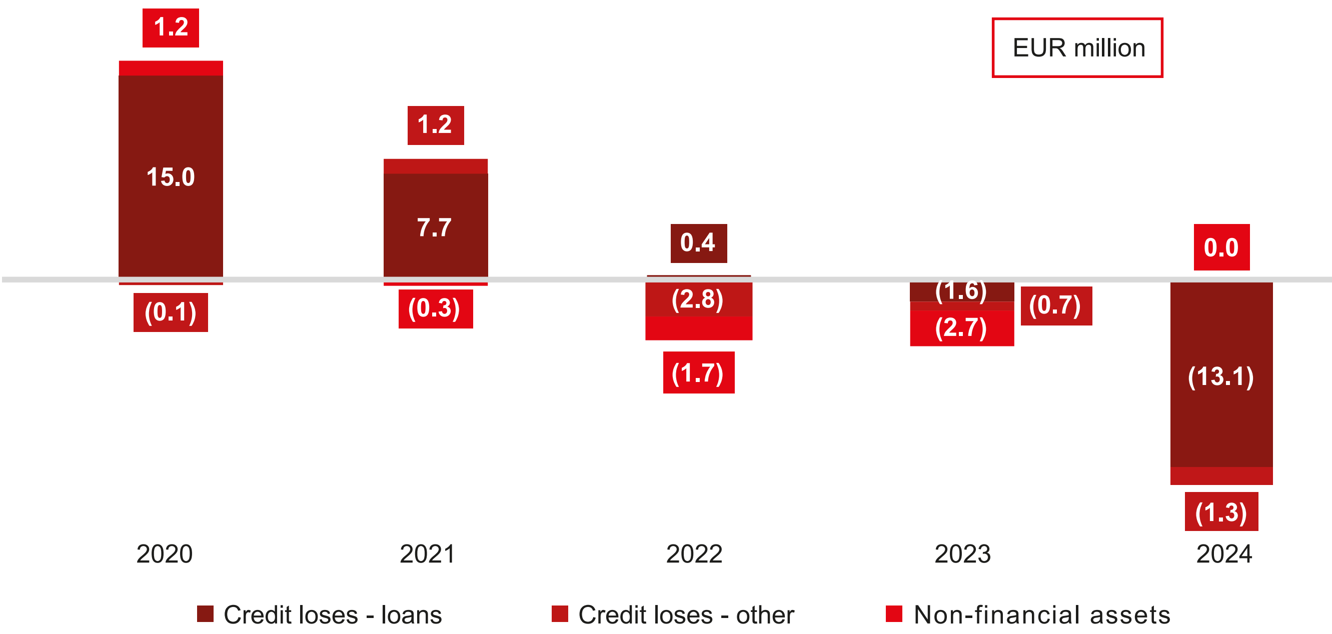
Total operating income amounts to EUR 224 million.Net interest income of EUR 178 million accounted for 79 percent of total operating income.

Cost management 2020 – 2024

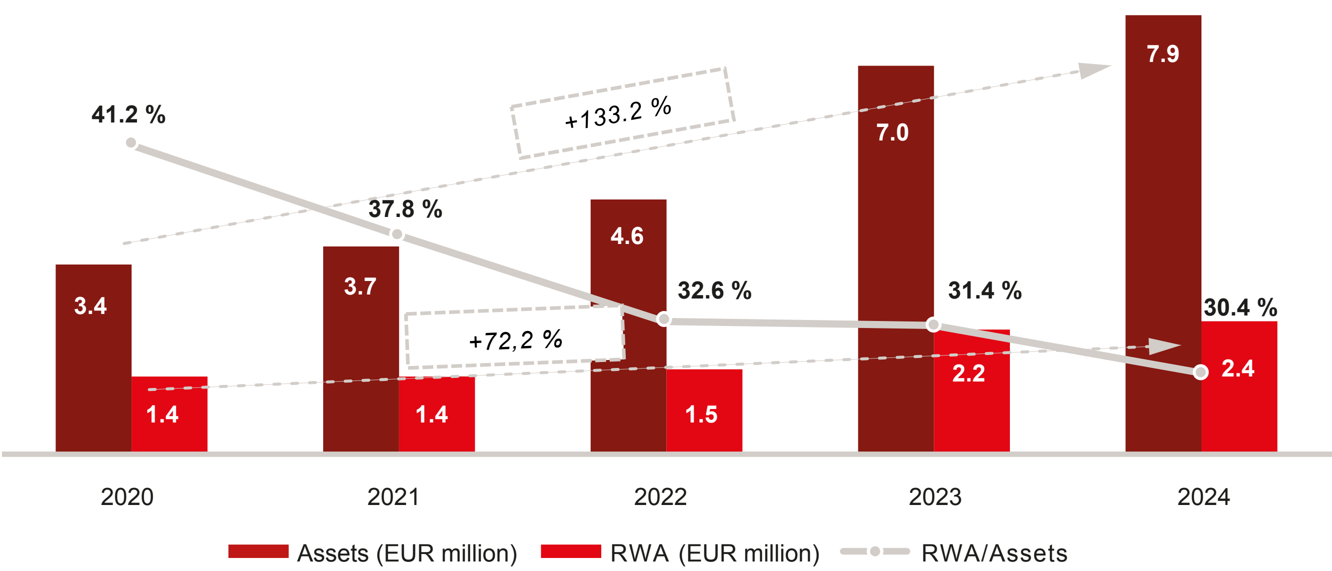


Operating costs increase mainly due to the extensive integration and project efforts associated with the merger of Nova Hrvatska Banka, alongside an overall increase in expenses driven by inflation. The Bank consistently endeavors to ensure cost management is executed with utmost efficiency.

Provisions for losses

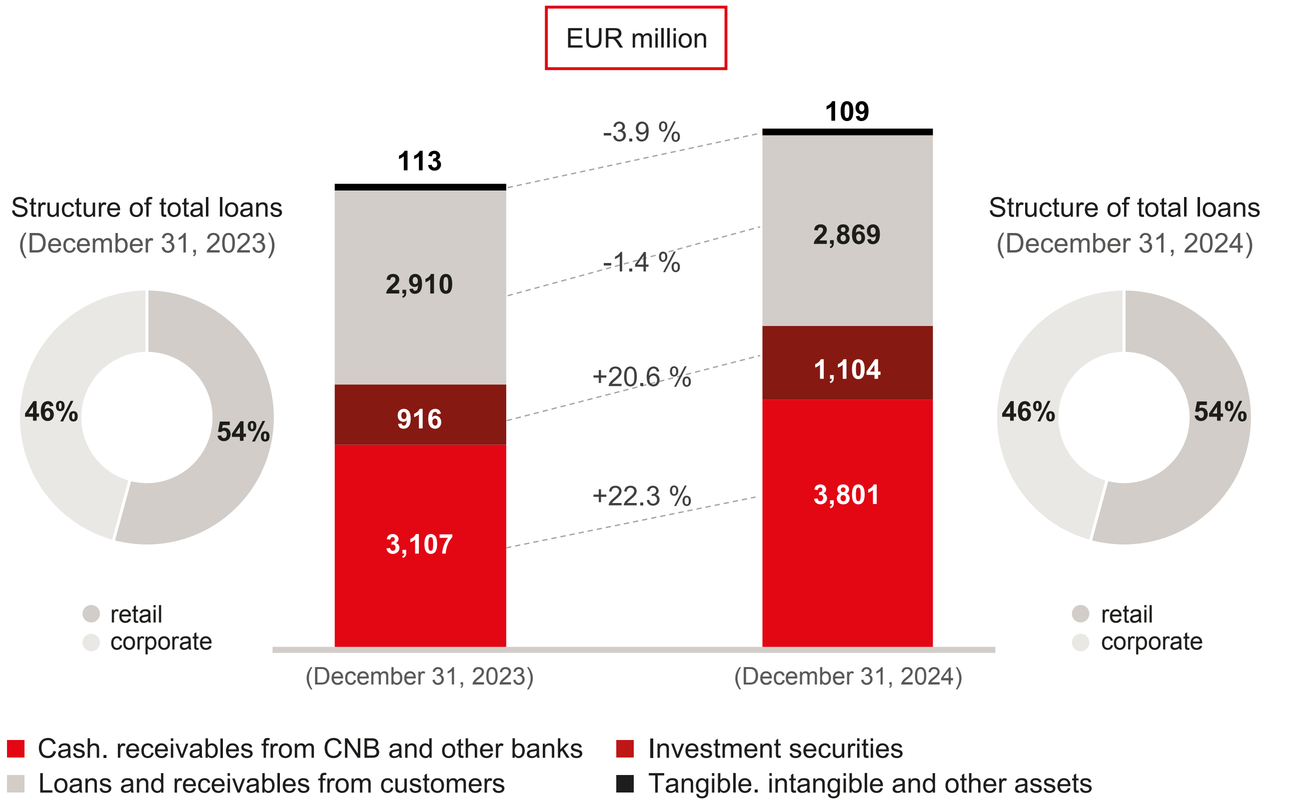


Assets and RWA



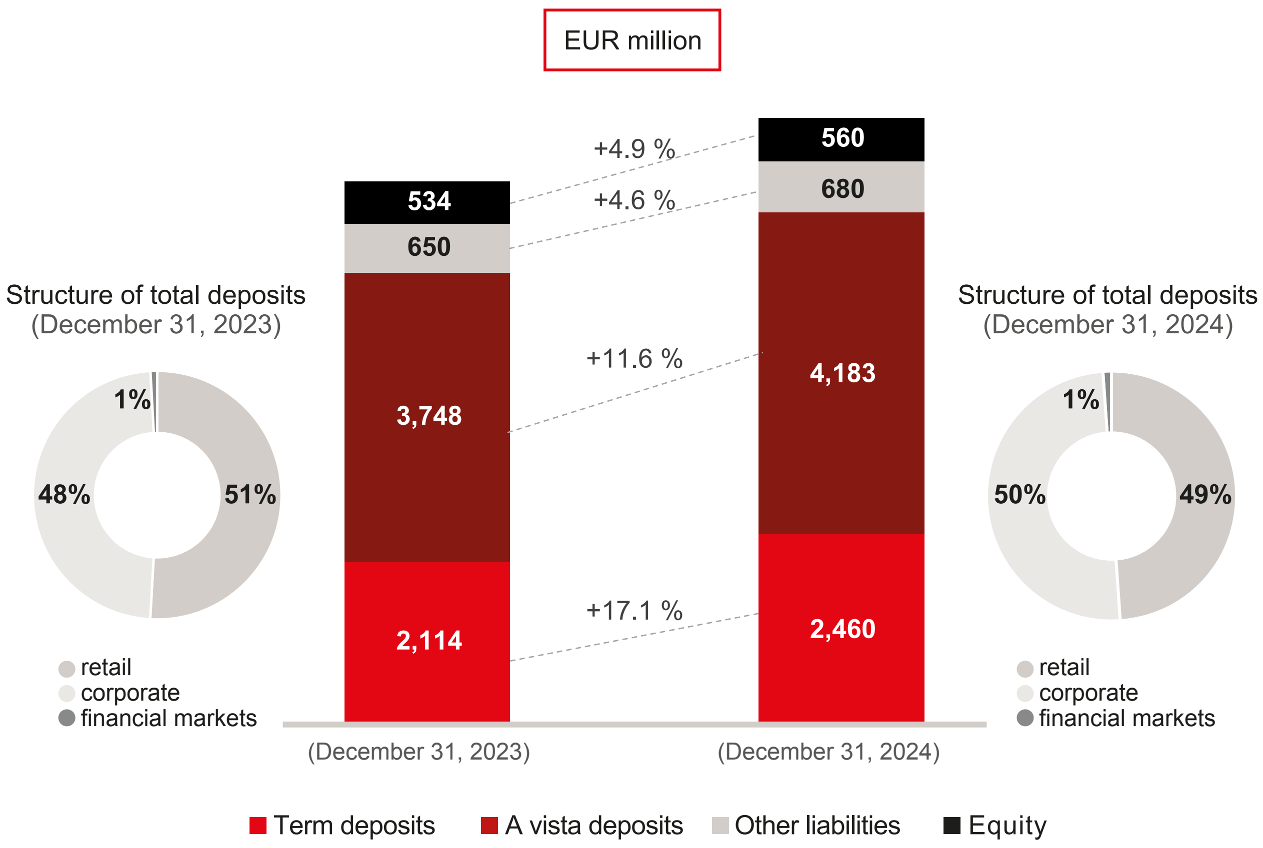
Although asset growth was recorded in 2024, it did not result in an increase in risk-weighted assets.

Assets composition



At the end of 2024, the Bank's assets amounted to EUR 7.883 billion, representing an increase of EUR 837 million (+11.9%) year on year. With 36.4 percent, loans and receivables from clients constitute the most significant portion of the asset structure.

Liabilities and equity composition



Total deposits increased by 13.3 percent. The growth in sight deposits in 2024 amounted to EUR 435 million, while term deposits grew by EUR 346 million.

Overview of Business Segment Operations

RETAIL SEGMENT OPERATIONS

545 thousand Total clients	25.5 thousand New clients

Retail operations are conducted via the Bank's extensive network, including 6 regional centres, 60 canter and 4 outlets, e-branch, in addition to leveraging the distribution network of Croatian Post, which encompasses over 1,000 post offices throughout the Republic of Croatia.

The year 2024 was marked by continued positive trends in retail deposits, with an increase of EUR 266 million, bringing total deposits to EUR 3.278 billion as of December 31, 2024, representing an 8.8 percent growth.

Regarding deposit structure, 2024 saw a return to historical trends. Following the significant term deposit growth in 2023, there was a shift towards sight deposits in 2024, which grew by 22.6 percent to EUR 1.823 billion, while term deposits declined by 4.6 percent, amounting to EUR 1.455 billion at year-end.

The year 2024 marked a rebound in lending activity, with EUR 324 million in total loans disbursed, 75 percent of which were non-purpose cash loans. This led to a EUR 47.3 million increase in the gross loan portfolio for housing and other loans.

Branch network

6 regional centres

60 centres

4 outlets

1,016
post offices for euro payment transaction and contracting Bank's products and service for retail customers

992
locations for corporate clients

141
location for retail credit operations in the financial corner of Croatian Post

DIRECT BANKING DIVISION OPERATIONS

Card Operations

553 ATM	720 thousand Valid cards
17 various card products	3,195 EFT-POS terminals

Throughout 2024, the card operations segment achieved significant milestones, including the successful operational merger and migration of Nova hrvatska banka into Hrvatska poštanska banka, the introduction of new products and technologically advanced card acceptance devices, and numerous business process enhancements.

One of the key achievements in 2024 was the successful migration of card products from Nova hrvatska banka. This complex process, requiring meticulous planning and coordination, was seamlessly completed, ensuring service continuity and customer satisfaction.

In May 2024, following the operational merger, the Bank migrated the entire card product portfolio, replacing all debit and credit cards, including seven distinct card products for both retail and corporate clients. Additionally, the merchant portfolio and ATMs from Nova hrvatska banka were integrated into the Bank's system.

As part of this migration process, the Bank undertook extensive optimization efforts, ultimately leading to a 1 percent reduction in the card portfolio compared to 2023, resulting in a total of 720 thousand valid cards.

Of this total, 97 percent were issued to retail clients, while 3 percent were issued to corporate clients.

The Bank processed a total of 49.1 million transactions, reflecting a 12.8 percent increase year-on-year. The total transaction volume amounted to EUR 2.7 billion, representing a 17.3 percent increase compared to 2023. Transactions conducted using HPB-issued cards reached 40.1 million, marking a 16.6 percent growth compared to the previous year.

These results were driven by the merger with Nova Hrvatska Banka, various internal initiatives, and partnerships with business collaborators.

The Bank also focused on enhancing customer benefits, including the implementation of post-purchase installment payments via digital channels and Bank branches. This service is now available to eligible debit card users and holders of the Visa "One for All" charge credit card, offering greater financial flexibility. Additionally, cash withdrawals with HPB cards are now enabled at Tisak sales points.

As part of the operational migration, the Bank strengthened its card acceptance network, allowing bill payments at over 3,000 EFT-POS terminals, as well as at Tisak and Konzum sales points. This was one of the most complex and significant migration processes in the Bank's card operations, demonstrating its ability to successfully manage large-scale challenges while ensuring continuity and quality of service for end users.

To maintain a high standard of reliability and service for merchants, the Bank completed the certification and implementation of the latest version of Verifone EFT-POS terminals, initiating a terminal network renewal program, which will be carried out progressively.

The Bank remains highly competitive in the ATM segment, both in terms of the number of ATMs available and the range of services offered. The ATM network is continuously optimized based on client needs, and in 2024, it was expanded with the latest series of Diebold Nixdorf cash and deposit ATMs.

Security remains a top priority in card operations. In 2024, the Bank successfully implemented electrochemical protection on ATMs, ensuring full compliance with regulatory requirements. Additionally, in collaboration with business partners, the Bank launched the implementation of one of the most advanced electronic security systems to prevent unauthorized access to ATM safes. These measures further demonstrate the Bank's commitment to safeguarding assets and client data.

In addition to these initiatives, the Bank conducted a series of optimizations and system upgrades to further enhance the quality of its card products while ensuring compliance with regulatory and industry standards.

Digital banking

The expansion of digital banking services remains a key trend, particularly within mHPB mobile banking. At the close of 2024, the mHPB retail client base reached 160 thousand, reflecting a 5 percent increase compared to the previous year. The number of transactions grew by 17 percent, while the transaction volume recorded a significant 36 percent increase year-on-year.

In the corporate segment, the number of Internet Banking users surpassed 15 thousand, marking a 5 percent increase compared to 2023. Additionally, corporate mobile banking adoption recorded a 17 percent rise, while the transaction volume processed via mHPB for corporate users grew by 70 percent.

With clients increasingly turning to digital channels for their financial needs, the Bank remains focused on innovation and digital transformation. Our goal is not only to meet evolving client demands but also to proactively develop cutting-edge solutions that align with future banking trends.

The year 2024 was marked by the Bank’s integration with Nova Hrvatska Banka, activities related to the operational merger of Nova Hrvatska Banka into HPB, and business stabilization following the merger.

As part of the operational merger, the following key digital functionalities were implemented:

- A seamless digital migration solution for NHB app users, allowing them to transition to HPB apps remotely, without the need to visit a branch,
- The ability for retail ustomrs who own credit cards but do not hold a transaction account to contract mHPB mobile banking,
- A post-transaction installment splitting service for ATM withdrawals and credit card payments, accessible via mHPB mobile banking,

Additionally, as part of a bank-wide initiative to enhance online payment security, the Bank continuously upgraded mHPB and Internet Banking functionalities throughout 2024, focusing on minimizing online fraud risks by introducing:

- Setting daily transaction limits for online payments,
- Creating a list of verified recipients,
- Implementing robust measures for secure customer authentication,
- Establishing a blacklist for managing suspicious recipient accounts,
- Introducing first payment validation via Push notification,
- Overhauling the m-Token redistribution process.

Significant efforts were dedicated to the development of Adaptive Authentication for Internet Banking, an advanced risk-based fraud prevention system designed to dynamically adjust client authentication requirements in real time based on assessed risk levels.

In parallel, we focused on enhancing the user experience by developing innovative digital solutions:

- **Online contracting of SuperSmart accounts**
  The digital onboarding process for HPB SuperSmart current and giro accounts was streamlined and optimized, allowing clients to open accounts entirely online via the e-Branch, eliminating the need for in-branch visits.
- **Advancements in PSD2 integration**
  Continuous expansion and refinement of PSD2 interfaces enhanced both functionality and the user experience, ensuring seamless and secure transactions.

With innovation at the core of our strategy, we are committed to staying ahead of industry trends and driving digital transformation, providing clients with secure, fast, and user-friendly banking solutions.

Overview of retail products and services:

Product group	Products and services in 2024
Accounts	• Current account – local currency • Basic account / Basic account for vulnerable groups - local currency • Special purpose accounts – local currency / foreign currency • Switching payment accounts – local currency / foreign currency • Giro account – local currency / foreign currency • Foreign currency account • SuperSmart HPB account – local currency • Payment operations – national / international, cash / non-cash, local currency / foreign currency • Payment operations – national, cross-border, and international payments • SEPA Instant Payments – 24/7/365 • SEPA direct debits • Reporting – monthly / annually • Foreign check processing • Standing orders
Savings	• Demand deposit – EUR / fx • Flexy Kockica children's savings account – local currency • Non-purpose term deposits – EUR /fx • Multipurpose term deposits – EUR / fx • Term savings with multiple deposits – EUR • Annuity savings – EUR / fx
Loans	**Housing Loans**
	• Housing loan with fixed interest rate • Housing loan without mortgage with fixed interest rate • Housing loan under the Housing Loan Subsidization Act • Housing loan for apartment purchase under the Socially stimulated housing construction program A with fixed interest rate • Housing loan based on HPB Housing savings
	Multipurpose loans
	• Tourist loan with fixed interest rate • Loan for private high school or grammar school enrollment fees, undergraduate, graduate, and/or postgraduate study with fixed interest rate • Loan for settling overdrafts on the current account in the Bank
	Non-purpose loans
	• Non-purpose loan • Non-purpose loan for pensioners with combination of fixed and variable interest rate • Non-purpose loan for pensioners • Lombard loan secured by term deposit • Non-purpose mortgage loan with a fixed interest rate • Non-purpose loan for clients with housing loan based on Law on Subsidizing Housing Loans
Cards	• Debit Mastercard contactless card • VISA Electron / Debit current account card • Maestro current account card • Mastercard debit gyro account card • VISA prepaid card • VISA prepaid card for young people - IDEEEŠ! • Visa installments card • Gold Mastercard card • Mastercard Pošta & HPB card • Mastercard credit card (revolving) • Mastercard deferred payment card (charge)

Product group	Products and services in 2024
E - banking	• mHPB • mToken • Internet banking • SMS / e-mail services • e-account • e-cash • e-citizens
HPB Invest	• HPB Focus 2026 fund • HPB Short-term bond fund • HPB bond fund • HPB Bond plus fund • HPB Global fund • HPB Equity fund
Croatia Insurance	**Non-life insurance**
	• Accident insurance • Health insurance • Insurance of goods in transit • Insurance against fire and natural forces • Insurance against other damage to property • General liability insurance • Credit insurance • Insurance against miscellaneous financial loss • Travel insurance
	Life insurance
	• Endowment insurance • Term insurance • Pure endowment insurance
	Supplemental life insurance
	• Accidental death benefit rider • Other Supplemental life insurance
Croatia Insurance Voluntary Pension Fund Ltd.	• CROATIA INSURANCE 1000A voluntary pension fund • CROATIA INSURANCE voluntary pension fund • CROATIA INSURANCE 1000C voluntary pension fund
Other	• Brokerage services - Credit Intermediary Services • RoboAdvice application advisory services - determining the suitability of open investment funds for clients • Suitability assessment of open investment funds for clients • Execution only • Foreign exchange operations • Safe deposit boxes • ORYX Assistance – Home Assistance • ORYX Assistance – Roadside Assistance • Triglav Assistance – Home Assistance • Triglav Assistance – Roadside Assistance

CORPORATE SEGMENT OPERATIONS

Large Corporates and Public Sector Division

1,629 total clients	**EUR 987 mil** loan volume
874 local government and self-government units and associated companies	**EUR 2,263 mil** deposit volume

Large Corporates and Public Sector Division served 1,629 clients, with a commitment to continually enhancing services and integrating innovative solutions to more effectively fulfill client requirements. The year 2024 was marked by the operational merger of Nova Hrvatska Banka (NHB) into Hrvatska poštanska banka, which, alongside organic portfolio growth, significantly contributed to the expansion of the client base, loan volumes, and deposits.

The gross loan portfolio for legal entities in the Large Corporates and Public Sector Division amounted to EUR 987.2 million, with commercial enterprises and national funds holding the largest share. HPB remains committed to supporting companies and industries that drive economic growth and value creation.

As of December 31, 2024, total deposits from legal entities in this division reached EUR 2,262.9 million, of which EUR 1,958.2 million were demand deposits, primarily from clients in the Central State segment. This deposit growth was also influenced by the acquisition of new clients and the overall liquidity of the financial system.

The overall financial system's high liquidity and intense competition among banks presented substantial challenges. The performance in the segments of large corporate, the central state, and local government units in 2024 was shaped by the need to adapt to the risks associated with market volatility, sparked by the war in Ukraine, the aftermath of the pandemic, rising interest rates, and intense pricing competition within the banking sector.

The large corporate segment experienced a continued recovery in 2024, following the upward trend that began in 2023. However, major investments remained subdued, and the year ended under the influence of inflationary pressures and a slowdown in contracted projects. The primary demand was for liquidity financing and refinancing of existing obligations, as companies sought more favorable interest rates and lower financing costs. The strongest loan growth was recorded in the large corporate segment, driven by intensive client acquisition efforts throughout 2023 and 2024, resulting in steady growth throughout the year. By focusing on creditworthy clients and financing working capital, the Bank was able to compensate for the absence of investment loans.

Local government units continued to base their funding strategies on competitive public tenders, aiming to secure the most cost-effective financing options. Within this environment, the Bank carefully positioned itself, capitalizing on opportunities that aligned with its pricing strategy. The Central State remained largely self-financed through bond and treasury bill issuances, significantly limiting opportunities for bank lending.

Local government units' investments in municipal infrastructure contributed to an impressive performance and a significant growth in the Bank's loan portfolio. A significant advancement was also achieved in financing working capital for both new and existing clientele. The Bank continues to finance long-term investments, maintaining its strong market position.

The Bank continued to develop new products and expand its specialized services, particularly in co-financing projects with European funds through the established EU desk. This initiative provides expert support to both public and private sector clients in financing and executing projects. Additionally, project financing solutions were introduced to support large-scale infrastructure, energy, and tourism projects, aligning with the expected increase in demand for investment loans.

The Bank maintained strong partnerships with HBOR and HAMAG-BICRO, as well as EIB, GGF, and EFSE, continuing successful collaborations across various financing programs.

Looking ahead, the Large Corporates and Public Sector Division will remain dedicated to intensive collaboration and credit support for large enterprises, state entities, and local government units. The strategic focus will be on diversifying the loan portfolio, with an emphasis on private-sector large enterprises and local government financing, while also increasing non-interest income and expanding service offerings.

Small and medium enterprises

15,258 total clients	**EUR 387 mil*** loan volume
6 regional centers	**EUR 617 mil** deposit volume

* tradesmen

The SME Division serves over 15,000 clients, with a strong emphasis on business innovation and continuous improvements in financing opportunities.

In 2024, we remain committed to supporting the Croatian economy by fostering the growth of micro, small, and medium-sized enterprises. The SME Division focuses on creating comprehensive financial solutions tailored to the needs of small and medium-sized business owners.

As of December 31, 2024, the gross placements to entities within the SME Division amounted to EUR 387 million, with value adjustments totaling EUR 45 million. The division's total deposits reached EUR 617 million, with EUR 401 million in demand deposits and EUR 216 million in term deposits. A particularly noteworthy development in 2024 was the substantial increase in term deposits, reinforcing the division's role in curbing inflation in Croatia and further strengthening confidence in the Bank.

HPB continues to develop holistic financial solutions for small and medium-sized enterprises, steadily advancing toward business and operational excellence. Our goal is to deliver faster, more efficient, and highly competitive services, solidifying Hrvatska poštanska banka's position as the leading bank in the SME segment.

The Bank remains focused on streamlining and accelerating the loan approval process, ensuring easier and faster access to financing for clients.

HPB continues to strengthen its strategic partnership with Croatian Post, expanding its banking service network and bringing banking closer to clients across the country. This initiative enables entrepreneurs to access essential banking services—including transaction account setup, digital banking, card issuance, lending services, and payment processing—even in locations where the Bank does not have a physical branch or center. This partnership has made HPB the largest distribution network for essential banking products and services in Croatia.

The SME Division also places significant focus on portfolio optimization and regulatory compliance, leading to an increase in active clients and a fully updated client database in line with regulatory requirements.

Overview of products and services in the corporate segment:

Product group	Products and services in 2024
Payment operations	• Transaction account • Entrepreneur Packages • Escrow account • Payment operations – national, cross-border, and international • Account Statement detailing the changes and balances • Solvency data (BON2) • SEPA Direct Debits • SEPA Credit Transfers • SEPA Instant Credit Transfer • Electronic Funds Transfer at Point of Sale (EFTPOS) • E-commerce
SME financing	**Short-term financing**
	• Business Overdrafts • Working Capital Loans • Revolving Loan Facility • Refinancing Loan/Debt Consolidation Loan • Interim Financing Loan/Bridge Loan • Margin Loan • Loan Against Fixed Deposits • Loan for Tourism Season Preparation • Agricultural (Agro) Loan • Discounting of Bills of Exchange Issued by Creditworthy Companies • Discounting of Securities, Bonds, Commercial Papers, and Bills of Exchange Endorsed by Government Institutions • Purchase of Receivables from Creditworthy Companies (Factoring) • Purchase of Receivables from Government Institutions (Factoring)
	Long-term financing
	• Working Capital and Permanent Working Capital Loan • Investment Loan for Fixed Assets • Refinancing Loan/Debt Consolidation Loan • Loan Against Fixed Deposits • Loan for Tourism Season Preparation • Agricultural (Agro) Loan • Energy Efficiency and Renewable Energy Loan • Loan for Repairs and Maintenance of Common Areas in Residential Buildings • Post-Earthquake Reconstruction Loan for Buildings
	Financial Monitoring Frameworks
	• Framework for Utilizing Short-Term and Long-Term Financial Products (Loans, Guarantees, Letters of Credit) • Receivables Purchase Framework
	Special Loan Programs – in Partnership with HBOR
	• Loan Program: Youth, Women, and Start-up Entrepreneurship • Loan Program: Private Sector Investment • Loan Program: EU Projects • Loan Program: Export Preparation • Loan Program: Working Capital • Loan Program: Financial Restructuring • Framework Loan for Working Capital Financing • Framework Loan for Investment Financing • Insurance of Performance-related Export Guarantees • Insurance of Exporters' Working Capital Loan Portfolio • Loan Program for Small and Medium-Sized Enterprises (SMEs) and Mid-Cap Companies – A guarantee scheme designed to facilitate access to financing for SMEs and mid-cap enterprises under the framework of the National Recovery and Resilience Plan (NRRP)

Product group	Products and services in 2024
SME financing	**Special Loan programs – in cooperation with HAMAG-BICRO**
	• HAMAG Individual Guarantees for Rural Development • ‘PLUS’ Guarantee Program with Interest Rate Subsidies – A financing initiative combining guarantees with interest rate subsidies, funded through the National Recovery and Resilience Plan
	Special Loan Programs – other
	• Loans in cooperation with the Ministry of Croatian Veterans for micro, small and medium-sized enterprises of Croatian veterans and children of Croatian veterans • Loans in collaboration with the Croatian Audiovisual Center • Long-term Investment Loans for Energy Efficiency (Green for Growth Fund, GGF) • Long-term Loans for Financing Investments and Working/Permanent Working Capital (European Fund for Southeast Europe, EFSE)
Large corporates financing	**Short-term financing**
	• Business Overdrafts • Working Capital Loans • Revolving Loan Facility • Refinancing Loan/Debt Consolidation Loan • Interim Financing Loan/Bridge Loan • Margin Loan • Loan Against Fixed Deposits • Loan for Tourism Season Preparation • Agricultural (Agro) Loan • Discounting of Bills of Exchange Issued by Creditworthy Companies • Discounting of Securities, Bonds, Commercial Papers, and Bills of Exchange Endorsed by Government Institutions • Purchase of Receivables from Creditworthy Companies (Factoring) • Purchase of Receivables from Government Institutions (Factoring)
	Long-term financing
	• Working Capital and Permanent Working Capital Loan • Investment Loan for Fixed Assets • Refinancing Loan/Debt Consolidation Loan • Loan Against Fixed Deposits • Loan for Tourism Season Preparation • Products and services in 2024 • Agricultural (Agro) Loan • Energy Efficiency and Renewable Energy Loan • Loan for Repairs and Maintenance of Common Areas in Residential Buildings • Post-Earthquake Reconstruction Loan for Buildings • Project financing
	Financial Monitoring Frameworks
	• Framework for Utilizing Short-Term and Long-Term Financial Products (Loans, Guarantees, Letters of Credit) • Receivables Purchase Framework
	Special Loan Programs – in Partnership with HBOR
	• Loan Program: Private Sector Investment • Loan program: Public sector investment • Loan Program: EU Projects • Loan Program: Export Preparation • Loan Program: Working Capital • Loan Program: Financial Restructuring • Framework Loan for Working Capital Financing • Framework Loan for Investment Financing • Insurance of Performance-related Export Guarantees • Portfolio Insurance Program for Working Capital Loans for Exporters • Loan Program for Small and Medium-Sized Enterprises (SMEs) and Mid-Cap Companies – A guarantee scheme designed to facilitate access to financing for SMEs and mid-cap enterprises under the framework of the National Recovery and Resilience Plan (NRRP)

<table>
<tr><th>Product group</th><th>Products and services in 2024</th></tr>
<tr><td rowspan="2">Large corporates financing</td><td>Special Loan Programs – other</td></tr>
<tr><td>• Loans in collaboration with Local Government and Self-Government Units
• Loans in collaboration with the Croatian Audiovisual Center
• Long-term Investment Loans for Energy Efficiency (Green for Growth Fund, GGF)</td></tr>
<tr><td>Guarantees and letters of credit</td><td>• Performance guarantees
• Payment guarantees
• Counter-Guarantees and Superguarantees
• Standby Letters of Credit
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<tr><td>Cards</td><td>• VISA Business debit
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<tr><td>E - banking</td><td>• mHPB
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<tr><td>Deposits</td><td>• Term deposits
• Demand deposits
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• HPB nekretnine services</td></tr>
</table>

FINANCIAL MARKETS OPERATIONS

In 2024, inflation rates began to decline, leading to a policy shift by central banks. The European Central Bank (ECB) responded by lowering its reference interest rate from 4.50% to 3.15%, while the deposit rate was reduced from 4.00% to 3.00%. Similarly, the Federal Reserve (FED) cut its benchmark interest rate from 5.25%-5.50% to 4.25%-4.50%.

The continued growth in client deposits had a positive impact on liquidity management, and, combined with high interest rates, contributed to record-breaking interest income. In addition to its standard deposit activities on the interbank and fund markets, the Financial Markets Division made significant strides in corporate deposits, concluding agreements worth EUR 3 billion throughout the year. This expansion further boosted interest income. The Bank placed daily liquidity surpluses—which peaked at EUR 3.6 billion by year-end—into overnight deposits with the ECB.

Alongside domestic treasury bill issuances, the Bank successfully participated in treasury bill auctions from various Eurozone member states. Other investments were primarily directed toward fixed-income securities, which continued their upward trajectory in 2024, positively impacting trading income.

Equity markets continued their upward trend in 2024, driven by the onset of interest rate reductions. Through its equity and mixed fund holdings in HPB Invest, as well as a nearly 50% rise in the share price of Hrvatski Telekom, the Bank recorded a substantial increase in value, positively influencing trading revenue.

Due to exceptionally high liquidity levels, the Bank did not participate in the ECB's regular repo auctions in 2024. It successfully maintained regulatory liquidity ratios, with the liquidity coverage ratio (LCR) reaching a high of 261% by year-end.

The volume of foreign exchange trading with corporate clients and exchange offices remained on par with the previous year. Thanks to effective foreign exchange position management with minimal risk exposure, the Bank's results in this segment aligned with projections.

The Bank remains a key player in the cash operations market, leveraging its extensive branch and exchange office network and its partnership with FINA cash services to provide competitive cash trading and supply solutions. Following the adoption of the euro, this segment experienced a notable decline, yet volumes were maintained at 2023 levels.

Investment banking

In 2024, the capital markets were characterized by further stock price appreciation on global exchanges, driven by lower inflation rates and strong financial performance from listed companies.

Total trading volume on the Zagreb Stock Exchange (ZSE) increased by 23.6% compared to 2023, while order book equity trading rose by 10%. The CROBEX index recorded a 26% annual increase.

The capital markets continued to be shaped by the Ministry of Finance's focus on bond and treasury bill issuances for retail investors.

The Bank maintained its role as a co-arranger for the Croatian Ministry of Finance's bond issuances on the domestic market, reinforcing its strong position in government securities trading.

In the custody and depository services segment, the Bank continued to focus on service enhancements and regulatory compliance, achieving sustained growth in assets under custody and depository management.

Financial Markets Products and Services Overview:

Products	Description
Domestic Trading	• Engages in the buying and selling of financial instruments on the domestic market • Clients independently select which stocks to buy or sell, set their prices, and manage their portfolio distribution • Brokers advise clients on the investment risks associated with specific stocks, current market prices, market peculiarities, stock movements, and recommend diversifying investments across multiple stocks
Regional Trading	• Facilitates trading of financial instruments in Montenegro, Serbia, Macedonia, and Bosnia and Herzegovina • Clients independently select which stocks to buy or sell, set their prices, and manage their portfolio distribution • Brokers advise clients on the investment risks associated with specific stocks, current market prices, market peculiarities, stock movements, and recommend diversifying investments across multiple stocks
Global Trading	• Offers trading on leading global financial markets • Clients independently select which stocks to buy or sell, set their prices, and manage their portfolio distribution • Brokers advise clients on the investment risks associated with specific stocks, current market prices, market peculiarities, stock movements, and recommend diversifying investments across multiple stocks
Portfolio Management	• A specialized service allowing clients to entrust their funds to the bank for management • The service is aimed at those seeking to invest in securities and financial instruments over a period longer than one year for additional returns • Clients receive monthly, or more frequent, reports detailing all portfolio activities and financial instrument value changes, i.e. a report on the movement of the value of invested funds
Investment Services	• Investment services include investment advisory services, consulting on capital structure, business strategies, mergers and acquisitions, among other investment banking services
Securities Issuance	• The Bank manages issuances for the following financial instruments: a) debt financial instruments - short-term (commercial papers) and long-term (bonds) b) equity financial instruments - shares • Services encompass the entire issuance process, including organization, preparation, and conducting of securities registration and payment, along with other issuer-required tasks for a successful transaction
Securities Custody	• Primarily involves the safekeeping of assets and the execution of transaction settlements, alongside corporate action monitoring • Targeted at active capital market participants, investment and pension funds, institutional investors, and retail and corporate clients investing in financial instruments • Services include asset custody and safekeeping, transaction settlement on client orders, asset valuation, corporate action alerts, income collection from financial instruments, AGM representation, legislative change notifications

Products	Description
UCITS/AIF Investment and Pension Fund Depository Services	• A depository is a credit institution domiciled in Croatia or a branch of a credit institution from another EU member state, established in Croatia and authorized by the CNB (or the competent authority of that member state) to perform asset storage and administration services for clients, including custody and related services: - fund control tasks - fund cash flow monitoring - fund asset storage • The depositary is responsible for maintaining distinct accounts for each fund's assets, ensuring a clear separation from the assets of other funds, the depositary's own assets, and those of other clients and the management company. It oversees compliance with regulatory requirements and fund directives during the investment of fund assets. The depositary notifies the regulatory authority about the valuation of fund assets and share prices, processes transactions as instructed by the management company concerning the fund's assets, and reports on corporate actions. It facilitates voting at shareholder meetings, collects income and entitlements for the fund, and verifies that fund revenues are utilized according to regulatory and corporate directives. Additionally, the depositary is tasked with reporting any significant non-compliance with legal regulations and company policies to the regulator, ensuring the integrity and transparency of fund operations.
Moj broker - Web Trader	• My Broker - Web Trader service allows clients to trade securities and monitor their portfolio status online, independent of the bank broker's working hours. • Features include: - placing orders for the purchase and / or sale of financial instruments on the ZSE - cancelling, or modifying buy/sell orders on the ZSE - checking portfolio status - accessing account balance and transactions - viewing real-time stock prices on the ZSE with the top 50 offers, and - secure data exchange.
Short-term loans for Buying Financial Instruments (Margin Loans)	• Short-term loans for retail and corporate entities aimed at purchasing financial instruments listed on the Margin Loan Financial Instruments List, in line with daily determined investment limits for each instrument • The repayment term is up to 12 months • Loans granted up to 100% of the pledged financial instruments' value, ranging from a minimum of EUR 6,000 to a maximum of EUR 260,000.
FX Transactions - Spot	• Users: Both domestic and international retail and corporate clients, and financial institutions • Purpose: - buying foreign currencies for overseas payments or account deposits - selling foreign currencies from abroad inflows - foreign currency conversions
FX Transactions - Forward	• Users: Domestic and international corporate clients, and financial institutions • Purpose: - buying and selling foreign currencies at a pre-agreed rate for settlement dates beyond two business days from the agreement date - buying foreign currencies for overseas payments or account deposits - selling foreign currencies from abroad inflows - foreign currency conversions
FX Swap	• Users: Domestic and international corporate clients, and financial institutions • Purpose: - An agreement for the simultaneous purchase and sale of currencies at predetermined rates, comprising a spot and a forward transaction of opposite directions. - SWAP contracts involve currency exchange until maturity, essentially serving as a currency swap until the agreed upon date.

Products	Description
Cash trading	• Purpose: Manages the bank's cash position by maintaining optimal levels of both foreign and domestic cash reserves.
Given Deposits	• Users: Banks • Purpose: Short-term financing • Terms: Typically up to one year, with the possibility of longer terms • Access: Funds are accessible from the value date until the maturity of the contracted deposit.
Received Deposits	• Users: Domestic and foreign banks and financial institutions • Purpose: Earning yields on unutilized EUR or foreign currency funds • Terms: Fixed-term agreements, usually up to one year • Access: Funds are locked during the deposit term; early withdrawal agreements may exist with certain financial institutions.
Repo/Reverse Repo Loans	• Users: Domestic corporate clients and financial institutions • Purpose: - A contractual agreement where financial assets (securities) are exchanged for cash It includes a commitment to execute a reverse transaction on a future date. - This agreement includes two transactions: both the purchase and sale of a security at a predetermined price - It operates as a collateralized loan agreement, where one party offers a financial security as collateral in return for cash from the other party - The repo contract ensures that all benefits and associated risks of the security ownership remain with the original owner - A reverse repo contract involves opposite transactions to those in a repo contract • Terms: Similar to money market deposits, typically up to one year, but longer periods can be negotiated.
Securities Trading (Bonds, Treasury Bills, CNB Bills, Commercial Papers, Shares)	• Users: Domestic corporate clients and financial institutions • Purpose: Investing available funds in debt securities with fixed returns issued by states, local governments, cities, or corporations • Terms: - Short-term debt securities are issued for terms up to one year - Long-term debt securities have maturities longer than one year

Internal Control System and Risk Management Functions

Risk Management

At HPB, risk management is executed via a comprehensive system incorporating a variety of procedures and methodologies designed to identify, assess, monitor, and mitigate the array of risks the bank might face. The establishment of this risk control framework aims at minimizing unforeseen impacts and safeguarding the bank's operational stability, including the fulfillment of its obligations. This system undergoes regular updates to both its qualitative and quantitative measures, adhering to key principles in risk evaluation and management:

- Establishing thresholds for risk tolerance based on both internal risk limits and regulatory standards,
- Continual enhancement of processes for risk identification, measurement, assessment, and monitoring,
- Ongoing advancement of risk measurement and monitoring techniques, aligning with the evolution of the risk control function and supportive IT infrastructure.

HPB inherently encounters a variety of risks in its client dealings. The objectives in managing these risks include:

- Promoting stable and secure growth through a robust risk management framework.
- Enhancing the bank's risk profile,
- Implementing an integrated management system with uniform procedures across the bank.

Given the breadth and intricacy of its operations, HPB focuses on the following major risks within its risk management framework:

- Credit Risk,
- Market Risk,
- Liquidity Risk,
- Interest Rate Risk in the Banking Book,
- Operational Risk.

Credit Risk

Credit risk presents the likelihood of loss due to a borrower's failure to meet obligations to a credit institution. It stands as the predominant risk for HPB, as it does for all banking institutions.

In light of its significance, HPB dedicates substantial efforts to managing credit risk through established policies, procedures, and internal regulations.

The goal of managing credit risk is to maintain a high-quality credit portfolio that supports earnings and growth in lending activities. This is achieved by optimizing the return on investment while maintaining a balanced risk-reward ratio in line with funding cost.

Credit risk management at HPB involves multiple levels of governance, including:

- The Management Board,
- Designated committees (e.g., the Credit Committee) and individuals,
- Clear operational and organizational delineation between market-facing (front office) and risk management (back office) functions,
- Corporate Credit Risk Management Division,
- Retail Credit Risk Management Division,
- Strategic Risk Management and Risk Control Division.

HPB's approach to credit risk includes setting specific limits to manage exposure effectively.

To control and manage credit risk, various parameters are monitored, such as borrowers' creditworthiness, punctuality in meeting obligations to HPB, collateral quality, compliance with regulatory and internal capital adequacy requirements, and overall portfolio quality. Additionally, comprehensive assessments and recoverability evaluations are conducted for lending propositions before approval.

Furthermore, HPB addresses concentration risk and currency-induced credit risk within its overarching credit risk management strategy, applying consistent methodologies to mitigate these risks effectively.

Market risk

Market risk encompasses several types of risks associated with financial market activities, including position risk, foreign exchange (FX) risk, and commodity risk.

- Position risk pertains to potential losses from fluctuations in the prices of financial instruments or derivatives,
- FX risk relates to potential losses arising from changes in foreign exchange rates and/or the price of gold,
- Commodity risk involves potential losses due to fluctuations in commodity prices.

HPB's market risk management structure includes:

- The Management Board,
- A clear operational and organizational distinction between the trading front office and the risk management back office,
- The Assets and Liabilities Management Committee,
- Strategic Risk Management and Risk Control Division.

Market risk tolerance is guided by predefined exposure limits to market risks. HPB has established specific limits at various levels—portfolio, sub-portfolio, and instrument level—tailored to the nature of the financial instrument and relevant market risk exposure measures. Additionally, stop-loss limits are set for individual equity securities identified as trading assets to manage risk effectively.

For the assessment and valuation of market risk exposure, HPB employs a methodology that includes the Value at Risk (VaR) method, measures of interest rate sensitivity (BPV), and limits related to the nominal amount of the instrument, ensuring comprehensive oversight and management of market risks.

Liquidity risk

Liquidity risk involves the potential loss due to a bank's inability to fulfill its financial obligations when they come due, encompassing both the bank's operational needs and its financial commitments. This risk is intricately linked with two primary aspects, which HPB manages collectively:

- Funding Liquidity Risk: The risk that the bank might not be able to meet its current and future cash and collateral requirements without adversely impacting its daily operations or financial outcomes.
- Market Liquidity Risk: The risk that arises from the bank's inability to efficiently close or offset positions at prevailing market prices due to market disruptions or lack of market depth.

The framework for managing liquidity risk at HPB includes:

- The Management Board,
- The Assets and Liabilities Office,
- The Assets and Liabilities Management Committee, with a dedicated Liquidity Subcommittee,
- Strategic Risk Management and Risk Control Division,
- Financial Markets Division.

HPB's approach to measuring and estimating liquidity risk exposure utilizes: The calculation of the Liquidity Coverage Ratio (LCR), Assessment of structural liquidity through indicators such as the Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM).

The propensity to assume liquidity risk is determined by established liquidity risk exposure limits. To manage liquidity risk effectively, suitable thresholds have been implemented for the liquidity coverage ratio as well as for structural liquidity indicators.

Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book pertains to the potential for loss due to fluctuations in interest rates that impact the bank's non-trading portfolio.

The framework for managing Interest Rate Risk in the Banking Book involves:

- Oversight by the Management Board,
- Guidance from the Assets and Liabilities Management Office,
- Strategic oversight from the Strategic Risk Management and Risk Control Division,
- Coordination by the Assets and Liabilities Management Office.

The bank's approach to IRRBB is guided by defined exposure limits to interest rate risk within the banking book.

To effectively manage IRRBB, the bank sets limits based on the impact of interest rate changes on the economic value of the banking book relative to regulatory capital, and on net interest income variations. Additionally, the bank evaluates the Value at Risk (VaR) for positions that are sensitive to interest rate movements, further reinforcing its risk management strategy.

Operational risk

Operational risk encompasses the possibility of losses stemming from inadequacies or failures in internal procedures, staff actions, technological systems, or external occurrences, inclusive of legal liabilities.

The organizational structure for managing operational risk comprises:

- Oversight by the Management Board,
- A dedicated Operational Risk Management team, including an Operational Risk Manager, Support Staff for Operational Risk, and Liaison Officers,
- An Operational Risk Management Committee,
- Corporate Security Office,

- Compliance Division,
- Strategic Risk Management and Risk Control Division.

The methodology for measuring or assessing operational risk exposure involves gathering and analyzing data on past operational risk events, conducting risk and control self-assessments, evaluating IT risk, analyzing the business impact with consideration of the ongoing viability plan, and assessing risks outsourced. Furthermore, the Bank assesses how the introduction of new products might alter its risk profile.

To mitigate operational risk, the Bank primarily employs an internal control system and, where applicable, risk transfer strategies (hedging). Additionally, it maintains a robust going concern management system.

Other risks

Other risks within HPB's operations, while present, are considered less critical compared to the major risks detailed earlier. The methodologies and strategies for managing these risks are somewhat simpler.

Concentration risk occurs when there is significant exposure, whether direct or indirect, to a single entity, a group of interconnected entities, or a central counterparty. This risk is further compounded when exposures share common characteristics, like operating in the same industry, being located in the same geographic region, engaging in similar business activities, or relying on the same collateral provider. Such concentration can elevate the risk of substantial losses, potentially threatening the bank's operational stability or significantly altering its risk profile.

Collateral Value Risk assumes inconvenient market movements of assets used as collateral which will be a collateral trigger and cashed in for receivables collection.

Sovereign Risk is the risk of loss arising when a government or its agencies fail to meet their financial obligations, potentially impacting other domestic borrowers' ability to fulfill their foreign debts.

Strategic Risk emanates from flawed business decisions or an inability to adapt to economic shifts, leading to potential losses.

Management Risk arises from limitations in establishing sophisticated governance structures, mechanisms, and controls.

Credit Value Adjustment Risk (CVA) involves adjusting the portfolio's value to reflect mid-market prices. This risk impacts all over-the-counter (OTC) derivatives across business activities, excluding credit derivatives used to mitigate credit risk exposure. CVA mirrors the present market valuation of a counterparty's credit risk from the institution's perspective, not the counterparty's market credit risk. The Bank routinely monitors and reports on CVA risk, which remains relatively minor given the extent of its operations.

Compliance Risk is the potential for financial or reputational damage from failing to adhere to regulations, standards, codes of conduct, and internal policies.

Business Risk refers to unexpected declines in business volume or profit margins that could severely affect the bank's market value. They are often triggered by market downturns, competitive shifts, or changes in consumer behaviour.

Legal Risk includes risks from litigation due to contractual breaches, legal actions against the bank, or decisions that adversely affect its operations and financial health.

Regulatory Risk pertains to changes in laws and regulations that could impact the bank's business model and profitability.

Furthermore, the Bank acknowledges the significance of ESG elements in its operations and is actively working on formulating and implementing these elements within its risk management system, with a particular emphasis on environmental risks.

Environmental, Social, and Governance (ESG) Risks encompass the potential negative financial implications for the Bank stemming from the influence of environmental, social, or governance elements (ESG elements) on the Bank's engagements or its invested capital.

Environmental risk entails the possibility of financial losses for the Bank due to the impact of environmental elements on the Bank's contractual obligations or investments. These risks are tied to environmental objectives including:

- Mitigating the effects of climate change,
- Adapting to climate change,
- The sustainable management and conservation of aquatic and marine ecosystems,
- Transitioning towards a circular economy,
- Pollution prevention and control,
- Preserving and restoring biodiversity and ecosystems

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

Social risk involves the risk of financial losses due to the impact of current or future effects of social factors on the Bank's contractual relationships or invested capital.

Governance risk pertains to the risk of financial losses resulting from the current or future effects of governance factors on the Bank's contractual relationships or invested capital.

Internal Audit

Internal Audit plays a crucial role in ensuring that management and all employees adhere to and implement the Bank's internal control systems effectively. These systems are detailed in the Bank's internal policies and operational guidelines, with a particular focus on preventative measures and the early identification of any potential issues or shortcomings.

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

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

- Well-defined lines of accountability,
- Delimitation of powers and responsibilities,
- Specific control mechanisms, and
- A robust internal audit function.

Internal Audit

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

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

The Internal Audit Charter guarantees its independence and organizational freedom, ensuring direct and unrestricted access to data, personnel, and premises. Audit activities proceed through four stages: planning, testing, reporting, and follow-up, with planning rooted in a risk-based assessment.

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

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

Audit findings are reported to the auditee's responsible party, the relevant Management Board member, the Audit Committee, and the Supervisory Board, ensuring comprehensive awareness and oversight of audit outcomes, recommendations, and compliance timelines. Individual internal audit reports/findings are presented to the Audit Committee during board meetings. This process is facilitated by the Administration Office as a standard part of document submission procedures.

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

The report on work activities encompasses an overview of the annual work plan's execution, including a comprehensive list of both routine and special tasks carried out, as well as planned activities that were not executed, with justifications for their omission. Additionally, it offers a concise summary of critical observations made during audits, evaluates the performance of the risk management framework, and delivers an account on the adoption of audit-driven recommendations, proposals, and corrective actions, detailing any non-implementation along with the rationale behind it.

Compliance monitoring function

The compliance monitoring function is organized within the Compliance Division.

Executive Director - Compliance Division, who oversees the Compliance Monitoring Function, bears responsibility for the operation of the compliance control activities. This role encompasses specific duties and responsibilities as defined by the Bank's internal regulations, including but not limited to:

- coordinating compliance risk management,
- assessing compliance risks annually,
- formulating the division's annual work plan, operational strategies, methodologies, and budget,
- semi-annual reporting to the Management Board, Risk Committee, and Supervisory Board,
- issuing an annual assessment of the Bank's adherence to regulations related to investment services and activities,
- submitting at least an annual summary of activities regarding investment services and investment activity execution to the Management Board, the Risk Committee, and the Supervisory Board.

Executive Director - Compliance Division, Deputy Executive Director - Compliance Division, Director of Compliance and Data Protection Department including the employees within the Compliance Unit who undertake compliance monitoring tasks (hereinafter: the Compliance Monitoring Function) operate independently from the business sectors where compliance risks emerge, avoiding conflicts of interest.

The remuneration for the Compliance Monitoring Function's leaders and staff are not directly tied to specific operations and dealings within areas, processes, and activities where compliance risks emerge. The Bank's policies strictly regulate the acceptance of gifts and other benefits, secondary employment, memberships in boards of other entities, and scenarios potentially leading to conflicts of interest to ensure impartiality.

Leaders and employees tasked with Compliance Monitoring are empowered to seek and gain access to all necessary information, data, documents, IT systems, and additional resources required for performing their responsibilities. It's mandatory for other bank organizational units to assist by providing the information sought.

The responsibilities, extent, and method of operation, or rather, the working methodology and the system for reporting by the Compliance Monitoring Function to the Executive Board, Risk Committee, and Supervisory Board, are outlined in the following internal documents:

1. Business Compliance Policy;
2. Rulebook on Business Coordination;
3. Business Compliance Methodology.

Compliance monitoring tasks encompass:

1. Identifying and evaluating the compliance risks the Bank faces or might face,
2. Providing guidance to management and other relevant personnel on applying applicable laws, standards, and rules, including updates on developments in these areas,
3. Analyzing the impact of changes in relevant regulations on the Bank's operations,
4. Reviewing the compliance of new products or procedures with applicable laws and regulatory changes, in collaboration with the risk control function,
5. Managing sensitive information as per capital market regulations and maintaining required records and registers,
6. Overseeing the documentation of phone conversations and electronic communications related to investment services and activities,
7. Managing the system for addressing client complaints concerning investment services and activities,
8. Overseeing compliance activities related to investment product management,
9. Monitoring and ensuring the qualifications and professional standards of employees involved in investment services and activities,
10. Offering an overarching assessment of the Bank's adherence to regulations governing investment services and activities,
11. Informing the Management Board, Supervisory Board, and Risk Committee about compliance risks and other control functions if high compliance risk is identified,
12. Collaborating and sharing information with the Strategic Risk and Risk Control Sector regarding compliance risks and risk management,
13. Advising on the development of training programs related to compliance,
14. Checking operations against relevant regulations and reporting on these checks,
15. Ensuring that Bank employees comply with legal and other regulations and uphold the high ethical and professional standards outlined in the Bank's Code of Ethics, and reporting findings to the Management Board,
16. Overseeing the Bank's operational compliance with Articles 80 and 81 of the Capital Market Act and the regulations on organizational requirements and rules of business conduct for providing investment services and activities.

The compliance function actively engages with the Bank's management and staff across various organizational units, offering guidance on adhering to applicable regulations and fulfilling specific business responsibilities. It plays a crucial role in ensuring compliance with regulatory requirements, identifying compliance risks, and managing them effectively. This function must maintain its objectivity and independence while collaborating with other organizational units.

The compliance monitoring function also collaborates closely with the Internal Audit office and the Strategic Risk management and Risk Control Division. This partnership is particularly focused on overseeing the adoption of recommendations from supervisory and regulatory bodies, ensuring a cohesive approach to governance and risk management across the bank's operations. This collaboration focuses on monitoring the implementation of recommendations from supervisory and regulatory bodies, aiming to establish a robust internal control system across all business areas without duplicating efforts or creating conflicts of responsibility.

Furthermore, the compliance function liaises with external auditors and relevant regulatory authorities (CNB, HANFA), assisting in the execution or oversight of the implementation of their recommendations to the Bank.

By January 31st of each year, the Executive Director of the Compliance Division presents the annual compliance monitoring function's work plan to the Management Board, Risk Committee, and Supervisory Board for approval.

Additionally, as part of the annual report, the Executive Director annually evaluates compliance risks, aligning the assessment with the compliance priority categories outlined in the Compliance Policy, and reviews the bank's adherence to applicable regulations.

The annual report is submitted to the CNB by March 31st for the preceding year.

Annually, within the context of the annual report concerning investment services and activities, the Executive Director of the Compliance Division delivers a comprehensive review of the bank's adherence to the Capital Market Act, Regulation (EU) No. 596/2014, Regulation (EU) No. 600/2014, and related regulations enacted by CFSSA.

The annual report on compliance activities related to investment services and activities must be filed with the

Croatian Financial Services Supervisory Agency (CFSSA) by 31 March for the preceding year.

Annually, as part of their review of the Compliance Function's annual report, the Bank's Management assesses the effectiveness and appropriateness of the Compliance Function's procedures. Based on this evaluation, they draw conclusions regarding the performance of the Compliance Function, report these findings to the Risk Committee and the Supervisory Board, and implement measures to address any identified shortcomings.

The oversight of the Compliance Function's activities is conducted by the Internal Audit Office, which provides continuous and comprehensive monitoring of the Bank's operations.

Development Plan of Hrvatska poštanska banka

The development plan outlined in this section is largely based on the Hrvatska poštanska banka Business Strategy 2023–2026, which was approved by the Supervisory Board on February 27, 2023, in accordance with Article 48 of the Credit Institutions Act.

The Bank continues to pursue its vision of increasing its relevant market influence through mergers and acquisitions (M&A) as well as organic expansion, maintaining an agile approach to growth. By adopting a proactive market strategy, one of the most important medium-term objectives—entering the Top 5 banks in Croatia—has been successfully achieved. The impact of this achievement is expected to be further amplified through the planned strengthening of the Bank's digital capabilities and functionalities. Regardless of the evolving sentiment towards sustainable development, the Bank remains committed to supporting the green economy and circular economic principles, as they align with its mission of fostering better living conditions in Croatia.

Geopolitical risks, including the war in Ukraine and a potential recession among Croatia's key foreign trade partners, could trigger events that materialize risks and temporarily affect the Bank's development plan. However, beyond these geopolitical challenges, the banking sector—both globally and in Croatia—is undergoing a profound transformation driven by technological advancements in AI and FinTech. These innovations have already started, and will increasingly continue, to reshape the financial landscape by partially or entirely bypassing traditional financial intermediaries in service provision, fundamentally altering the sector while operating outside the scope of extensive regulatory requirements.

The primary challenges and risks the Bank faces in a competitive landscape include inadequate investment in emerging technologies and future growth, elevated funding costs, operational inefficiencies, demographic shifts, limitations in competitively compensating top talent, restricted knowledge-sharing (a common advantage of larger financial groups), and capital constraints.

The strategy outlined in this document aims to position the Bank to achieve its long-term target state ("vision") while fulfilling HPB's core business purpose ("mission"). To address future challenges and leverage its distinct position as the largest domestically owned commercial bank, the Bank has defined its vision and mission as follows:

Mission:

We are creating conditions for a better life in Croatia.

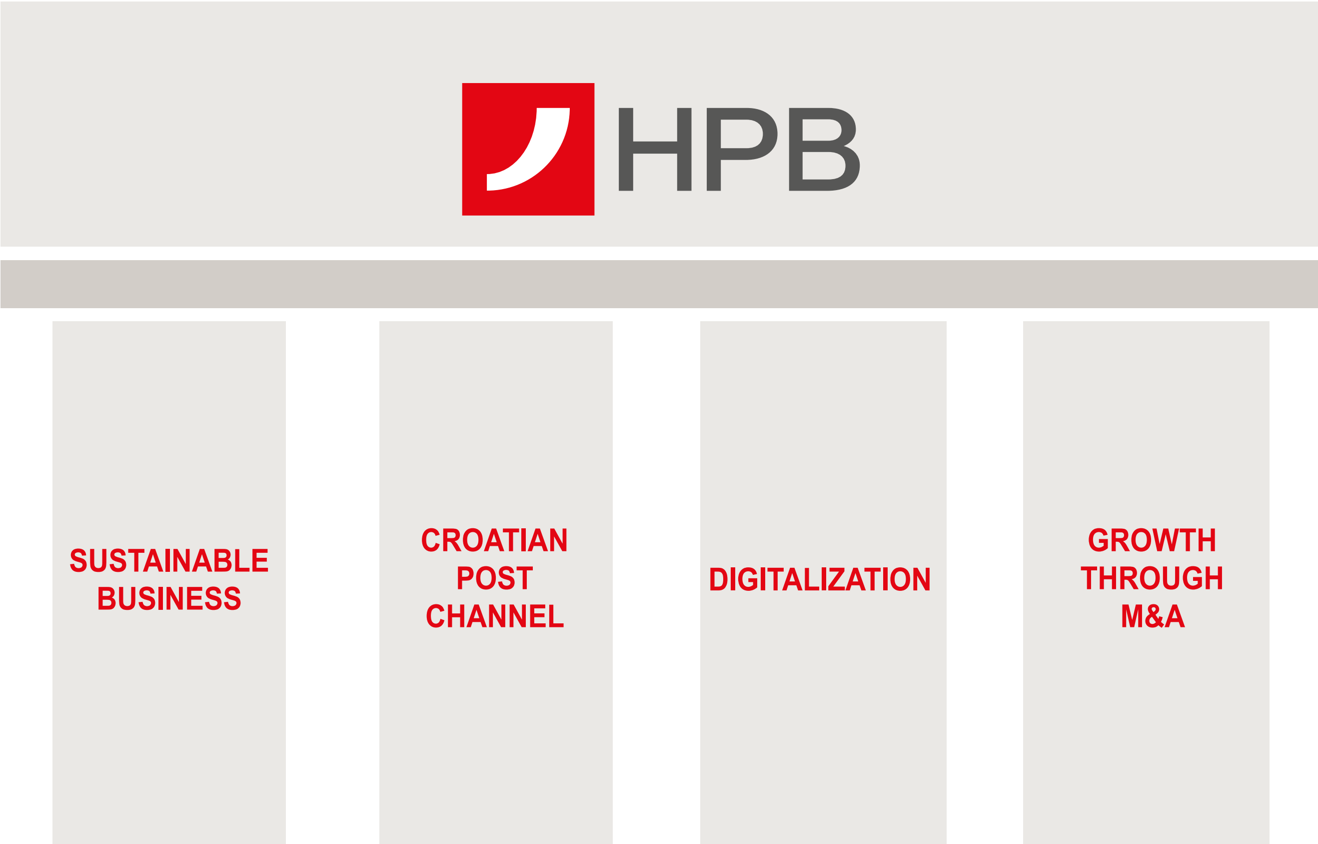
Vision:

The largest banking group in Croatian ownership that takes the best possible care of its clients, shareholders and community.

The following areas have been identified as the foundations of development - pillars of development:

- **Sustainable Operations** –To achieve its mission, the Bank is committed to contributing to economic development without jeopardizing the needs of future generations. The Bank is focused on sustainable development, ensuring a balance between environmental, social, and governance (ESG) factors, which serve as a cornerstone for achieving all business objectives.
- **Croatian Post Distribution Channel** – The Bank's most significant differentiating factor. Its contractual, IT, and ownership integration with Croatian Post establishes the largest branch network in Croatia, facilitating the distribution and sale of financial products from HPB's portfolio. The introduction of new products into the Croatian Post network will enhance results for both strategic partners while providing greater value to clients.
- **Digitalization** – The Bank is focused on tracking banking trends and responding to emerging non-banking competition, while also anticipating increasingly sophisticated client needs. Digitalization is no longer a competitive advantage for credit institutions—it is a prerequisite for survival. To implement its digital transformation, the Bank will enhance the functionality of products and services from a client-centric perspective, while simultaneously improving internal efficiency through automation and process optimization. As part of these efforts, the Bank's IT architecture will be restructured, reducing reliance on the core banking system, shifting key IT system functionalities to flexible satellite applications, and implementing a new data management system as a key enabler of data-driven decision-making.
- **Growth through M&A** – In recent years, the Bank has successfully executed multiple strategic acquisitions, significantly enhancing internal expertise and competencies. The success of these transactions, alongside their financial and synergetic benefits, positions the Bank to capitalize on future market opportunities and further expand its market share.

Pillars of Development



ESG as a foundation for business transformation	The client comes first	Strengthening the market position
Implementation of ESG factors in business processes; integration of risk and materiality assessment	Digitization of business	Completion of the merger of Nova Hrvatska banka
New model of non-financial reporting; new standards	Development of E2E digital acquisition channels	Consideration of opportunities for inorganic growth
Sustainability as a corporate priority for all three factors	Availability of products and services through the largest distribution channel	To become an excellent place to work and develop
Ethical and effective leadership	Speed and efficiency in customer support	Achieving goals through an effective management system; achieving competitiveness in the part of payment of receipts

Retail operations

Retail banking remains a strategic pillar of the Bank's operations. In the upcoming period, we will continue to focus on enhancing existing products and introducing new offerings, alongside improving service quality and customer experience, with the goal of expanding our base of active clients. Our acquisition strategy includes tailored offers and partnerships with select employers and strategic partners. Recognizing that continuous service enhancement is key to achieving our growth objectives, we remain committed to ongoing employee training and regular service quality assessments.

The first half of 2024 was primarily dedicated to finalizing the operational integration of Nova Hrvatska Banka's portfolio, during which we further advanced the digitalization of product contracting processes and enhanced product functionalities to elevate the overall customer experience.

In 2025, our primary focus will be on digital transformation and the implementation of the Bank's new core system, while simultaneously expanding product functionalities through initiatives such as introducing new banking packages, digitalizing account opening and loan applications, and streamlining processes to enhance the customer experience. In the retail lending segment, the Bank's strategic priority will be on housing loans, reaffirming our commitment to supporting Croatian citizens in securing housing solutions by offering competitive financing conditions.

Large Corporates and Public Sector Operations

The Large Corporates and Public Sector Division is steadfast in its commitment to vigorously expanding our business connections with existing clients and actively pursuing new partnerships, guided by the highest standards of banking practices In this endeavor, we will carefully balance market-driven commercial opportunities with the Bank's prudent risk management approach.

Future business expansion will be driven by increasing the base of active large clients in both domestic and foreign private ownership, facilitated by investment credit lines, working capital financing, documentary operations in domestic and international markets, and a comprehensive range of payment services. The merger of Nova Hrvatska Banka into Hrvatska poštanska banka has played a key role in this expansion, resulting in a larger client base, an expanded portfolio, and an infusion of specialized expertise and best banking practices within the integrated bank.

The division is dedicated to enhancing financial monitoring services for greenfield investments across sectors such as energy, water, communal services, housing, and tourism. This commitment is rooted in the principle of backing projects of the highest quality that boast solid capitalization and demonstrate a high degree of future cash flow reliability from operations.

Moreover, we take a tailored approach to client engagement, aligning our strategies with their industry affiliations. This leads to further specialization aimed at enriching our overall business relationships with clients. In this process, we meticulously consider the maximum exposure to credit risk for each industry, aligned with the macroeconomic indicators relevant to those sectors.

Client acquisition efforts will focus on creditworthy businesses with established banking relationships, including large corporate entities and state and local government institutions. By segmenting its client base, the Bank aims to offer tailored, high-quality financial solutions to new clients while maintaining strict risk management standards—a strategy that has already proven successful in previous periods. The goal is to implement a specialized sales and relationship management model that effectively meets client needs and expectations.

Through various acquisition tools, such as client databases, pre-selection processes, and targeted sales initiatives, the Bank will expand its client portfolio while further strengthening relationships with existing clients. In line with this strategy, the Bank will align credit process quality with product approval structures while ensuring a high degree of flexibility in financial solutions. Automation and digitalization have already been embraced as key trends, enabling the Bank to build a modern sales infrastructure that allows for faster and more efficient banking services, while maintaining long-term, high-quality client relationships.

The Division will persist in its primary objective of broadening business collaborations and extending loans to clients and industries significantly contributing to the growth of Croatia's GDP, particularly in manufacturing, exporting, and energy production sectors. Central to ensuring effective risk management, a tailored approach to each client is mandatory, involving a comprehensive assessment of their financial health, the industry's potential, and the viability of the specific business transactions they undertake. The Division's future activities will be significantly influenced by sustainable development, particularly within the large enterprise segment. The Bank is actively preparing for this by establishing procedures to assess and incorporate environmental, social, and governance (ESG) considerations into its operations.

To further enhance its market position, optimize revenue, and provide top-tier services, the Division will continue to strengthen collaboration with Croatian Post p.l.c., particularly in expanding its client base among local government units and their associated companies. The extensive presence of Croatian Post provides a valuable opportunity for client acquisition, leading to increased product and service sales, particularly in payment services and card products.

The Bank will also continue to develop its business relationship with FINA, one of its most significant partners in the payment services segment. Efforts will focus on improving cash management services in collaboration with large corporate clients requiring on-site cash deposit solutions.

In the deposit segment, our strategy emphasizes enhancing transactional relationships with major companies and corporations, alongside nurturing ongoing collaborations with governmental and public entities, as well as local administrative units and their subsidiaries. We aim for a strategic equilibrium between managing interest costs and fulfilling our liquidity demands to serve our clients' markets efficiently. Such a strategic stance reinforces our reputation as a dependable partner for corporate clients, reflected in the continuous growth of new fixed and demand deposits.

The Division's overarching ambition is to be a trusted banking partner for corporate clients, leveraging its expertise to enhance their business success while ensuring sustainable growth, profitability, and portfolio stability. These strategic priorities will serve as guiding principles for the future, reinforcing Hrvatska poštanska banka's position as one of the leading credit institutions in the market.

SME operations

The SME Business Division is steadfast in its commitment to business efficiency and productivity, deepening the strategic partnership with Croatian Post, embracing digital transformation, enhancing employee skills, and leveraging synergy with all organizational units of the Bank to elevate service quality and support entrepreneurs.

By expanding lending activities and targeting segments and entrepreneurs that generate economic value, the Division aims to make a significant contribution to the development of Croatia and its entrepreneurial sector. To further strengthen its market position, optimize revenue, and provide the best possible service to clients, the SME Business Division will leverage its collaboration with Croatian Post, particularly in the payment services segment and product contracting through its extensive distribution network.

The Division will continuously work on enhancing service quality and will make every effort to fully automate existing processes, ensuring faster response times and improved client communication regarding product and service agreements. By streamlining operations, the Division aims to deliver an efficient, modern, and client-focused banking experience for entrepreneurs.

Financial market operations

The integration of Croatia into the European Monetary Union and the establishment of a unified banking market have opened new opportunities for Croatian banks.

This is particularly evident in access to the European Central Bank's (ECB) monetary policy operations, which have facilitated liquidity and portfolio management for banks operating in Croatia.

For Croatian banks, the most significant benefit has been the ability to place overnight deposits with the ECB, though in the future, we anticipate expanded access to the full range of ECB instruments, ensuring greater stability and operational flexibility within the Eurozone's unified financial market.

We expect high liquidity levels to persist, allowing banks to continue utilizing overnight deposits at the ECB. Given the ongoing cycle of ECB interest rate reductions and investor expectations, further cuts in reference interest rates appear likely.

The ECB is expected to continue reducing its balance sheet through the phasing out of bond purchase programs. However, given the high liquidity in the market, Eurozone countries should be able to refinance their maturing debt and cover projected budget deficits without significant widening of bond spreads, despite political uncertainties in some of the largest member states.

In line with ECB forecasts and inflation slowdown trends, further interest rate reductions are expected, particularly on the shorter end of the yield curve. Meanwhile, mid- and long-term yields have already declined significantly compared to the previous year, and we expect them to remain within the range observed at the end of 2024.

Rating agencies have recognized Croatia's strong macroeconomic performance by upgrading its investment rating to A level, which has substantially lowered spreads on Croatian bonds. We expect these spreads to remain stable at current levels.

In the investment banking segment, activities will focus on expanding the client network and developing new investment services and custody offerings, further strengthening the Bank's position in the financial markets.

Statement on the application of the Corporate Governance Code

Application of the Corporate Governance Code

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

Banka The Bank operates in substantial alignment with best corporate governance practices and the recommendations of the Code. Any departures from specific Code provisions, resulting from the application of legal and regulatory requirements specific to credit institutions, are explained in the Annual Corporate Governance Compliance Questionnaire, which is approved by the Management and Supervisory Boards and published on the websites of the ZSE (www.zse.hr), within the Official Register of Regulated Information maintained by HANFA (www.hanfa.hr), and on the Bank's website (www.hpb.hr).

Additionally, the Bank adheres to the Corporate Governance Code for Companies in Which the Republic of Croatia Holds Shares or Stakes, adopted by the Government of the Republic of Croatia at the end of 2017 ("Official Gazette," No. 132/2017). In line with this Code, the Bank seeks to promote transparency and operational efficiency, as well as to strengthen relationships with its business environment through the application of anti-corruption provisions and mechanisms, measures, and procedures for conflict-of-interest management.

Beyond adhering to the recommendations of these Codes, and in accordance with regulations governing credit institutions, the Bank continuously works on enhancing corporate governance and business transparency as fundamental pillars of shareholder, investor, client, employee, and stakeholder protection. In doing so, the Bank considers its organizational structure, strategy, and business objectives, ensuring effective oversight of the Management and Supervisory Boards' responsibilities. Special emphasis is placed on robust risk assessment and reporting processes, as well as the establishment of appropriate internal control mechanisms.

The Bank has implemented a comprehensive internal control system, ensuring effective direct supervision through the integration of procedures and processes that monitor operational efficiency, financial reporting reliability, and compliance with legal and regulatory requirements, as well as best industry practices. This internal control system operates through the three lines of defense, which function independently: risk monitoring, compliance monitoring, and internal audit. The key characteristics of the internal control system include the independence of control functions, responsible for identifying, assessing, and managing risks, including risk control and compliance functions. The internal audit function oversees the entire operations of the Bank and its Group, assessing the adequacy and effectiveness of the established internal control framework.

To mitigate risks in financial reporting, the Bank has established an appropriate internal control and risk management system, ensuring clear segregation of responsibilities across organizational units in line with internal policies. Furthermore, effective internal controls have been integrated into business processes and operations. At the same time, the Bank engages an external auditor and has established ongoing financial oversight mechanisms to ensure compliance and informed decision-making in this area. A description of the Bank's internal control and risk management framework, particularly concerning financial reporting, is an integral and essential part of our operations. These elements are detailed in the Bank's business description, as outlined in Note 2 of the financial statements.

Significant Shareholders and Restrictions on Share Rights

The Republic of Croatia is the largest individual shareholder of the Bank, holding a 44.90% stake. Alongside Croatian Post Inc., the Croatian Deposit Insurance Agency, the Croatian Pension Insurance Institute, and the NEK Fund, these entities collectively hold approximately 77% of the Bank's share capital and voting rights at the General Assembly.

Pursuant to the Bank's Articles of Association, each share carries one vote, meaning that there are no restrictions on voting rights nor any limitations on the exercise of these rights.

Shareholders exercise their rights at the Bank's General Assembly, which decides on matters prescribed by the Companies Act and the Bank's Articles of Association. The General Assembly is typically convened by the Management Board but may also be convened at the request of the Supervisory Board or shareholders, in accordance with the relevant provisions of the Companies Act.

A shareholder may participate and vote at the General Assembly either in person or through a proxy, provided that they register their attendance no later than six days prior to the meeting and are registered as a shareholder in the Central Depository & Clearing Company Inc. on the last day for submitting participation applications.

In accordance with the Bank's Articles of Association, the Management Board is authorized to allow shareholders to exercise some or all of their rights remotely via electronic communication, even if they do not physically attend or participate through a proxy at the venue where the General Assembly is held. In such cases, the invitation to the General Assembly will specify the technical and detailed requirements for participation via electronic communication. The Management Board is also authorized to permit the live transmission of the General Assembly via audio and video streaming, which will be explicitly stated in the meeting invitation.

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

Appointment and Dismissal Rules of the Management Board, Amendments to the Articles of Association, and Special Powers of the Management Board

As a legal entity of special interest to the Republic of Croatia, as designated by the Decision on Legal Entities of Special Interest to the Republic of Croatia ("Official Gazette," numbers 147/2021 and 78/2023), the criteria and procedures for electing and appointing candidates to the Bank's Management Board (including the President and members) are prescribed by the Croatian Government's Regulation on the Conditions for Electing and Appointing Members to Supervisory and Management Boards of Entities of Special Interest to the Republic of Croatia and the Manner of Their Selection ("Official Gazette," number 12/2019) (Government Regulation).

Under the Bank's Articles of Association, the Management Board consists of at least two and at most five members, with the Supervisory Board determining the exact number. The Supervisory Board appoints the President and members of the Management Board for a term of up to five years, with the possibility of unlimited reappointment.

In addition to the requirements stipulated in the Government Regulation, a Management Board member must fulfill the criteria prescribed by the Companies Act, the Credit Institutions Act, and the Decision on the Assessment of the Suitability of the Chairperson of the Management Board, Member of the Management Board, Member of the Supervisory Board, and Key Function Holder in a Credit Institution ("Official Gazette" numbers 20/2021 and 104/2022). Appointment is subject to the prior approval of the Croatian National Bank.

The suitability of Management Board members is assessed based on their competence, qualifications, and ability to ensure the lawful, secure, and stable execution of their responsibilities. Collectively, Management Board members must possess the necessary expertise, skills, and experience to independently and effectively manage the Bank, particularly in understanding its operations and key risks.

Management Board members are required to perform their duties on a full-time basis and maintain an employment relationship with the Bank.

The Supervisory Board has the authority to dismiss the President and members of the Management Board for valid reasons, while the President and members of the Management Board may submit their resignation in writing.

Amendments to the Articles of Association may only be enacted through a resolution of the General Assembly, which is considered adopted if it receives approval from three-quarters of the share capital represented at the General Assembly. The Management Board is responsible for drafting amendment proposals, which must first be submitted to the Supervisory Board for approval. Upon receiving the Supervisory Board's consent, the proposal is forwarded to the General Assembly for final approval.

At the General Assembly on August 30, 2023, the Management Board was authorized to acquire own shares on the organized securities market from the date of the resolution until the end of 2026. The total capital allocated for such acquisitions, including shares already held by the Bank, must not exceed 1% of the Bank's share capital at the time of acquisition. The Management Board was also authorized to dispose of own shares outside the organized market, in accordance with regulatory requirements related to variable remuneration, as per the Bank and HPB Group's Remuneration Policy, while adhering to all applicable regulatory restrictions.

Based on the above authorization from the General Assembly, the Management Board launched the Own Share Buyback Program on November 8, 2023, with a duration of two years. The program allows for the acquisition of up to 300 own shares, with a total allocation of up to EUR 65,000, intended for variable remuneration payments in line with the Bank and HPB Group's Remuneration Policy.

During 2024, in accordance with the ongoing Buyback Program, the Bank repurchased a total of 49 own shares on the Zagreb Stock Exchange on February 13, 2024. Since the Bank did not hold any treasury shares prior to this transaction, following the acquisition, it held a total of 49 own shares without voting rights, equivalent to 0.002420% of the Bank's share capital, at a total purchase price of EUR 9,898.

On December 12, 2024, the Bank disposed of all 49 own shares outside the regulated market of the Zagreb Stock Exchange, executing the Share Transfer Agreements. As of December 31, 2024, the Bank no longer held any treasury shares in its account.

Details of these transactions were duly published in accordance with legal requirements and are available on the Zagreb Stock Exchange website (www.zse.hr), HANFA's Official Register of Regulated Information (www.hanfa.hr), and the Bank's website (www.hpb.hr), ensuring transparency and regulatory compliance.

Supervisory Board - Composition and Role

The selection and appointment process for Supervisory Board members, as well as the qualifications required of candidates, are prescribed by the Croatian Government's Regulation on the Conditions for the Selection and Appointment of Members to Supervisory and Management Boards of Legal Entities of Special Interest to the Republic of Croatia and on the Manner of Their Selection ("Official Gazette," No. 12/2019) (Government Regulation).

According to the Bank's Articles of Association, the Supervisory Board may have up to seven members, all of whom are appointed and dismissed by the General Assembly. In addition to meeting the requirements set out in the Government Regulation, a Supervisory Board member must satisfy the conditions prescribed by the Companies Act, the Credit Institutions Act, and the Decision on the Assessment of the Suitability of the Chairperson of the Management Board, Member of the Management Board, Member of the Supervisory Board, and Key Function Holder in a Credit Institution ("Official Gazette" numbers 20/2021 and 104/2022). Appointment is subject to the prior approval of the Croatian National Bank.

The collective expertise, capabilities, and experience of Supervisory Board members are essential for independent and autonomous supervision of the Bank's operations, particularly in understanding its activities and key risks.

A member's suitability for the Supervisory Board hinges on their alignment with specified conditions and characteristics that ensure competent, lawful, secure, and stable execution of their duties.

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

In the period from January 1 to December 31, 2024, the Bank's Supervisory Board operated with three members:

- Marijana Miličević, M.Sc. in Economics, President
- prof. Ph.D. Mislav Ante Omazić, Deputy President,
- Marijana Vuraić Kudeljan, M.Sc., Member

The current Supervisory Board members were elected at the General Assembly on May 10, 2021, for a four-year term, which commenced on August 13, 2021, following the prior approval of the Croatian National Bank, as required under the Credit Institutions Act.

The members of the Supervisory Board do not hold shares in the Bank.

In the course of 2024, within the incumbent Supervisory Board, the independence requirement was discharged at all times by one member of the Supervisory Board, ensuring the functioning of the Supervisory Board and its committees in compliance with the provisions of applicable statutory regulations.

The Supervisory Board typically convenes quarterly, with additional meetings held as necessary but at least semi-annually. For urgent and significant matters, the Supervisory Board can make decisions without convening a meeting. In such cases, members cast their votes in writing, by telephone, or via email.

In 2024, the Supervisory Board held eight regular meetings, discussing key aspects of the Bank's operations. The attendance record for these meetings is provided below:

Member of the Supervisory Board	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Miličević	8	8/8	100.00
Mislav Ante Omazić		8/8	100.00
Marijana Vuraić Kudeljan		8/8	100.00

In addition to regular meetings, the Supervisory Board adopted 110 resolutions electronically via email, particularly in instances requiring prompt decision-making. The majority of these resolutions pertained to granting approvals for the Bank's exposure to specific clients in accordance with legal requirements and other decisions requiring Supervisory Board approval.

Throughout 2024, the Supervisory Board and its committees held regular sessions, with all members actively participating, ensuring continuous oversight of the Bank's operations. The Board maintained a balanced composition and demonstrated the necessary expertise required for the supervision of a credit institution, with each member contributing effectively to aligning its activities with regulatory and business requirements. The annual suitability assessment of Supervisory Board members, conducted in accordance with regulations applicable to credit institutions, reaffirmed this commitment. The Suitability Assessment Committee, established within the Bank, determined that in 2024, the Supervisory Board's composition was well-balanced in terms of skills, experience, competencies, age, and gender. The assessment confirmed that the members uphold high moral standards, possess a diverse set of knowledge, capabilities, and practical experience essential for their roles, and meet the specific regulatory requirement that at least one member has expertise in accounting and/or financial statement auditing. Additionally, the composition of the Board ensures adequate gender representation, with women comprising

66.7% of its members, exceeding the target representation level. Following the results of the annual suitability assessment, the General Assembly, at its session on August 29, 2024, confirmed that each Supervisory Board member is fit for their role, that the Board collectively possesses the expertise required for independent supervision of the Bank's operations and key risks, and that the prescribed gender diversity target has been met.

The Management Board and the Supervisory Board maintained a constructive and cooperative relationship, consistently sharing relevant information essential for fulfilling their respective responsibilities, thereby contributing to the effectiveness of the supervisory function. The Supervisory Board oversaw the Bank's operations, guided its business strategy, and actively supported its implementation in accordance with the law, the Bank's Articles of Association, and the Supervisory Board's Rules of Procedure, relying on reports from the Management Board on matters of significance for the Bank's business and financial position. The Supervisory Board had continuous access to request and obtain information from the Management Board regarding aspects of the Bank's operations that had or could have a material impact on its position, particularly information related to risk profile, for which the Management Board ensured appropriate access.

Throughout 2024, successful and transparent collaboration was evident in the open dialogue between the Management Board and the Supervisory Board. Members of the Management Board regularly attended Supervisory Board meetings, providing reports on matters within their areas of responsibility and offering additional clarifications as requested. This ensured that the Supervisory Board could thoroughly discuss all agenda items, take informed positions, and adopt the necessary decisions. Based on this cooperation, the Supervisory Board evaluates its collaboration with the Management Board as highly effective.

The Supervisory Board has established the following committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee, and the ESG Committee, all tasked with making competent assessments on matters within their respective mandates. The Management Board has ensured access to all necessary information and data for the effective operation of the Supervisory Board, as well as the availability of relevant expert services, control functions, and, where required, external advisors specializing in areas under each committee's jurisdiction.

Audit Committee

From January 1 to August 27, 2024, the Audit Committee operated with three members:

- Ph.D. Željko Lovrinčević as Chair
- Prof. Ph.D. Mislav Ante Omazić as Vice-Chair
- Ivana Radeljak Novaković as a Member

Following changes in committee roles, from August 28 to December 31, 2024, the composition was adjusted, with:

- Prof. Ph.D. Mislav Ante Omazić as Chair
- Ph.D. Željko Lovrinčević as Vice-Chair
- Ivana Radeljak Novaković as a Member

By the resolution of the Bank's General Assembly on May 10, 2021, external experts Ivana Radeljak Novaković and Željko Lovrinčević were appointed to the Audit Committee, with the latter fulfilling the independence requirement stipulated by applicable regulations. To meet the statutory minimum number of Audit Committee members as required under Article 65, Paragraph 3 of the Audit Act ("Official Gazette" No. 127/2017, 27/2024, 85/2024, and 145/2024), the Bank's Supervisory Board, by its decision on August 13, 2021, appointed Mislav Ante Omazić, an independent member of the Supervisory Board, as a member of the Audit Committee. In its current composition, two members, Mislav Ante Omazić and Željko Lovrinčević, fulfill the independence criteria in relation to the Bank, ensuring the committee's operations comply with relevant regulations.

The Audit Committee convened for eleven regular meetings in 2024, achieving full attendance across all sessions. The attendance record for the Audit Committee meetings in 2024 is detailed in the table below:

Member of the Audit Committee	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Mislav Ante Omazić	11	11/11	100.00
Željko Lovrinčević		11/11	100.00
Ivana Radeljak Novaković		11/11	100.00

Additionally, the committee rendered nine decisions outside of meetings via email, addressing matters requiring urgent resolution.

The committee's deliberations spanned areas under its jurisdiction, adhering to the Credit Institutions Act, the Audit Act, the Public Sector Internal Control System Act, and EU Regulation No. 537/2014, ensuring comprehensive oversight and governance.

2024 Audit Committee Report

Throughout 2024, the Bank's Audit Committee operated with three members, with internal role changes occurring within the committee over the year.

Following mutual agreement among the Audit Committee members and based on the committee's decisions on the election of the Chair and Vice-Chair, from January 1 to August 27, 2024, Željko Lovrinčević served as Chair, Mislav Ante Omazić as Vice-Chair, and Ivana Radeljak Novaković as a Member. From August 28 to December 31, 2024, the committee underwent role adjustments, with Mislav Ante Omazić assuming the role of Chair, Željko Lovrinčević serving as Vice-Chair, and Ivana Radeljak Novaković continuing as a Member.

In 2024, the Audit Committee convened 11 regular meetings, deliberating and making decisions within its mandated scope and responsibilities as defined by its founding decision and Rules of Procedure. Beyond its scheduled sessions, the committee also rendered nine decisions via email, addressing matters requiring urgent resolution.

As part of its responsibilities, the Audit Committee supported the Supervisory Board in fulfilling its oversight duties, specifically by monitoring the effectiveness of the internal control system and risk management framework related to financial reporting. In this capacity, the committee supervised the financial reporting process by analyzing and reviewing financial statements on a quarterly and annual basis, ensuring the integrity of the Bank's financial information, as well as the accuracy and consistency of accounting methods applied, including consolidation criteria for HPB Group's financial statements.

The committee also oversaw the external audit process, tracking the execution and status of the external audit plan. It reported to the Supervisory Board on the results of the statutory audit, following thorough discussions and analyses of the certified auditor's report. This included evaluations of key audit findings and assessments of the Bank's collaboration with external auditors. Representatives of the external auditor appointed for the Bank and HPB Group's financial statement audit attended three of the Audit Committee's meetings.

Additionally, the Audit Committee carried out the selection process for the external auditor responsible for auditing the Bank and HPB Group's financial statements and verifying the sustainability report for 2024. The committee fulfilled its mandate by providing recommendations to the Supervisory Board regarding the selection of the auditor, engagement conditions, and appointment terms, following a comprehensive review of the auditor's independence, objectivity, and remuneration.

In overseeing the efficiency of the internal audit system, the Audit Committee reviewed the annual internal audit plan and periodic reports, as well as all significant issues within this domain.

The Chair of the Audit Committee regularly reported to the Supervisory Board on the committee's activities, key issues discussed, and conclusions reached, ensuring the committee's continued independence and autonomy in executing its duties. Additionally, outside of its regular sessions, the committee rendered seven decisions via email in situations requiring prompt resolution within its jurisdiction.

Discussions at the Risk Committee meetings addressed topics within its scope of responsibility, in accordance with the Credit Institutions Act and its associated regulatory provisions.

Risk Committee

Throughout 2024, the Risk Committee operated with three members:

- Marijana Vuraić Kudeljan, M.Sc., Chair
- Marijana Miličević, M.Sc. in Economics, Member
- Prof. Ph.D. Mislav Ante Omazić, Member

The Risk Committee held seven regular meetings in 2024, with all members in attendance. The attendance at the Risk Committee meetings in 2024 is detailed in the table below:

Member of the Risk Committee	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Vuraić Kudeljan	7	7/7	100,00
Marijana Miličević		7/7	100,00
Mislav Ante Omazić		7/7	100,00

Additionally, outside of its regular sessions, the committee rendered seven decisions via email in situations requiring prompt resolution within its jurisdiction.

Discussions at the Risk Committee meetings addressed topics within its scope of responsibility, in accordance with the Credit Institutions Act and its associated regulatory provisions.

2024 Risk Committee Report

Throughout 2024, the Risk Committee operated with three members: Marijana Vuraić Kudeljan as Chair, Marijana Miličević as a Member, and Mislav Ante Omazić as a Member.

The Risk Committee held seven regular meetings in 2024, with all members in attendance. Additionally, outside of its regular sessions, the committee rendered seven decisions via email in situations requiring prompt resolution within its jurisdiction. Discussions at the Risk Committee meetings addressed topics within its scope of responsibility, in accordance with the Credit Institutions Act and its associated regulatory provisions.

Tijekom In 2024, the Risk Committee continued to support the Supervisory Board in fulfilling its strategic supervisory responsibilities, particularly in defining an effective risk appetite framework in alignment with the Bank's business strategy, risk management policy, corporate culture, and values. Special emphasis was placed on the efficient monitoring of risks and the overall risk management framework within the Bank.

Within its scope of duties and responsibilities, the Risk Committee reviewed regular reports on risk management and control, analyzing the implementation of capital management strategies and all key risks, including liquidity risk, market risks, credit risk, operational risk, and reputation risk.

The committee assessed the adequacy of these strategies in relation to the approved risk appetite and overall risk management approach. Additionally, the committee conducted a general assessment of environmental risks, a method through which the Bank aims to establish sustainability objectives within the environmental segment. This process involved evaluating environmental factors, their correlation with the Bank's business model and interdependencies, identifying risks that may arise from these factors, and defining material topics for further strategic activities.

The Risk Committee reviewed and approved the 2024 work plans for the Risk Control Function, the Compliance Monitoring Function, and the Anti-Money Laundering and Counter-Terrorist Financing Division, as well as their regular reports. Meetings dedicated to discussing annual plans and reports were attended by individuals responsible for the respective control functions, including the designated officer for anti-money laundering and counter-terrorist financing.

Remuneration Committee

Throughout 2024, the Remuneration Committee operated with three members:

- M.Sc. in Economics Marijana Miličević, Chair
- M.Sc. Marijana Vuraić Kudeljan, Member
- Prof. Ph.D. Mislav Ante Omazić, Member

The Committee held five regular meetings in 2024, with full attendance from all members. The attendance at the 2024 Remuneration Committee meetings is detailed in the table below:

Member of the Remuneration Committee	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Miličević	5	5/5	100.00
Marijana Vuraić Kudeljan		5/5	100.00
Mislav Ante Omazić		5/5	100.00

Additionally, it made 24 decisions outside of meetings via email in cases requiring urgent resolutions within its jurisdiction.

Discussions at the Remuneration Committee meetings focused on matters within its mandate, in accordance with the Credit Institutions Act and its implementing regulations.

2024 Remuneration Committee Report

Odbor Throughout 2024, the Remuneration Committee operated with three members: Marijana Miličević as Chair, Marijana Vuraić Kudeljan as a Member, and Mislav Ante Omazić as a Member.

The Committee held five regular meetings in 2024, with full attendance from all members. Additionally, it made 24 decisions outside of meetings via email in cases requiring urgent resolutions within its jurisdiction. Discussions at the Remuneration Committee meetings focused on matters within its mandate, in accordance with the Credit Institutions Act and its implementing regulations.

In 2024, the Remuneration Committee continued to support the Supervisory Board in reviewing and analyzing the principles of the Bank's and HPB Group's Remuneration Policy. The Committee monitored the implementation of remuneration rules by assessing procedures and practices related to remuneration within the Bank and its subsidiaries, ensuring compliance with regulatory requirements and performance management policies.

Amid regulatory changes, the Committee reviewed and issued a positive opinion on the updated provisions of the Remuneration Policy for Management Board and Supervisory Board members before its final approval by the General Assembly on August 29, 2024.

In fulfilling its duties, the Committee regularly reviewed reports on the implementation of the remuneration policy, the achievement of objectives, key performance indicators (KPIs), benchmark values, and the weighting of KPIs for 2023, along with their allocation for 2024. Additionally, the Committee oversaw the identification of employees with a significant impact on the HPB Group's risk profile, reviewed the Remuneration Report for the Management Board and Supervisory Board members, and considered other proposals and topics related to remuneration within the Supervisory Board's purview.

Nomination Committee

Throughout 2024, the Nominations Committee operated with three members:

- M.Sc. in Economics Marijana Miličević, Chair
- M.Sc. Marijana Vuraić Kudeljan, Member
- prof. Ph.D. Mislav Ante Omazić, Member.

The Committee convened for two regular meetings with full attendance by all members. The attendance at the 2024 Nomination Committee meetings is detailed in the table below:

Member of the Nomination Committee	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Marijana Miličević	2	2/2	100.00
Marijana Vuraić Kudeljan		2/2	100.00
Mislav Ante Omazić		2/2	100.00

Discussions during these meetings addressed topics within the Committee's mandate, in accordance with the Credit Institutions Act and its implementing regulations.

2024 Nomination Committee Report

Throughout 2024, the Nomination Committee operated with three members: Marijana Miličević as Chair, Marijana Vuraić Kudeljan as a Member, and Mislav Ante Omazić as a Member.

The Committee held two regular meetings in 2024, with full attendance from all members. Discussions during these meetings addressed topics within the Committee's mandate, in accordance with the Credit Institutions Act and its implementing regulations.

In 2024, the Nomination Committee continued to fulfill its role in evaluating the suitability of members of the Supervisory Board, the Management Board, and key function holders. The Committee conducted regular annual suitability assessments, ensuring compliance with statutory regulations, subordinate legislation, and the Bank's internal policies governing suitability evaluations.

To ensure continuity in decision-making and the effective functioning of the Management Board, the Committee, in accordance with the Bank's Management Board Succession Plan and corporate governance best practices, reviewed and approved the selection of deputies/successors for Management Board members. This process was carried out in consultation with the President of the Supervisory Board and the President of the Management Board, reinforcing the Bank's commitment to structured and strategic leadership planning.

ESG Committee

Throughout 2024, the ESG Committee operated with three members:

- prof. Ph.D. Mislav Ante Omazić, Chair,
- M.Sc. in Economics Marijana Miličević, Member
- Marijana Vuraić Kudeljan M.Sc., Member

The Committee convened five regular meetings with full attendance. The attendance at the ESG Committee meetings in 2024 is detailed in the table below:

Member of the ESG Committee	Total number of sessions	Attendance at sessions	
		Number of sessions	%
Mislav Ante Omazić	5	5/5	100.00
Marijana Miličević		5/5	100.00
Marijana Vuraić Kudeljan		5/5	100.00

Additionally, it made decisions via email on one occasion to address urgent matters within its purview.

The Committee's discussions focused on managing environmental, social, and governance (ESG) factors and standardizing processes related to implementing ESG risks into business operations in accordance with the overarching corporate governance framework.

2024 ESG Committee Report

Throughout 2024, the ESG Committee operated with three members: Mislav Ante Omazić as Chair, with Marijana Miličević and Marijana Vuraić Kudeljan serving as Members.

The Committee held five regular meetings in 2024, with full attendance from all members. In addition to these meetings, the Committee made one decision via email to address an urgent matter within its scope. Discussions during these sessions focused on managing environmental, social, and governance (ESG) factors, as well as standardizing processes for integrating ESG risks into business operations in alignment with the broader corporate governance framework.

In 2024, the ESG Committee played a key role in overseeing the Bank's ESG strategy and aligning its policies with evolving regulatory requirements. One of the key milestones achieved was the approval of the HPB Group Sustainability Report for 2023, prepared in accordance with the Global Reporting Initiative (GRI) guidelines.

In pursuit of compliance with European and national legislative frameworks for achieving carbon neutrality by 2050, the Committee reviewed and approved the Bank's Climate Strategy until 2050 and the Transition Plan for a Low-Carbon Economy by 2030. These documents define short, medium, and long-term key performance indicators (KPIs), specific actions and steps required for their achievement, resource allocations, as well as roles and responsibilities in implementing the Climate Strategy.

Given the growing regulatory expectations, the Committee also reviewed and approved the Bank's Methodology for Calculating Taxonomy Indicators, as well as updated versions of the Sustainability Reporting Policy, the HPB Group Code of Ethics, and the Bank's Anti-Corruption Policy.

Management Board - Composition and Role

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

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

From January 1 to December 31, 2024, the Management Board operated with five members:

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

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

Diversity Policy for Members of the Management Board and Supervisory Board

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

The target level of representation for the currently under-represented gender—women—in the Bank's governing body is set at a minimum of 33.3%, with the goal of achieving this target over a five-year period from 2021 to 2026. At present, this target has been met at the overall governing body level.

As of the reporting period, the Supervisory Board is composed of two women and one man, resulting in a female representation of 66.7%, which surpasses the minimum target of 30% female representation in the Supervisory Board.

Conversely, the Management Board, consisting of the Chairman and four members, does not currently meet the gender diversity criteria, as female representation stands at 0%, which is below the long-term target of at least 20% female participation in the Management Board.

Throughout 2024, the Supervisory Board and Management Board maintained a balanced composition in terms of skills, experience, competencies, and age, as reflected in the biographies of Board members published on the Bank's website (www.hpb.hr). This balance was further affirmed by the Croatian National Bank, which, in granting its prior approval for specific appointments, considered the positive results of the suitability assessments, conducted on both an individual and collective basis for the members of both bodies.

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

Overview of Diversity Policy

Aligned with its Ethical Code, the Bank values and respects natural and cultural differences among individuals. All employees are treated equally, regardless of gender, age, nationality, ethnicity, religion, language, socioeconomic background, or any other potential basis for discrimination. In line with this commitment, the General Assembly of the Bank adopted the Diversity Policy for Members of the Management Board and Supervisory Board in 2021, ensuring a non-discriminatory selection process for these governing bodies and other key management positions. When appointing Management Board members, Supervisory Board members, and other key executives, the Bank does not discriminate based on gender, age, or any other factor. The Bank maintains a relatively high representation of women in key management positions, along with individuals from different age groups, educational backgrounds, expertise, and professional experiences. This approach supports the Bank's diversity strategy, which is based on enhancing inclusivity in corporate governance and promoting equal career advancement opportunities at all levels, regardless of gender.

With regard to employee remuneration and working conditions, the Bank's management actively fosters a balance between professional and private life, aiming to create a healthy and supportive work environment that ensures equal opportunities for both genders. All employees have the same potential for professional success, with career progression based solely on individual performance and achievements.

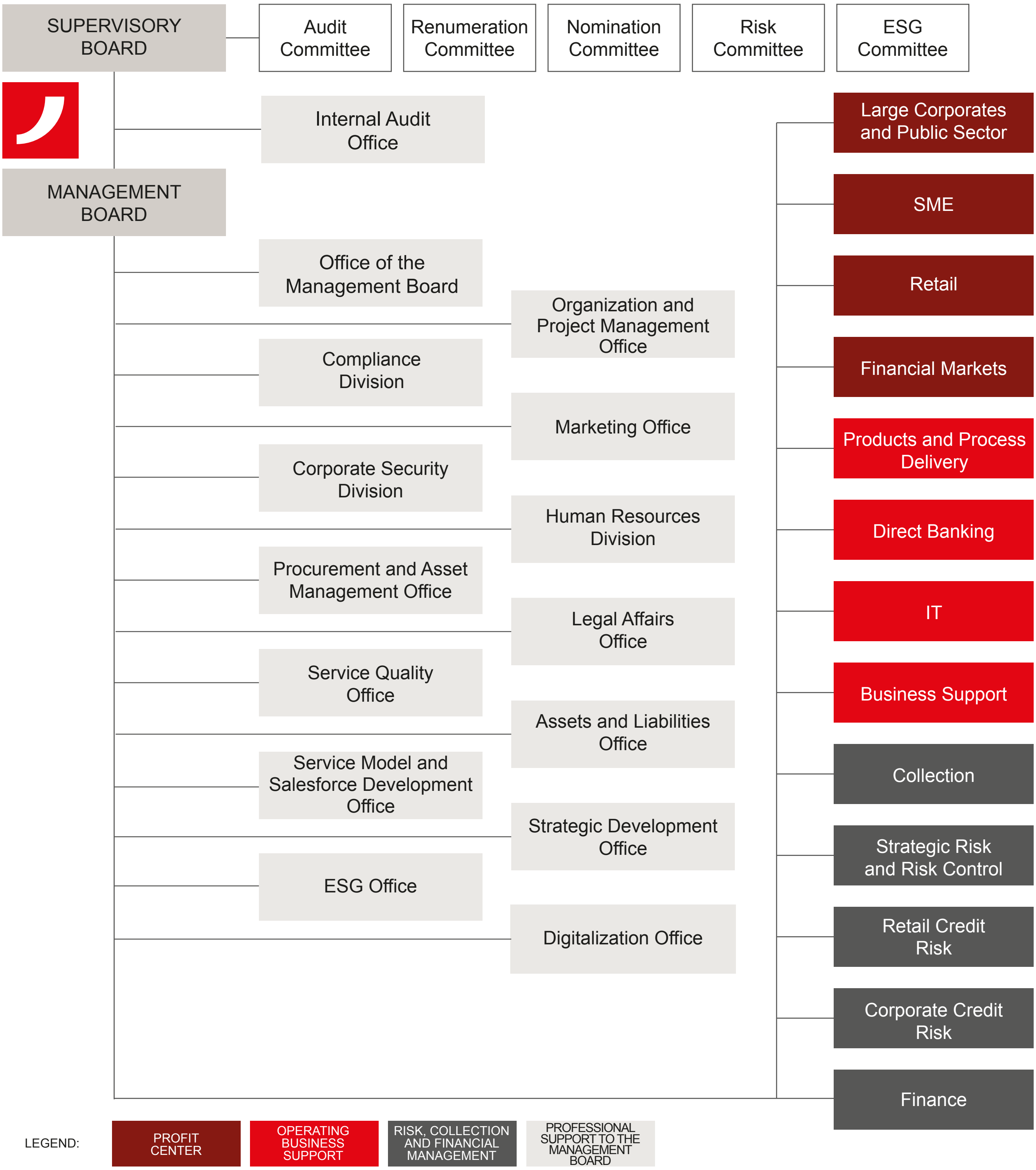
The collective experience of the Bank's key management team is built on a well-balanced mix of knowledge and skills, ensuring that all functions are effectively managed and that the Bank's strategic objectives are successfully achieved.

Gender Composition of the Bank's Key Management from 2020 to 2024:

	No. during 2020	Proportion during 2020	No. during 2021	Proportion during 2021	No. during 2022	Proportion during 2022	No. during 2023	Proportion during 2023	No. during 2024	Proportion during 2024
Men	20	57.15%	17	54.83%	14	53.85%	20	55.55%	17	44.74%
Women	15	42.85%	14	45.17%	12	46.15%	16	44.45%	21	55.26%

Hrvatska poštanska banka Organizational Structure

The Bank's operations are organizationally structured through 28 units - 16 divisions and 12 offices, as outlined below:



The Bank's organizational units are divided into four fundamental business areas:

1. **Management Support,**
2. **Profit Centre,**
3. **Business Support,**
4. **Risk Management, Collections, and Finance.**

Each business segment functionally and technologically integrates certain organizational units of the Bank to enhance the efficiency of management and organization of the Bank's activities.

1. The Management Support segment involves task groups designed to offer specialized support to the Management Board in reaching business goals and in the governance and administration of the Bank.

Management Support includes the following divisions and offices:

- Internal Audit Office
- Office of the Management Board
- Compliance division,
- Organization and Project Management Office,
- Human Resources Division,
- Marketing Office,
- Corporate Security Division,
- Service Quality Office,
- Legal Affairs Office,
- Procurement and Asset Management Office,
- Assets and Liabilities Office,
- Strategic Development Office,
- Service Model and Salesforce Development Office,
- Sustainability Office,
- Digitalization Office.

Internal Audit Office functions as the Bank's unit responsible for evaluating the effectiveness of internal controls, risk management processes, compliance functions, and auditing the IT systems.

Office of the Management Board serves as an organizational unit offering support to the Bank's standing committees and bodies, while also facilitating expert guidance in managing the corporate communications of the Bank and its group entities.

Compliance division is tasked with aligning the Bank's activities with regulatory standards, safeguarding data privacy, administering fraud prevention efforts, and executing protocols for anti-money laundering and combating the financing of terrorism.

Organization and Project Management Office is tasked with analyzing and enhancing the Bank's organizational structure and business processes, alongside managing various projects.

Human Resources Division is charged with recruitment, employee development, fostering employee growth and organizational capabilities, shaping and applying performance management and remuneration policies, managing employment relations, and overseeing the rights and obligations emanating from employment contracts.

Marketing Office is responsible for crafting and executing marketing and promotional strategies for the Bank.

Corporate Security Division ensures the security of the Bank's information infrastructure, as well as the safety of its personnel and assets.

Service Quality Office focuses on enhancing customer service quality by conducting regular satisfaction surveys and research, aiming to suggest service improvements based on feedback.

Legal Affairs Office offers comprehensive legal support across all organizational units within the Bank.

Procurement and Asset Management Office oversees the procurement of goods and services, handles general and record-keeping affairs, manages the Bank's ongoing and investment maintenance, and controls assets acquired in lieu of unpaid claims.

Assets and Liabilities Office is tasked with balancing the Bank's assets and liabilities, managing currency exposures, market risks, and liquidity risks.

Strategic Development Office is charged with steering the Bank and the HPB Group's business development, overseeing the strategic planning process, and ensuring the strategic objectives are effectively met.

Service Model and Salesforce Development Office supports the enhancement and development of the Bank's service delivery model and sales team, focusing on improving interactions and transactions with individuals and SMEs.

Sustainability Office is dedicated to integrating environmental, social, and governance (ESG) considerations into the Bank's business practices, aiming to align operations with sustainable development goals.

Digitalization Office is responsible for formulating and implementing the Bank's digital strategy, driving the digital transformation efforts to modernize and enhance banking operations and customer experiences.

2. Profit Centre encompasses interconnected task groups structured into organizational divisions where all of the Bank's products and services are sold.

This area includes:
- Retail Division,
- SME Division,
- Large Corporates and Public Sector Division,
- Financial Markets Division.

Retail Division operates as a key organizational unit within the Bank, dedicated to offering a comprehensive suite of banking and financial services to individual clients. It oversees the coordination of regional consumer centres and integrates the services of both Bank and Croatian Post d.d. (HP) as pivotal distribution networks. This division is also responsible for centrally overseeing all collaborative operations with HP, ensuring seamless service delivery and maximizing customer reach.

SME Division forms strategic business relationships with the Bank's SME clients, conducting its operations on the foundation of market-driven principles. This division focuses on tailoring banking and financial solutions to meet the unique needs of small and medium-sized businesses.

Large Corporates and Public Sector Division is a key organizational unit of the Bank dedicated to developing and maintaining business relationships with clients in the realms of large corporations and the public sector. This division operates under market-based principles, ensuring tailored banking and financial services that align with the specific needs and challenges of larger enterprises and governmental entities.

Financial Markets Division acts as a vital segment of the Bank, dedicated to the trading of financial instruments under the Bank's umbrella, ensuring liquidity and the bank's currency management. This division also provides a suite of investment services and performs investment activities and related ancillary services, both for and on behalf of the Bank's clientele, within the framework of the Bank's operational spectrum.

3. Business Support area integrates a series of task groups structured into organizational units dedicated to facilitating the sales of products and services as well as bolstering the Bank's comprehensive operational framework.

Business Support area comprises:
- Product and Delivery Process Division,
- Direct Banking Division,
- Business Support Division,
- IT Division

Product and Delivery Process Division is tasked with optimizing processes, products, and services to align with customer requirements and achieve the Bank's business and sales objectives.

Direct Banking Division oversees the seamless functionality and expansion of all direct banking channels, including WEB, mBanking and eBanking, to distribute the Bank's and its group's products and services. This division also manages card-related operations, such as ATMs and POS systems.

Business Support Division delivers essential operational backing to the revenue-generating sections of the Bank, overseeing both domestic and foreign payment processing. Additionally, this division is tasked with cash management and ensuring the Bank and Croatian Post (HP) branches are adequately stocked with cash for daily transactions.

IT Division provides comprehensive IT support across all segments of the Bank, ensuring robust, secure, and efficient technological infrastructure and services.

4. Risk Management, Collections, and Finance area integrates task clusters within organizational units dedicated to overseeing risk management, collection of the Bank's receivables, and steering financial operations.

This area includes:
- Retail Credit Risk Management Division,
- Corporate Credit Risk Management Division,
- Strategic Risk Management and Risk Control Division,
- Collection Division,
- Finance Division.

Retail Credit Risk Management Division serves as a key organizational unit within the Bank, specializing in the risk assessment function. It oversees the evaluation of individual clients' creditworthiness and and integrates credit risk evaluations into the consumer lending approval process.

Corporate Credit Risk Management Division functions as an essential organizational unit of the Bank, dedicated to the risk assessment function. It manages the assessment of corporate clients' creditworthiness and integrates credit risk evaluations into the business lending approval process.

Strategic Risk Management and Risk Control Division functions as a key organizational unit of the Bank, tasked with overseeing strategic risks. This division is charged with the comprehensive analysis and management of various risk types that currently affect or could potentially impact the Bank's operations. Its core objective is to minimize exposure to diverse risks, thereby bolstering the Bank's operational stability and effectiveness.

Collection Division operates as a vital section within the Bank, responsible for overseeing debt restructuring initiatives as well as initiating and managing early and forced collection processes.

Finance Division functions as a key unit within the Bank, managing its accounting framework, executing mandatory reporting duties, financial oversight, and the enhancement of the Bank’s management reporting system.

Subsidiary Operations Overview

HPB Invest Ltd.

HPB HPB Invest Ltd. (hereinafter "the Company") was established to specialize in the formation and management of UCITS (Undertakings for Collective Investment in Transferable Securities) funds. As of December 31, 2024, the Company manages six open-ended mutual funds available for public investment: HPB Short-Term Bond Fund, HPB Bond Fund, HPB Bond Plus Fund, HPB Global Fund, HPB Equity Fund, and HPB Fokus 2026 Fund.

The total assets under management across these publicly offered investment funds amounted to EUR 57.2 million as of December 31, 2024 (2023: EUR 44.2 million). The average assets based on month-end balances for 2024 stood at EUR 47.6 million, compared to EUR 48.3 million in the previous year.

Following a stable and largely positive 2023, financial markets in 2024 continued their upward trajectory, generating stable and favorable returns. Consequently, UCITS fund assets experienced steady growth throughout most of the year, particularly in the second half. Interest rates declined as expected, driven by easing inflationary pressures, while robust corporate earnings further boosted asset valuations, positively impacting fund performance. However, unexpected late-year inflationary concerns momentarily dampened investor confidence regarding further interest rate reductions, triggering a moderate correction in bond prices. Despite this, 2024 remains a highly successful year for UCITS fund performance.

During the year, the Company completed the merger of the HPB Short-Term Euro Bond Fund into the HPB Short-Term Bond Fund, with the latter continuing to operate. Additionally, HPB Invest launched a new fund, HPB Fokus 2026, marking the Company's first newly introduced fund in nearly six years.

As of December 31, 2024, the net assets under management per fund are as follows:

Fond	Assets under management EUR '000	Annual Yield as of 31 Dec 2024
HPB Equity Fund	6,598	25.92%
HPB Global Fund	14,874	14.89%
HPB Short-Term Bond Fund	7,029	2.67%
HPB Bond Fund	21,962	2.90%
HPB Fokus 2026 Fund	1,095	*-0.37%
HPB Bond Plus Fund	5,673	3.88%
Total	57,231	---

* Yield for HPB Fokus 2026 Fund refers to the period from its inception on November 29, 2024, to year-end.

HPB Invest was honored with an award from the Association of Investment and Pension Funds of the Croatian Chamber of Commerce (HGK) for HPB Bond Plus Fund, recognized as the best-performing fund in Croatia in 2023 within the conservative mixed fund category.

As of December 31, 2024, HPB Invest's market share stood at 1.77%, reflecting a marginal decrease from the 1.93% recorded at the end of the previous year.

At the close of 2024, the Company employed 11 staff members.

Development Strategy

HPB HPB Invest Ltd., a dedicated UCITS fund management company, remains committed to professional asset management and delivering high-quality service to ensure the preservation and sustainable growth of clients' financial assets. By continuously investing in the company's development—through professional, personnel, organizational, and technological advancements, alongside increasingly stringent legal and regulatory compliance—HPB Invest Ltd. aims to provide an attractive portfolio of funds and investment products. These offerings, backed by expert management and competitive returns, are designed to meet the diverse needs of investors based on their investment objectives, time horizon, and risk appetite.

Risk Management Overview

The Company closely monitors and evaluates key risk categories, including credit risk, liquidity risk, operational risk, conflict of interest risk, and reputational risk. Together, these risks define the overall risk profile of the Company.

Adhering to a cautious asset management strategy, the Company solely invests in conservative instruments, such as bank deposits, debt securities, money market instruments, and cash funds. This strategy positions the Company's risk stance as low, classified as level 1.

As of the reporting date, the company had no significant exposure to market or liquidity risk. Its primary exposure to credit risk arises from the fair value of financial instruments, with positive valuations reflected in the statement of financial position.

The Company encounters operational risk as an inherent aspect of its day-to-day activities. To effectively manage this risk, it implements a structured approach by providing quarterly updates to the Company's Management on incidents that qualify as operational risks.

The main risks affecting regular business operations include the potential decline in assets under management due to client withdrawals and the risk of asset value depreciation.

To mitigate these risks and enhance its operational integrity, the Company heavily invests in a robust internal control system. This system is pivotal in ensuring operational effectiveness, adherence to legal and regulatory standards, and the timely recognition and mitigation of risks facing the Company.

HPB-nekretnine Ltd.

HPB-Nekretnine Ltd. (hereafter referred to as "the Company") is a real estate-focused entity, established in August 2005, and is wholly owned by HPB plc. The Company's share capital amounts to EUR 631,866.75 (equivalent to HRK 4,760,800.00, converted at the fixed exchange rate of 1 EUR = 7.53450 HRK), which has been fully paid in.

The Company's core business activities include (1) real estate valuation and related engineering services such as financial supervision, (2) real estate advisory and brokerage services, (3) energy certification, and (4) real estate management and operations. As of December 31, 2024, the Company employed 14 staff members.

At the end of the reporting period, HPB-Nekretnine Ltd. held total assets of EUR 955,202.76, while recording a loss of EUR 29,991.34 in 2024 due to a one-time provision for legal proceedings. The Company achieved its highest-ever revenue from external clients (those not affiliated with HPB Group) since its establishment.

At the close of 2024, the Company employed 14 staff members.

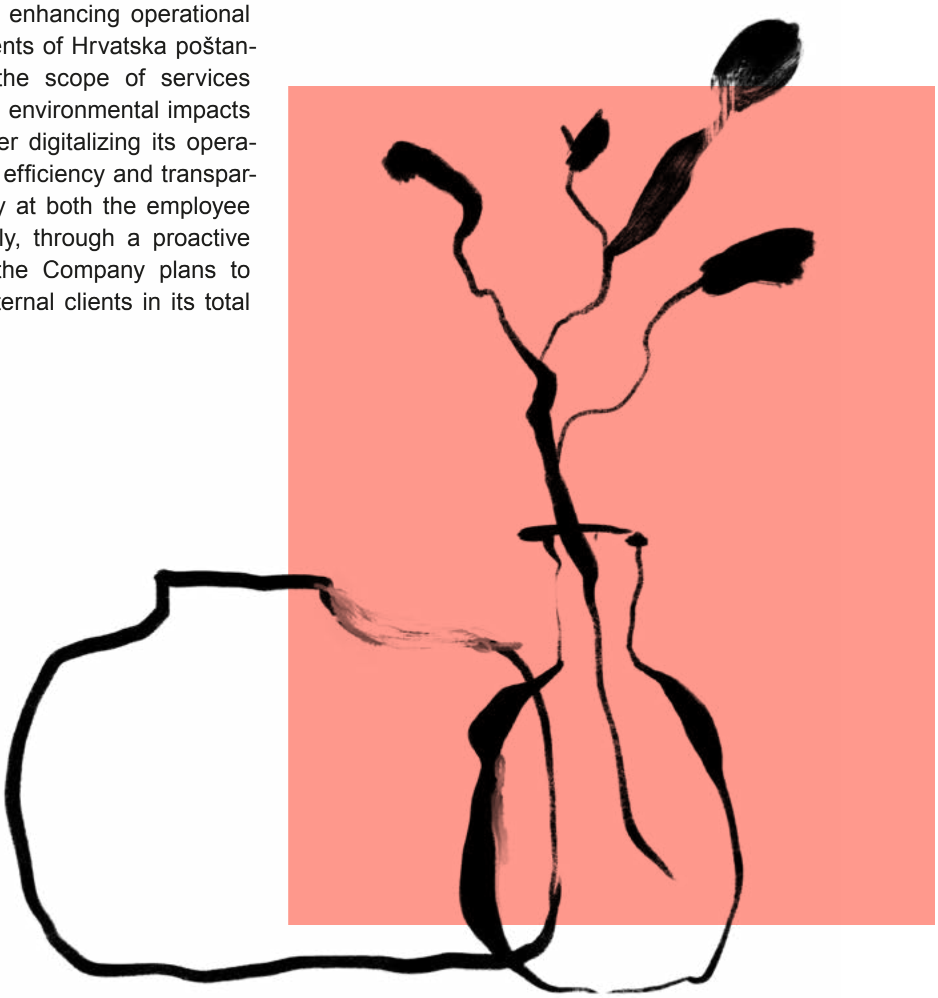
Development Strategy

Going forward, the focus will be on enhancing operational efficiency and service quality for clients of Hrvatska poštanska banka plc., while expanding the scope of services related to the analysis of energy and environmental impacts of projects and properties. By further digitalizing its operations, the Company aims to improve efficiency and transparency, thereby enhancing productivity at both the employee and company-wide level. Additionally, through a proactive approach toward external clients, the Company plans to continue increasing the share of external clients in its total revenue.

Risk Management Overview

The principal financial risks faced by the Company are market risk and liquidity risk. Market risk arises from the unpredictable demand for the Company's specialized services, influenced by real estate market volatility due to factors such as inflation, rising costs of energy, increasing interest rates on bank loans, and adverse global political conditions. This encompasses challenges related to lessees' payment defaults and potential declines in demand for property valuation services, inherently linked to liquidity risk given the significant service component in the Company's offerings. The Company adheres to risk management practices defined by Hrvatska poštanska banka plc. to navigate these uncertainties.

The Company also owns a portion of a commercial property in Vinkovci, consisting of multiple office spaces. This investment carries an operational risk, as it represents a 267/900 ownership share in a commercial building with a total area of approximately 10,000 m², which is in suboptimal structural condition. To mitigate this risk and maximize asset utilization, the Company regularly publishes public tenders for leasing and selling these office spaces, with the objective of commercializing as many units as possible.



Sustainability Report

Contents of Sustainability Report

About This Sustainability Report

ESRS 2 (BP-1, BP-2)
PRB Principle 1

Scope of Sustainability Reporting

To provide a comprehensive and transparent overview of sustainability-related business activities, the 2024 Sustainability Report has been prepared on a consolidated basis for the HPB Group. This report encompasses sustainability management practices at Hrvatska poštanska banka (HPB, the Bank), HPB Invest Ltd., and HPB-nekretnine Ltd.

As the third consolidated Sustainability Report issued by the HPB Group, it delivers a holistic and stakeholder-oriented approach, ensuring the availability of key sustainability information for both the general public and key stakeholders.

The reported indicators span multiple value chain categories, incorporating data from relevant stakeholder groups, subject to data availability.

Reporting Period and Timeframe

This report presents a detailed account of the impacts, risks, and opportunities associated with sustainability within the HPB Group for the 2024 financial year, covering the period from January 1 to December 31, 2024.

To ensure a structured assessment of sustainability performance, reporting is classified into three distinct timeframes: short-term, which covers a period of up to one year; medium-term, which spans from one to five years; and long-term, which refers to a period exceeding five years.

Sustainability Reporting Frameworks and Standards

The content of this Sustainability Report is based on the following regulatory requirements and sustainability reporting guidelines:

- Directive (EU) 2022/2464 of the European Parliament and the Council of December 14, 2022, amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU regarding corporate sustainability reporting (Corporate Sustainability Reporting Directive, CSRD)
- Commission Delegated Regulation (EU) 2023/2772 of July 31, 2023, supplementing Directive 2013/34/EU of the European Parliament and the Council concerning sustainability reporting standards
- Regulation (EU) 2019/2088 of the European Parliament and the Council of November 27, 2019, on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR)
- Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation) and Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021, supplementing Regulation (EU) 2020/852 by setting technical screening criteria to determine under which conditions an economic activity is considered to significantly contribute to climate change mitigation or adaptation, and whether it causes significant harm to any other environmental objective
- Regulation (EU) 575/2013 of the European Parliament and the Council of June 26, 2013, on prudential requirements for credit institutions and investment firms, amending Regulation (EU) 648/2012 (Capital Requirements Regulation, CRR)
- Guidelines issued by the European Banking Authority (EBA) and the European Central Bank (ECB), specifying disclosure requirements related to environmental, social, and governance (ESG) risks
- Accounting Act
- Audit Act
- Capital Market Act
- Guidelines on benchmarking practices regarding remuneration policies, gender pay gaps and approved higher ratios under Directive 2013/36/EU (EBA/GL/2022/06) of June 30, 2022.

Additionally, as part of this report, HPB Group provides updates on its progress in implementing the six key Principles for Responsible Banking (PRB), as required by its commitment as a signatory to the UN Principles for Responsible Banking (PRB) and a participant in the United Nations Environment Programme Finance Initiative (UNEP FI). The report also outlines the Bank's adherence to the ten principles of responsible business under the United Nations Global Compact (UNGC), of which HPB Group has been a member since 2007.

Revisions and Updates Since the Last Report

The 2024 Sustainability Report has been prepared in accordance with the European Sustainability Reporting Standards (ESRS). While previous reports were aligned with the internationally recognized Global Reporting Initiative (GRI) framework, this Report applies a different set of sustainability reporting standards. However, every effort has been made to ensure maximum content comparability between this Report and the 2023 Sustainability Report.

Wherever possible, and subject to data availability and differences in reporting frameworks, tables include comparative data from the previous year.

Any methodological updates and corrections to previously reported information are clearly disclosed and explained throughout the 2024 Sustainability Report, ensuring full transparency and consistency.

Data Accuracy and Reliability

Ensuring the accuracy and quality of reported data is a key priority. Due to limited direct-source availability, certain analyses incorporate sector-wide averages obtained from publicly accessible, reliable sources. As many data points are based on projections, estimates, and third-party disclosures, the potential for variations or discrepancies cannot be entirely eliminated.

The availability of high-quality sustainability data remains a major challenge, particularly in the assessment of sustainability risks. This is further compounded by the lack of standardized methodological guidelines and the fact that many HPB Group clients are still in the process of aligning with regulatory reporting requirements, limiting the availability of necessary data for financial institutions. To address these challenges, we are actively refining and advancing our methodologies in accordance with regulatory frameworks, available data sources, and industry best practices.

This Report has been prepared using the best available data at the time of publication and reflects our current understanding of regulatory requirements.

Throughout 2024, HPB Group has made significant progress in preparing for the implementation of new ESRS sustainability reporting standards, focusing on developing a comprehensive data collection and management framework. With the support of Finance in Motion GmbH, the investment manager of the EFSE Fund, the Bank has successfully implemented an advanced IT solution to enhance data governance, automate calculations, improve transparency, and optimize resource efficiency.

Report Approval, Validation, and Assurance

The 2024 Sustainability Report has been reviewed, approved, and signed by all members of the Management Board of HPB, with the endorsement of the Supervisory Board and the Chief Trade Union Representative.

To ensure credibility and transparency, the Report has undergone an independent limited assurance engagement conducted by the auditing firm BDO Croatia d.o.o.

Report Availability:

The HPB Group Sustainability Report for 2024, along with all previous reports, is available in both Croatian and English on the HPB website.

Contact:
Sustainability Office
Email: uop@hpb,hr

Forewords

Foreword by the Chairman of the ESG Committee of the Supervisory Board

Dear Stakeholders,

It is both an honor and a privilege to address you on behalf of the ESG Committee of the Supervisory Board of Hrvatska poštanska banka as we present the 2024 Sustainability Report, an integral part of the HPB Group Annual Report. This report is more than a summary of our sustainability efforts, it is a reflection of our commitment to responsible banking, long-term value creation, and a sustainable future. As a financial institution that proudly carries the name Hrvatska, we recognize our duty not only to our stakeholders but also to the wider community, the environment, and future generations.

U In an era where global challenges are reshaping industries, the financial sector has a unique role to play, as both a driver and an enabler of sustainable progress. At HPB, we fully embrace this responsibility, ensuring that our strategies, investments, and operations contribute to a greener, more inclusive, and resilient economy. The ESG Committee and the Supervisory Board remain steadfast in supporting the Bank's vision, promoting transparency, innovation, and long-term financial stability to benefit not just our institution, but society as a whole.

Over the past year, HPB Group has taken bold steps in advancing sustainability, integrating responsible business practices across all aspects of our operations. Through strategic initiatives and sound decision-making, we continue to strengthen the Bank's resilience, competitiveness, and leadership in sustainable finance.

This Report serves not only as a testament to our achievements but also as a reaffirmation of our commitment to continuous progress. I am confident that, through the collective dedication of our Management Board, employees, clients, and partners, we will accelerate our impact, setting even more ambitious sustainability milestones in the years ahead.

I extend my deepest appreciation to the Management Board and all HPB Group employees for their dedication and to you, our stakeholders, for your unwavering trust and support. Your engagement is essential in shaping a more sustainable and responsible financial system, one that meets the needs of today while safeguarding the future.

Sincerely,

Prof. PhD. Mislav Ante Omazić
Chairman of the ESG Committee of the Supervisory Board

Foreword by the President of the Management Board

Dear Stakeholders,

It is my pleasure to present the 2024 Sustainability Report, which, for the first time, is fully integrated into the HPB Group Annual Report and aligned with the European Sustainability Reporting Standards (ESRS). This report is more than a reflection of our progress, it represents our commitment to responsible banking, sustainable growth, and creating long-term value for society.

In an era of climate change, social inequality, and rapid technological transformation, the financial sector plays a crucial role in shaping a more resilient, inclusive, and sustainable future. As the largest domestically owned bank and one of the top five financial institutions in Croatia, we recognize our responsibility to lead by example, supporting our clients, employees, shareholders, and the wider community in navigating this transition.

At HPB, our mission is to create the conditions for a better life in Croatia, which means strengthening climate resilience, enabling a sustainable economic transition, and ensuring the protection of natural resources. This report provides a transparent overview of the initiatives we have implemented, as well as our strategic goals and commitments across key sustainability areas.

Over the past year, we have taken significant steps to deepen the integration of sustainability principles into our business model. We have strengthened our environmental risk assessment methodology, embedded climate-related risks into our credit processes, and set clear climate targets, including a commitment to reducing greenhouse gas emissions. To enhance our sustainability reporting capabilities, we have also implemented an advanced IT solution for data management. Beyond environmental sustainability, we continue to actively promote social responsibility, expanding our financial literacy programs, volunteering initiatives, and community support efforts, while prioritizing the development and well-being of our employees.

While we take pride in our achievements, we are also fully aware that sustainable development is an ongoing journey, one that requires collaboration, innovation, and decisive action. Looking ahead, we remain committed to accelerating our impact, continuously improving our practices, and driving meaningful changes.

I would like to extend my heartfelt appreciation to our employees, customers, and partners for their trust and partnership. Your engagement and support inspire us to push further, setting even more ambitious goals in our pursuit of a sustainable future.

Sincerely,

Marko Badurina
President of the Management Board

Sustainability As A Core Pillar Of Responsible Development

ESRS 2 (BP-2, SBM-1, SBM-3)
PRB Principle 1

The core elements of HPB Group's strategy and business model, including market analysis, geographical presence, product and service portfolio, value chain structure, distribution channels, and key financial performance indicators, are detailed in the sections Macroeconomic environment, Business environment, Management Board Statement of Condition of HPB p.l.c. and Development plan of Hrvatska poštanska banka p.l.c., of the Annual Report.

Comprehensive information regarding the total workforce and its structure is provided in the section Social sustainability - HPB Group Workforce Structure of the Sustainability Report.

At HPB Group, sustainability is embedded in our long-term strategy, serving as a fundamental pillar of our development. By aligning our business operations with sustainable economic growth, we strive to create value while ensuring that the needs of future generations remain uncompromised. Our approach is built on achieving a harmonized balance between environmental, social, and governance (ESG) factors, which underpins the realization of our strategic and financial objectives.

We view sustainability as a continuous commitment, one that demands ongoing assessment, risk management, and value-driven opportunities. By maintaining proactive engagement with key stakeholders, we ensure that our approach remains transparent, accountable, and forward-looking. Through this, we provide a comprehensive insight into our actions, initiatives, and measurable progress in advancing sustainable business practices.

ESG Governance and Management Framework

The Environmental, Social, and Governance (ESG) Management Policy (hereinafter referred to as the ESG Policy) outlines HPB Group's approach to sustainability governance, ensuring the effective management of material ESG topics relevant to the Group as a financial institution and in compliance with regulatory requirements. Serving as the foundational framework for sustainability, this Policy is aligned with HPB Group's strategic direction, establishing principles, procedures, and processes for the integration of ESG factors across all business segments and operations.

As a core pillar of the Bank's operations, the ESG Policy provides strategic guidance for business areas and activities with environmental and social impact, defines our sustainability objectives, and sets forth governance principles for managing environmental, social, and corporate governance matters.

This Policy is developed in accordance with key regulatory frameworks, including the Paris Agreement, the European Green Deal, the European Banking Authority (EBA) Guidelines, and relevant European and national sustainability reporting directives.

The ESG Policy provides a structured framework for responsible and effective business practices, focusing on the following key areas:

- Energy Efficiency & Carbon Management – Reducing HPB Group's carbon footprint by implementing energy-efficient practices across all business processes and operations
- ESG Risk Identification & Integration – Embedding ESG risk assessment and categorization into all operational and decision-making processes within HPB Group
- Sustainable Finance & Capital Allocation – Redirecting capital towards sustainable investments, accelerating the energy transition, and fostering responsible business practices among clients, suppliers, and partners
- Diversity, Equity & Inclusion (DEI) – Promoting a diverse and inclusive work environment, ensuring that all employees feel valued and empowered, while fostering talent development and transparent career progression
- Corporate Governance & Ethical Leadership – Upholding the highest standards of governance, ensuring continuous regulatory compliance, and aligning all business processes and operations with best practices and the Code of Ethics
- Transparent & Compliant ESG Reporting – Delivering clear, reliable, and comprehensive disclosures on HPB Group's environmental, social, and governance performance, in full alignment with regulatory requirements.

Our Commitment to Sustainability Principles

At HPB, we are committed to integrating sustainability principles into our business strategy, corporate policies, and stakeholder relationships to drive long-term value creation and responsible growth. Our approach is built on the following key commitments:

- Delivering long-term value for all stakeholders – Strengthening operational efficiency, supporting economic development, and contributing to the well-being of society and the environment
- Respecting human rights, fostering diversity, equity, and inclusion – Creating an inclusive and empowering work environment where every employee has the opportunity to reach their full potential
- Minimizing environmental impact – Enhancing resource efficiency in energy, water, and materials use, improving waste management, promoting the circular economy, and financing environmentally sustainable activities
- Practicing responsible finance and integrating ESG risk management – Strengthening our approach to environmental and climate risk management, supporting clients in transitioning to sustainable business models, and establishing clear standards for responsible financing
- Ensuring full compliance with sustainability regulations and legal obligations
- Upholding ethical business conduct and strong corporate governance – Embedding integrity in sales and marketing practices, ensuring data protection and information security, and enforcing anti-corruption measures
- Promoting transparency and accountability – Providing accurate, timely, and reliable disclosures on our environmental and social impact, and aligning our sustainability reporting with global standards.

Diversity and Non-Discrimination Principles

HPB Group is committed to cultivating an inclusive and equitable workplace where individual differences are valued, diversity is embraced, and discrimination is strictly prohibited. Our Diversity and Non-Discrimination Principles ensure equal access to professional training, career advancement, and retraining opportunities, as well as fair treatment in employment conditions, social security, healthcare, labor rights, and participation in employee representation bodies or unions.

As a signatory of the Diversity Charter, which advocates for inclusive business practices, HPB Group recognizes diversity as a fundamental value and a cornerstone of a positive workplace culture. We are dedicated to fostering an environment of respect, fairness, and equal opportunity, where employment decisions are based solely on skills, qualifications, and professional merit, free from discrimination and harassment.

Human and Child Rights Principles

HPB Group is committed to upholding the highest standards in employment practices, working conditions, and child protection, ensuring that every child has the right to a safe, healthy, and secure future, a principle deeply embedded in our corporate mission and sustainability strategy.

We strictly adhere to minimum age employment requirements, in full compliance with international labor standards and national legislation, safeguarding children from exploitation and potential risks. We fully recognize and respect children's rights, as outlined in the United Nations Convention on the Rights of the Child, ensuring that every child, regardless of background, status, or circumstances, has the right to life, survival, development, and meaningful participation in society.

As part of our commitment to Human and Child Rights Principles, HPB Group actively provides regular training to employees on child protection and human rights, supports local and national initiatives dedicated to child welfare and protection, and collaborates with organizations and stakeholders that advocate for children's rights and well-being.

Sponsorship and Donation Principles

HPB Group's approach to sponsorships and donations is guided by the principles of transparency, integrity, excellence, impartiality, and fairness, ensuring that all activities are conducted ethically and responsibly. We are committed to preventing conflicts of interest, complying with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations, and maintaining a strong focus on efficiency, effectiveness, and corporate social responsibility.

These commitments are embedded in our Sponsorship and Donation Principles, which establish a clear, structured, and accountable framework for the fair and transparent allocation of funds, while safeguarding the Bank's integrity, reputation, and long-term sustainability, as well as that of the applicants.

The 10 Principles of the UN Global Compact

As a signatory of the United Nations Global Compact (UNGC), we are committed to upholding the ten principles of responsible business conduct, which include the protection of human rights, adherence to labor standards encompassing freedom of association, the prohibition of child and forced labor, and the elimination of discrimination, as well as environmental protection and the fight against corruption.

Embedding Sustainability in Our Value Chain

HPB Group upholds high ethical business standards, ensuring full compliance with Croatian and EU laws and regulations, as well as financial market standards and internal policies. We actively encourage our suppliers, business partners, clients, and other stakeholders to align with our ethical values and sustainability goals.

Supplier Principles

HPB Group Supplier Principles outline the key expectations and commitments required from suppliers who engage or seek to establish a long-term business relationship with the Group. Acceptance of these principles is a prerequisite for cooperation with HPB Group.

Client Principles

The Client Principles, together with the HPB Group Code of Ethics, establish clear guidelines on ethical conduct and responsibility. While the Code of Ethics sets standards for employee interactions with clients, the Client Principles outline expectations for clients' adherence to ethical values, ensuring alignment with HPB Group's commitments to human rights, environmental protection, anti-corruption efforts, and non-discrimination.

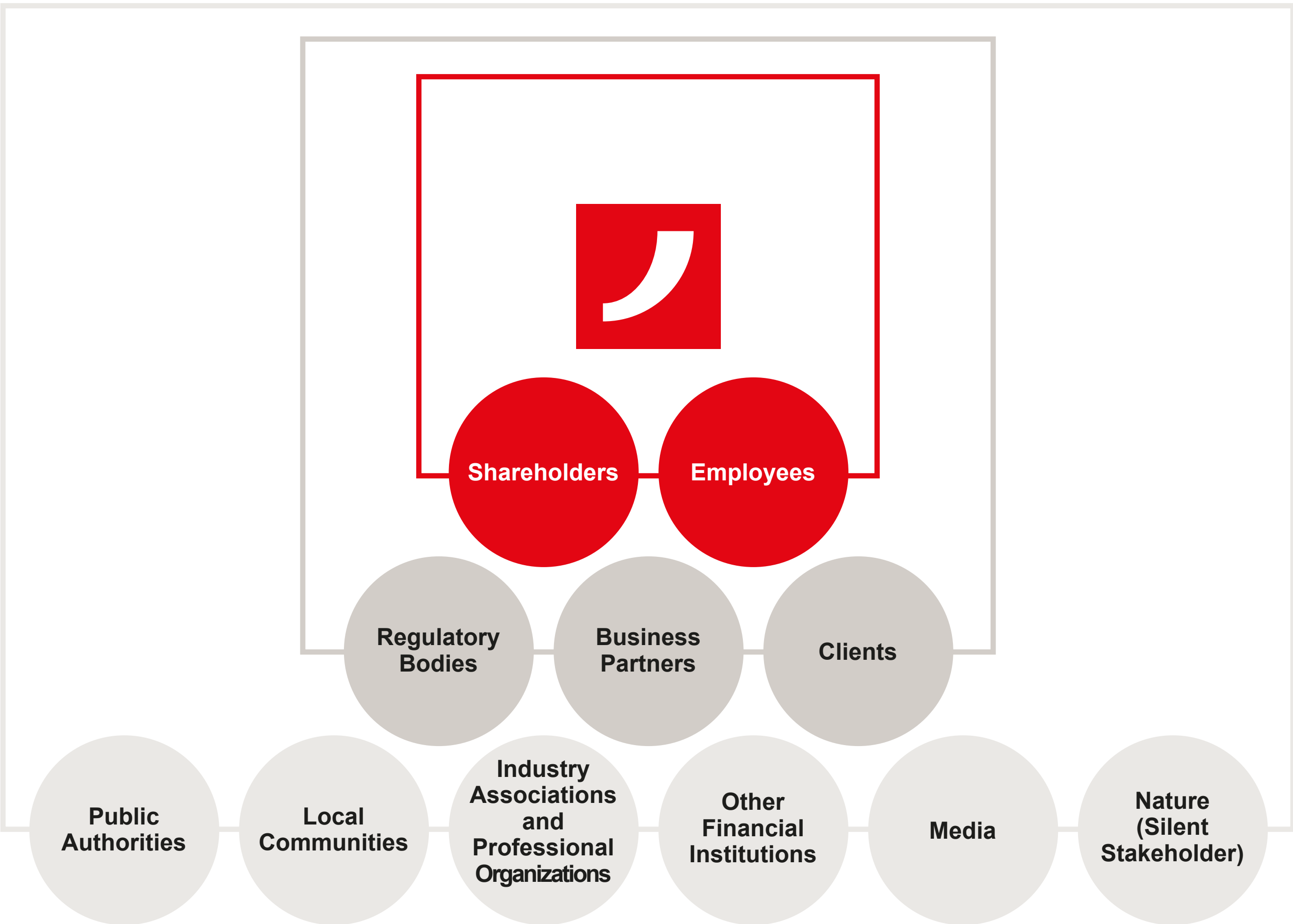
Engaging with Our Stakeholders

ESRS 2 (SBM 2)
PRB Principle 4

At HPB Group, we are committed to being a responsible and transparent partner to our stakeholders. Trust, accountability, and open communication form the foundation of our relationships, ensuring meaningful engagement and long-term value creation.

Recognizing the broad impact of our activities, we actively foster dialogue, collaboration, and knowledge-sharing. By maintaining proactive and structured engagement, we seek to understand stakeholder expectations and respond within our capabilities and regulatory framework. Through continuous feedback loops, we integrate stakeholder insights into our sustainability strategies and decision-making processes.

HPB Group Key Stakeholder Framework



We utilize a diverse range of communication channels, customized for different stakeholder groups. These include corporate digital platforms (website, intranet, LinkedIn, Facebook, Instagram, YouTube), newsletters, targeted CRM campaigns, stakeholder events, workshops, and educational initiatives. Our experts also participate in industry forums, conferences, and public discussions, support collaborative sustainability initiatives, and conduct stakeholder surveys to further enhance engagement.

Stakeholder Engagement and Communication Channels

Stakeholders	Communication Channels	Focus Areas
Shareholders	• General Assembly, corporate website, transparent reporting, sustainability reports	• Presentation and communication of sustainability performance indicators, achieved results, and future objectives
Regulatory Bodies	• Meetings and sessions, transparent reporting	• Sustainability updates, regulatory compliance, feedback on adherence to legal requirements
Public Authorities	• Consultations, participation in conferences and forums	• Joint initiatives supporting community development and quality of life improvements in Croatia
Local Communities	• Volunteering programs, sponsorships and donations, social media, community partnerships	• Identifying local needs, financial literacy programs, and social impact initiatives
Industry Associations and Professional Organizations	• Sponsorships, social media, industry partnerships	• Sustainability discussions, knowledge sharing, and collaboration on ESG topics
Other Financial Institutions	• Meetings, conferences, corporate website, social media	• Regular ESG-related discussions within the Croatian Banking Association's ESG working group
Business Partners	• Meetings, conferences, corporate website, social media	• Information exchange on sustainability factors and responsible business practices
Clients	• Corporate website, contact center, newsletters, CRM campaigns, social media, client events, branch network	• Transparent updates on sustainability activities, ESG educational materials, regulatory compliance guidance
Employees	• Internal portal (HPB Intra), email communications, online events, meetings, training sessions, employee engagement programs	• Continuous ESG education, sustainability-related updates, knowledge-sharing workshops
Media	• Corporate website, press releases, media partnerships, press conferences	• Sustainability-related news, corporate transparency, media inquiries
Nature (Silent Stakeholder)	• Environmental impact reports	• Progress on climate adaptation and mitigation, Climate Strategy objectives

Driving Sustainability Through Initiatives and Strategic Memberships

Aligned with its strategic commitment to sustainable business practices, HPB actively contributes to the development of a sustainable society by collaborating with organizations that share its principles, values, and understanding of sustainability's importance. Throughout 2024, HPB remained an active member of numerous national and international associations and initiatives, reinforcing its engagement in responsible finance, environmental sustainability, and corporate governance. These include:

- United Nations Global Compact (UNGC)
- UN Global Compact Hrvatska
- Croatian Business Council for Sustainable Development (HR PSOR)
- United Nations Environmental Programme Finance Initiative, UNEP FI
- Principles for Responsible Banking, PRB
- International Institute for Climate Action, IICA
- Croatian Banking Association (HUB)
- Croatian Employers' Association (HUP)
- Croatian Chamber of Economy (HGK)
- American Chamber of Commerce in Croatia (AmCham Croatia)
- International Chamber of Commerce, ICC
- Croatian Exporters Association (HIZ).

Awards and Recognitions for Excellence in Business and Social Impact

In October 2024, HPB was awarded the **Zlatna kuna**, the prestigious recognition from the Croatian Chamber of Economy (HGK), for being the most successful bank in 2023.

The Bank also earned the **Best Buy Award** medal for HPB SUPER ŠTEDNJA, ranking as the top bank in Croatia for offering the best price-to-quality ratio in savings opportunities.

On April 19, 2024, in celebration of World Investment Funds Day, HPB Bond Plus, an investment fund managed by HPB Invest, was recognized as the best conservative mixed fund of 2023.

In December 2024, as part of the European Week of Sport, HPB received the **#BeCROactive Award** in the Workplace category. This initiative, modeled after the European Commission's #BeActive Awards, honors organizations that excel in promoting physical activity and workplace well-being.

Further affirming its commitment to health and well-being, HPB was granted the **"Company Friendly to Health"** certification, a recognition valid for five years, acknowledging the Bank's efforts in fostering a health-conscious work environment. A key initiative supporting this was the installation of 22 automated external defibrillators (AEDs) across HPB's branch network in Croatia.

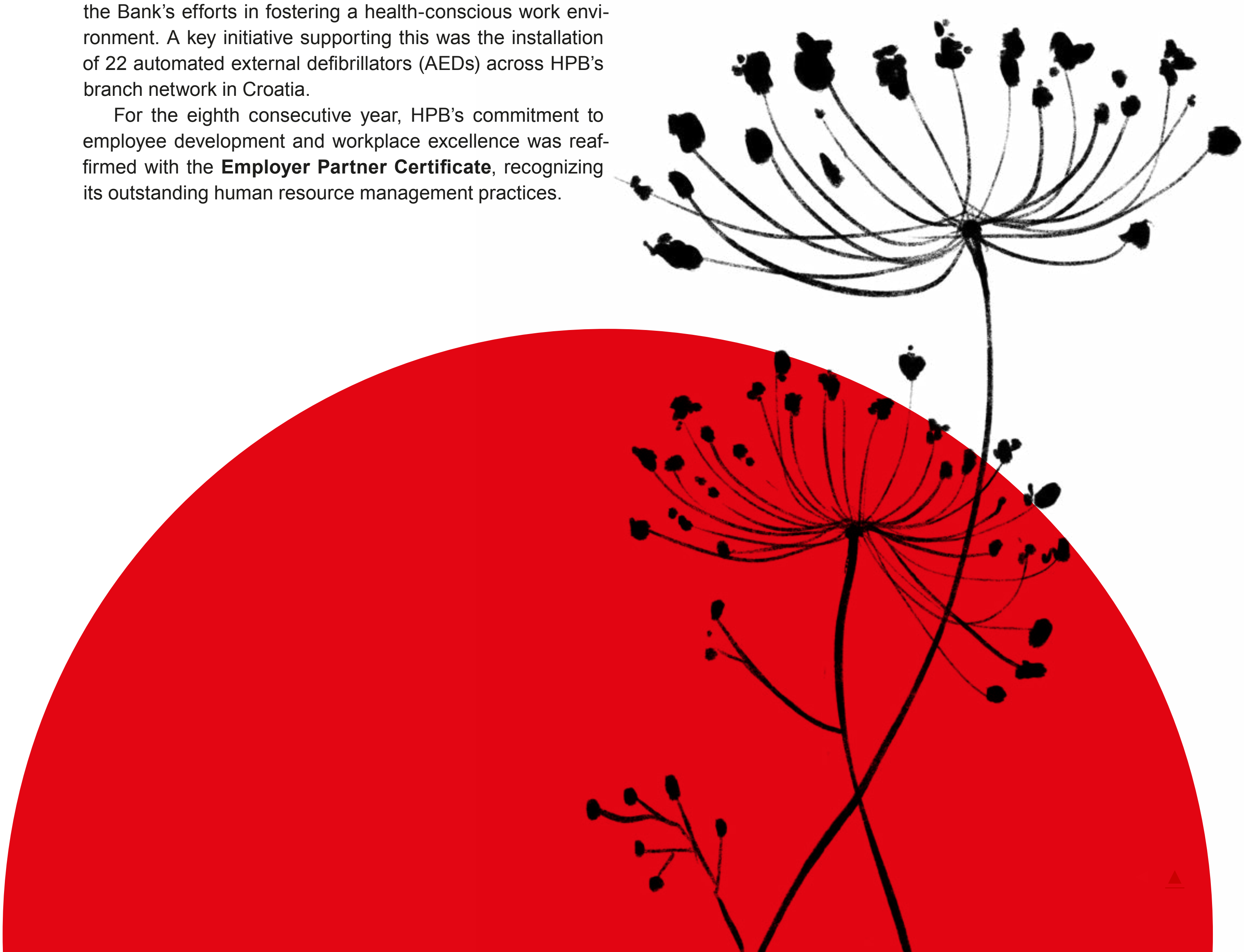
For the eighth consecutive year, HPB's commitment to employee development and workplace excellence was reaffirmed with the **Employer Partner Certificate**, recognizing its outstanding human resource management practices.

Alignment with ISO 26000:2020 Sustainability Guidelines

ESRS 2 (BP-2)

HPB Group operates in full compliance with the ISO 26000:2020 international standard for social responsibility, one of the most widely recognized frameworks for corporate sustainability. By adopting this standard, HPB reinforces a culture of social responsibility, promoting a shared understanding of sustainability principles both within the organization and across its broader stakeholder network.

With a steadfast commitment to enhancing social responsibility, HPB ensures full adherence to legal and regulatory requirements. A comprehensive review of internal processes, procedures, and documented information has confirmed the Bank's alignment with the provisions of ISO 26000:2020, demonstrating its dedication to responsible business practices and sustainable development.



Sustainability Governance And Oversight

ESRS 2 (GOV-1, GOV-2, GOV-3, GOV-5)
PRB Principle 1, 5, 6

Corporate Governance

ESRS 2 (GOV-1)

HPB's corporate governance framework is structured as a dualistic system, in accordance with the Bank's Articles of Association. It consists of the Management Board and the Supervisory Board, with the General Assembly as the third key governing body. To ensure effective decision-making and accountability, clearly defined governance procedures are in place for each body. While the Management Board and Supervisory Board have distinct responsibilities, they share a collective duty to safeguard the Bank's long-term success and ensure that its strategic direction aligns with societal and stakeholder interests.

The Management Board is responsible for the Bank's overall business operations, the execution of its strategic objectives, and upholding HPB's reputation as a responsible and trustworthy financial institution. As the Bank's legal representative, it is authorized to act on behalf of HPB in all business, legal, and regulatory matters. The Management Board also formulates and implements the Bank's strategy and business plans, integrates risk management and internal control frameworks, and fosters strong relationships with shareholders and key stakeholders. Each business plan is designed to drive growth and stability, with a focus on strengthening governance, enhancing risk oversight, and improving internal controls.

The Supervisory Board plays a monitoring and oversight role, ensuring that the Bank's operations and business conduct align with corporate governance standards and regulatory expectations. It evaluates the Management Board's performance in achieving strategic goals, oversees its engagement with shareholders and stakeholders, and ensures the Bank maintains a robust internal control and risk management system.

The Supervisory Board is supported by the following committees:

- Audit Committee
- Remuneration Committee
- Risk Committee
- Nomination Committee
- ESG Committee.

Both the Management Board and the Supervisory Board are responsible for establishing a culture of accountability, integrity, and ethical leadership. They set clear expectations for ethical conduct among employees and external stakeholders, implement sound governance structures, and facilitate effective collaboration in the best interests of the Bank. By acting in full compliance with regulatory frameworks and internal policies, they together with the General Assembly ensure the consistent application of corporate governance best practices.

The names of the Management Board and Supervisory Board members are provided in the sections Management Board - Composition and Role and Supervisory Board - Composition and Role, of the Annual Report.

ESG Committee

ESRS 2 (GOV-1)

Established in late 2022, the ESG Committee is responsible for overseeing HPB's compliance with sustainability guidelines and ensuring the effective integration of ESG principles into the Bank's operations and reporting framework. The Committee plays a crucial governance role, ensuring that environmental, social, and governance (ESG) factors are effectively embedded in corporate strategy, risk management, and decision-making processes.

The ESG Committee's key responsibilities include:

- Supervising the implementation and ongoing refinement of methodologies for ESG risk management and sustainability integration
- Overseeing the enforcement of the ESG Management Policy, ensuring alignment with sustainability principles and regulatory requirements
- Regularly reviewing and updating the core principles of the ESG Management Policy to reflect emerging best practices
- Ensuring the appropriate integration of ESG risks into business processes, in accordance with HPB's corporate governance framework
- Monitoring the establishment and achievement of non-financial sustainability objectives, ensuring they align with the Bank's strategic priorities
- Assessing the impact of environmental and climate-related risks on the Bank's risk profile and resilience
- Reviewing social sustainability principles, focusing on employee relations, investor expectations, and community engagement
- Overseeing governance-related policies and processes, particularly in relation to anti-corruption measures, conflict of interest prevention, diversity and inclusion in management structures, and gender equality initiatives.

Appointment Process of the Governing Body

ESRS 2 (GOV-1)

Under its designation as a legal entity of special interest by the Decision on Legal Entities of Special Interest to the Republic of Croatia (Official Gazette, Nos. 147/2021 and 78/2023), the criteria and procedures for electing and appointing members to the Bank's Management Board, including the requirements candidates must meet for the roles of Chair and Board Members, are governed by the Croatian Government's Regulation on the Conditions for Electing and Appointing Members to Supervisory and Management Boards of Entities of Special Interest to the Republic of Croatia and the Manner of Their Selection (Official Gazette, No. 12/2019) (hereinafter: Government Regulation).

As outlined in the Bank's Articles of Association, which is publicly available on the Bank's website, the Management Board consists of a minimum of two and a maximum of five members, with the Supervisory Board determining the exact number. The Supervisory Board appoints the President and members of the Management Board for a term of up to five years, with the possibility of unlimited reappointment.

In addition to the conditions prescribed by the Government Regulation, candidates for the Management Board must meet the eligibility criteria set out in the Companies Act, the Credit Institutions Act, and the Decision on the Assessment of the Suitability of the Chairperson of the Management Board, Member of the Management Board, Member of the Supervisory Board, and Key Function Holder in a Credit Institution (Official Gazette, Nos. 20/2021 and 104/2022). Furthermore, all candidates must obtain prior approval from the Croatian National Bank before assuming their appointed roles.

Additionally, the internal Policy on the Target Structure of the Management Board and the Suitability Assessment of the President and Members of the Management Board, which is publicly available on the Bank's website, further defines the desired composition of the Management Board, the eligibility requirements for membership, and the related governance procedures and assessment activities.

Diversity of the Governing Body

ESRS 2 (GOV-1)

HPB Group is committed to fostering a diverse and balanced leadership structure, ensuring that the composition of its governing bodies reflects a broad range of perspectives and expertise. In defining the optimal composition of its leadership, the Bank considers education, professional experience, gender, and age, as well as, where applicable, geographical background. This approach is aligned with the nature and scope of HPB's operations and the risks it currently faces or may encounter in the future.

Recognizing gender equality as a core value of the European Union and upholding the principle of equal opportunities, HPB has set diversity objectives for the 2021–2026 period. To support these objectives, the Bank has adopted a Diversity Policy for the Management Board and the Supervisory Board, which serves as a key component of HPB's corporate governance framework. This policy promotes diversity in education, professional experience, age structure, and geographical representation, while defining clear goals and principles for gender balance in governance and executive leadership. It outlines HPB's approach to diversity within the Management and Supervisory Boards, sets targets for the representation of underrepresented genders, and establishes a structured strategy and timeline for achieving these goals.

As part of its commitment to improving gender balance, HPB aims to achieve at least 33.30% female representation in its governing bodies by 2026. As of December 31, 2024, the total share of women in HPB's governing body stands at 25%.

In accordance with the Law on the Prevention of Conflicts of Interest ("Official Gazette," No. 143/2021), the presidents and members of management boards of companies in majority state ownership are considered public officials and, therefore, cannot be deemed independent from the Bank. Within the Bank's governing body, comprising Management Board members and Supervisory Board members, 12.5% of members were independent in 2024.

Gender Representation in the Governing Body

	Women's Representation (as of 31/12/2024)	Target for 2021–2026
Management Board	0.00%	At least 20%
Supervisory Board	66.70%	At least 20%
Overall Average	25.00%	At least 33.30%

* The data presented refers to HPB.

Remuneration Policy

ESRS 2 (GOV-3)

The Supervisory Board ensures that transparent and well-defined policies and procedures are in place for determining the remuneration of Management Board members, aligning their interests with the Bank's long-term objectives and the ethical and responsible implementation of its corporate strategy. To support this, the Supervisory Board of HPB has established the Remuneration Committee, which provides guidance and recommendations to the Management Board and the Supervisory Board, overseeing the development and regular review of the core principles of the Remuneration Policy.

The Management Board has adopted the Remuneration Policy of Hrvatska poštanska banka and HPB Group, which has been approved by the Supervisory Board. This policy establishes a fair, objective, and transparent remuneration system across HPB and its subsidiaries. It is fully aligned with the Bank's sustainability strategy, incorporating environmental, social, and governance (ESG) factors as key elements in defining corporate values and long-term business priorities. By implementing this policy, HPB Group promotes a sustainable business model, integrating comprehensive risk management, including ESG-related risks. The policy also incorporates sustainability-driven objectives, encouraging employees to maximize their positive impact while mitigating ESG-related risks.

The Remuneration Policy is based on the principle of equal pay for equal work or work of equal value, ensuring that remuneration is free from discrimination based on gender, race, ethnicity, language, religion, political or other beliefs, national or social origin, or any other discriminatory factor. HPB Group actively monitors gender pay gaps, reports on findings, and implements corrective measures when necessary to ensure gender pay equity.

Sustainability performance does not impact the variable remuneration of governing bodies or employees across HPB Group.

The Remuneration Committee is responsible for conducting an annual review of the Remuneration Policy to assess its alignment with regulatory requirements, industry best practices, governance principles, and internal remuneration frameworks.

Professional Training and Capacity Building

ESRS 2 (GOV-1)

To ensure the effective fulfillment of its responsibilities, HPB Group has adopted policies and procedures that establish structured training and continuous education programs for the Management Board and the Supervisory Board, in accordance with legal and regulatory requirements. These policies define key business areas where specialized training and ongoing professional development are deemed necessary.

HPB Group regularly provides targeted training sessions for the Management Board and the Supervisory Board, covering the following areas:

- Financial markets
- Accounting and auditing
- Regulatory framework
- Risk management, including identification, measurement, monitoring, control, and mitigation of key risks in a credit institution
- Corporate governance, including internal control systems
- Anti-money laundering (AML) and counter-terrorism financing (CTF), and the risks associated with AML/CTF for credit institutions
- International restrictive measures (sanctions)
- Climate, environmental, social, and governance (ESG) risks
- Financial data analysis for credit institutions.

Three Lines of Defense Model

ESRS 2 (GOV-1, GOV-2, GOV-5)

HPB Group's corporate governance framework mandates lawful, ethical, and professional conduct in all business activities. Management Board members, Supervisory Board members, and employees are required to operate in full compliance with applicable laws and regulations, internal policies, corporate values, and banking industry standards.

As part of its risk management and compliance structure, HPB Group has implemented the Three Lines of Defense Model, ensuring a systematic and structured approach to risk oversight. The first line of defense consists of all organizational units and employees, particularly those in management positions, who are responsible for ensuring compliance within their respective areas. The Finance Department ensures compliance with financial and tax regulations, the Human Resources Department oversees compliance with labor laws, employment policies, and remuneration regulations, while the Sustainable Business Department ensures adherence to sustainability-related regulatory requirements. These units collectively form the first line of defense, addressing compliance risks and corporate governance obligations.

To further strengthen regulatory compliance and provide an independent assessment of compliance risks, HPB Group has established a dedicated Compliance Function within the Compliance Division, which serves as the second line of defense. This function ensures ongoing regulatory compliance across all business units, manages the Bank's personal data protection and privacy framework, and oversees anti-money laundering (AML) and counter-terrorism financing (CTF) measures. Through these mechanisms, HPB Group enhances protection for clients, shareholders, employees, business partners, and the broader community. The Compliance Division works closely with all organizational units, the Management Board, the Supervisory Board, regulators, and supervisory authorities and is divided into three departments: the Compliance Monitoring Department, the Personal Data Protection Department, and the AML, CTF, and International Sanctions Department.

As the third line of defense, HPB Group has established an Internal Audit Function, which operates as an independent unit responsible for evaluating the Bank's adherence to legal and regulatory requirements. Internal Audit ensures independence and objectivity in audit processes, defines audit authorities, responsibilities, and competency requirements, and conducts systematic risk management, control, and governance assessments. In cases where illegal activities or breaches of risk management rules are identified, which may jeopardize liquidity, solvency, or the Bank's financial security, the Internal Audit Office is required to notify the Management Board and the Supervisory Board.

The Audit Committee is responsible for assessing the effectiveness of the Three Lines of Defense framework at least once per year and reporting its findings to the Supervisory Board.

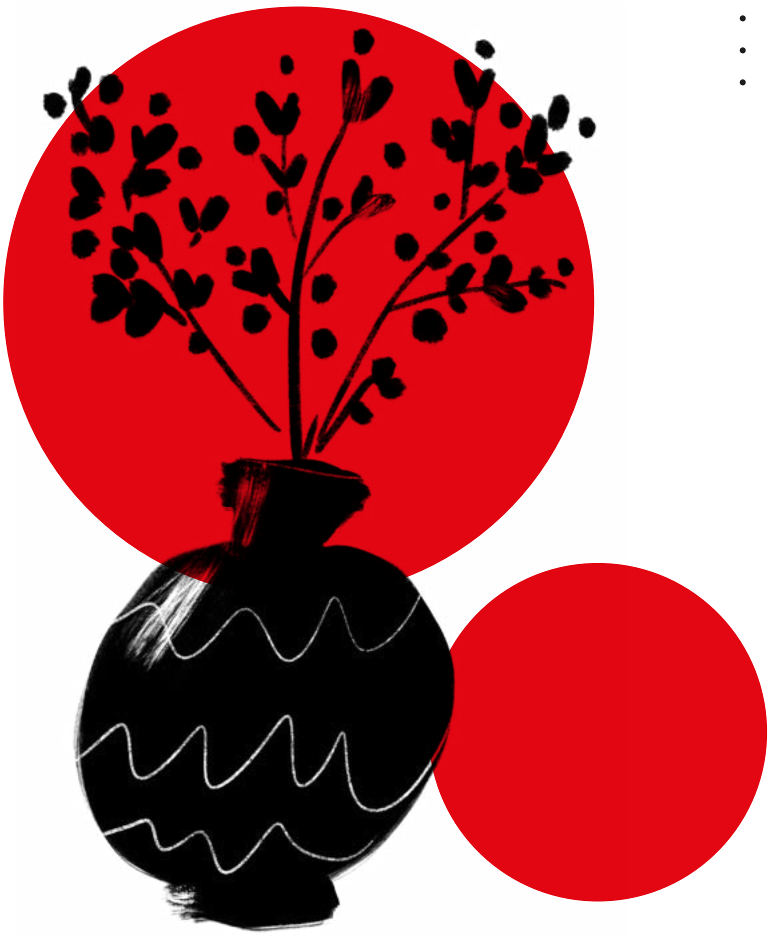
Sustainability Office

ESRS 2 (GOV-1)

The Sustainability Office is an organizational unit within HPB, established in 2022 to lead the Bank's sustainability transformation and drive positive change in alignment with HPB's strategic development goals. Positioned within the specialized advisory functions supporting the Management Board, the Sustainability Office plays a pivotal role in embedding sustainability principles across the Bank's operations.

In response to rapid market shifts and the increasing impact of climate change, the Management Board of HPB has embraced a broader responsibility beyond financial performance. Recognizing that sustainability is integral to long-term business resilience, HPB established a dedicated unit to oversee, implement, and monitor the transformation toward a sustainable business model, ensuring a structured approach to managing all aspects of this transition.

The core mandate of the Sustainability Office is to integrate sustainability factors across all areas of the Bank's operations. This comprehensive and demanding process requires close collaboration with all organizational units. It involves driving changes in business processes, fostering a culture of sustainability, and ensuring compliance with increasingly complex regulatory requirements.



Strategic Priorities for 2024

ESRS 2 (GOV-2)
PRB Principle 1

The initiatives we undertake and the goals we strive to achieve are guided by the 17 United Nations Sustainable Development Goals (SDGs) and the 10 Principles for Responsible Banking (PRB). HPB Group recognizes its role and responsibility in addressing global challenges, fostering societal well-being, and safeguarding the environment. Our strategic focus is directed toward sustainability objectives that are most relevant to financial institutions and that align closely with our long-term sustainability vision.

While HPB Group is committed to supporting all 17 SDGs, we prioritize areas where our actions can generate the most significant positive impact.

Sustainability Topics Addressed by the Management Board and ESG Supervisory Board Committee in 2024:

- Adoption of the Climate Strategy until 2050 and the Transition Plan for a Low-Carbon Economy until 2030
- Approval of the GHG Emission Calculation Methodology for HPB Group
- Approval of the Bank's Taxonomy Indicator Calculation Methodology
- Adoption of a documented conclusion on the results of the general environmental risk assessment
- Publication of the 2023 Sustainability Report
- Adoption of HPB Group's new Code of Ethics
- Adoption of HPB Group's new Anti-Corruption Policy
- Approval of the new Rulebook on Sustainability Reporting.

The following table outlines the key sustainability themes and initiatives that shaped HPB Group's sustainability agenda in 2024.

Key sustainability themes in 2024

ESG Segment	Key Activity	Measures	Relevant SDGs
ENVIRONMENT	Development of methodologies and metrics for environmental objectives from the Climate Strategy and HPB Group's Transition Plan	Base year 2023 defined for GHG emissions and Green Asset Ratio (GAR) with initial values established	SDG 12 SDG 13
		Defined targets focusing on GHG emission reduction and GAR increase, in line with regulatory framework	
	Enhancement of environmental risk assessment methodology	Increased granularity – assessment at cadastral plot level	SDG 13
		Broader spectrum of physical risks included (rising sea levels, wind strength)	
		Integration of climate change projections based on NGFS scenarios up to 2050	
	Integrating Environmental Risk Assessment into Credit Operations	Sector policies defined from an environmental risk perspective (credit criteria, restrictions, thresholds, and exclusions)	SDG 13
		Methodology established for determining environmental (ENV) ratings for industries and clients	
		ESG questionnaire integrated into credit documentation	
	Implementation of educational programs for clients	Awareness campaign conducted on the purpose and guidelines for ESG questionnaire completion	SDG 13
		Awareness campaign on the application of the EU Taxonomy Regulation	
SOCIAL Employee well-being	Activities implemented in accordance with ISO 26000: Guidelines on Social Responsibility	Continuous assessment and improvement of business practices in line with sustainability standards	SDG 3 SDG 4 SDG 5 SDG 8 SDG 12 SDG 13
	Investment in employee development, well-being, and safety	312 external and 78 internal training sessions conducted	SDG 4
		Various benefits introduced to enhance work-life balance	SDG 3
		Psychological counseling services provided, participation in HPB Sport activities, and various initiatives promoting a healthy lifestyle	SDG 3
	Employee satisfaction survey	91.4% of employees participated in organizational vitality assessmen	SDG 3

ESG Segment	Key Activity	Measures	Relevant SDGs
SOCIAL **Community**	Corporate volunteering	Volunteer Club established	SDG 3 SDG 8
		15 volunteering initiatives organized, involving 119 volunteers	
	Financial literacy program	Educational initiatives conducted in 8 counties, targeting schoolchildren and students	SDG 3 SDG 4
		Focus on European Money Week activities	
		Collaboration with the Croatian Banking Association (HUB) on the Finance for New Generations project for young entrepreneurs	
	Business partnerships	Safer Schools and Kindergartens project in collaboration with the Red Cross	SDG 3 SDG 4
GOVERNANCE	Preparation for sustainability reporting in accordance with ESRS standards for the 2024 reporting period	Implementation of an IT solution for sustainability data management and reporting	SDG 13
	Integration of ESG questionnaire into Bank operations	ESG questionnaire developed for collecting sustainability-related data from clients	SDG 13
		ESG questionnaire data management process established	
		Client awareness campaign conducted and questionnaire rollout initiated	
	Implementation of UNEP FI Principles for Responsible Banking	Portfolio impact analysis conducted	SDG 8 SDG 13
		First sustainability report published in line with UNEP FI membership requirements	
		SMART targets set in key impact areas	
	ESG questionnaire integration for suppliers	Supplier Principles already incorporated into procurement process	SDG 12 SDG 13
		Supplier questionnaire development, process definition, and supplier assessment methodology in progress	

Sustainable And Responsible Banking

HPB Group acknowledges its critical role in facilitating the transition to a low-carbon economy and mitigating environmental impact by channeling its investment and lending activities toward sustainable initiatives. Recognized through the double materiality assessment, sustainable finance has been identified as a key area of influence, underscoring HPB Group's positive contribution to the financial sector and the wider economy.

By embedding sustainability into its operations and implementing educational initiatives, HPB Group actively encourages sustainable practices among its clients and stakeholders, empowering them on their path to a more sustainable future.

Sustainable Financing

ESRS E1
PRB Principle 3

Aligned with its strategic commitment to sustainability, HPB Group remains dedicated to advancing lending programs that support sustainable investments, with a particular emphasis on renewable energy, emerging technologies, and sustainable construction. The Bank has established a framework for the development of sustainable financial products and is actively adapting its existing offerings to better align with evolving market needs and regulatory expectations. Additionally, HPB is enhancing its data management model to strengthen transparency and improve the monitoring of sustainable financing initiatives.

Redirecting capital toward sustainable and innovative projects to facilitate greenhouse gas emission reductions is a key pillar of HPB Group's Climate Strategy through 2050. Further details on this commitment are outlined in the Environmental Sustainability chapter.

Taxonomy Indicators

The Green Asset Ratio (GAR) is becoming an increasingly important benchmark for banks, serving both as a measure of their environmental responsibility and as a means of aligning with global sustainability frameworks. As a key indicator of sustainable finance, GAR reflects the proportion of a bank's lending and investment activities that comply with the EU Taxonomy Regulation. It quantifies taxonomy-aligned assets as a percentage of total covered assets, helping stakeholders better understand the contribution of financial institutions to environmental and climate objectives.

At HPB, GAR serves as a guiding metric for improving data governance related to taxonomy compliance and reporting while also enabling the assessment of sustainability performance across financed entities.

In compliance with regulatory obligations, HPB reports on its Green Asset Ratio, with the 2024 GAR calculation conducted in accordance with the Bank's Taxonomy Indicator Calculation Methodology, adopted in April 2024, in full alignment with the EU Taxonomy Regulation.

Under its Climate Strategy through 2050 and Transition

Plan through 2030, HPB has set a goal to increase itsGreen Asset Ratio, considering the gradual expansion of sustainability reporting requirements, the rising number of clients subject to taxonomy-aligned disclosures, and the improvement in data collection processes.

By scaling up its GAR, HPB strengthens its commitment to global climate goals, advances energy efficiency, and supports environmentally sustainable investments, while simultaneously enhancing long-term financial stability, competitiveness, and corporate reputation.

The GAR calculation is highly dependent on data availability and quality, particularly on the accuracy and completeness of client-provided information. A major challenge in determining GAR and in defining its target value is the limited awareness among clients regarding EU Taxonomy requirements and disclosure expectations. This knowledge gap can result in incomplete, inaccurate, or unavailable data, directly affecting the final GAR calculation. Additionally, the GAR percentage is influenced by HPB's portfolio composition and business model, particularly the share of clients subject to sustainability reporting obligations, as these entities provide the necessary data for the Bank's assessment.

The Bank used the latest available data to calculate GAR. This includes data collected directly from our clients and publicly available client sustainability reports.

The presentation of key performance indicators is in line with the requirements of the Commission Delegated Regulation (EU) 2021/2178 and Regulation (EU) No 575/2013 of the European Parlamanet and of the Council. The data is presented according to availability.

Due to limited data availability, presentation of KPI off-balance sheet exposures (Template 5) is not included. Likewise, as the Bank presents KPI's for loans only, calculation is based entirely on counterparty income and not on counterparty CapEX.

Summary of GAR KPIs (Turnover based)

	KPI - Turnover based			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)*
GAR stock	0.19%	0.00%	0.19%	0.23%
GAR flow	0.29%	0.00%	0.29%	0.83%

* % of assets covered by the KPI over banks´ total assets

GAR - sector information

a	b	c	e	f	h	i	k	l	n	o	q	r
Breakdown by sector	Climate Change Mitigation (CCM)*				Climate Change Adaptation (CCA)*				TOTAL (CCM+CCA)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
	Mn EUR	Of which environ-mental sustainable (CCM)	Mn EUR	Of which environ-mental sustainable (CCM)	Mn EUR	Of which environ-mental sustainable (CCA)	Mn EUR	Of which environ-mental sustainable (CCA)	Mn EUR	Of which environ-mental sustainable (CCM+CCA)	Mn EUR	Of which environ-mental sustainable (CCM+CCA)
A.01 Crop and animal production, hunting and related service activities									51.74	0.00		
C.19 Manufacture of coke and refined petroleum products									69.94	0.01		
C.26 Manufacture of computer, electronic and optical products									21.12	0.45		
C.27 Manufacture of electrical equipment									41.21	0.00		
C.29 Manufacture of motor vehicles, trailers and semi-trailers									14.88	0.03		
E.38 Skupljanje, oporaba i zbrinjavanje otpada									74.68	3.94		
F.42 Civil engineering									103.53	0.35		
H.51 Air transport									0.00	0.00		

* Due to limited data availability, only the total gross carrying amount per sector is presented without breakdown by climatic goals.

Assets for the calculation of GAR -Turnover based

Million EUR	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	31 December 2024															
	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
1 GAR - Covered assets in both numerator and denominator																
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	**1,024**	**19**	**6**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**19**	**6**	**0**	**0**	**0**
3 Financial corporations	**96**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
4 Credit institutions	31											0	0	0	0	0
5 Loans and advances	0											0	0	0	0	0
6 Debt securities, including UoP	31											0	0	0	0	0
7 Equity instruments	0											0	0		0	0
8 Other financial corporations	66	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 of which investment firms	0											0	0	0	0	0
10 Loans and advances	0											0	0	0	0	0
11 Debt securities, including UoP	0											0	0	0	0	0
12 Equity instruments	0											0	0		0	0
13 of which management companies	1											0	0	0	0	0
14 Loans and advances	0											0	0	0	0	0
15 Debt securities, including UoP	0											0	0	0	0	0
16 Equity instruments	1											0	0		0	0
17 of which insurance undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Debt securities, including UoP	0											0	0	0	0	0
20 Equity instruments	0											0	0	0	0	0
21 Non-financial corporations (subject to NFRD disclosure obligations)	**143**	**19**	**6**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**19**	**6**	**0**	**0**	**0**
22 Loans and advances	132	19	6	0	0	0	0	0	0	0	0	19	6	0	0	0
23 Debt securities, including UoP	10											0	0	0	0	0
24 Equity instruments	0											0	0		0	0
25 Households	**781**											**0**	**0**	**0**	**0**	**0**
26 of which loans collateralised by residential immovable property	781											0	0	0	0	0
27 of which building renovation loans	0											0	0	0	0	0
28 of which motor vehicle loans	0											0	0	0	0	0
29 Local governments financing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
30 Housing financing	0											0	0	0	0	0
31 Other local government financing	0											0	0	0	0	0
32 Collateral obtained by taking possession: residential and commercial immovable properties	**4**											**0**	**0**	**0**	**0**	**0**
33 TOTAL ASSETS IN THE DENOMINATOR (GAR)	**1,024**	**19**	**6**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**19**	**6**	**0**	**0**	**0**

	Million EUR	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		31 December 2024															
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
34	**Nefinancijska društva**																
35	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**827**															
36	Loans and advances	826															
37	of which loans collateralised by commercial immovable property																
38	of which building renovation loans																
39	Debt securities	0															
40	Equity instruments	1															
41	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**0**															
42	Loans and advances	0															
43	Debt securities	0															
44	Equity instruments	0															
45	Derivatives	0															
46	On demand interbank loans	10															
47	Cash and cash-related assets	134															
48	Other assets (e.g. Goodwill, commodities etc.)	1,184															
49	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**3,180**															
	Other assets excluded from both the numerator and denominator for GAR calculation																
50	Sovereigns	1,344															
51	Central banks exposure	3,655															
52	Trading book	66															
53	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**5,065**															
54	**TOTAL ASSETS**	**8,245**															
55	Financial guarantees																
56	Assets under management																
57	of which debt securities																
58	of which equity instruments																

Assets for the calculation of GAR - KPI flow (Turnover based)

	Million EUR	q	r	s	t	u	v	w	h	y	z	aa	ab	ac	ad	ae	af
		31 December 2024															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
		Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
1	**GAR - Covered assets in both numerator and denominator**																
2	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**142**	**13**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13**	**2**	**0**	**0**	**0**
3	**Financial corporations**	**30**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
4	Credit institutions	0											0	0	0	0	0
5	Loans and advances	0											0	0	0	0	0
6	Debt securities, including UoP	0											0	0	0	0	0
7	Equity instruments	0											0	0		0	0
8	Other financial corporations	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	of which investment firms	0											0	0	0	0	0
10	Loans and advances	0											0	0	0	0	0
11	Debt securities, including UoP	0											0	0	0	0	0
12	Equity instruments	0											0	0		0	0
13	of which management companies	0											0	0	0	0	0
14	Loans and advances	0											0	0	0	0	0
15	Debt securities, including UoP	0											0	0	0	0	0
16	Equity instruments	0											0	0		0	0
17	of which insurance undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Debt securities, including UoP	0											0	0	0	0	0
20	Equity instruments	0											0	0	0	0	0
21	**Non-financial corporations (subject to NFRD disclosure obligations)**	**71**	**13**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13**	**2**	**0**	**0**	**0**
22	Loans and advances	71	13	2	0	0	0	0	0	0	0	0	13	2	0	0	0
23	Debt securities, including UoP	0											0	0	0	0	0
24	Equity instruments	0											0	0		0	0
25	**Households**	**41**											**0**	**0**	**0**	**0**	**0**
26	of which loans collateralised by residential immovable property	41											0	0	0	0	0
27	of which building renovation loans	0											0	0	0	0	0
28	of which motor vehicle loans	0											0	0	0	0	0
29	**Local governments financing**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
30	Housing financing	0											0	0	0	0	0
31	Other local government financing	0											0	0	0	0	0
32	**Collateral obtained by taking possession: residential and commercial immovable properties**	**0**											**0**	**0**	**0**	**0**	**0**
33	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**142**	**13**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13**	**2**	**0**	**0**	**0**

	Million EUR	q	r	s	t	u	v	w	h	y	z	aa	ab	ac	ad	ae	af
		31 December 2024															
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
34	**Nefinancijska društva**																
35	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**226**															
36	Loans and advances	226															
37	of which loans collateralised by commercial immovable property																
38	of which building renovation loans																
39	Debt securities	0															
40	Equity instruments	0															
41	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**0**															
42	Loans and advances	0															
43	Debt securities	0															
44	Equity instruments	0															
45	Derivatives	0															
46	On demand interbank loans	4															
47	Cash and cash-related assets	0															
48	Other assets (e.g. Goodwill, commodities etc.)	175															
49	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**548**															
	Other assets excluded from both the numerator and denominator for GAR calculation																
50	Sovereigns	166															
51	Central banks exposure	869															
52	Trading book	11															
53	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**1,046**															
54	**TOTAL ASSETS**	**1,593**															
55	Financial guarantees																
56	Assets under management																
57	of which debt securities																
58	of which equity instruments																

GAR KPI stock

	% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		31 December 2024															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling	
1	**GAR**	**0.60%**	**0.19%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.60%**	**0.19%**	**0.00%**	**0.00%**	**0.00%**	**0.23%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	1.86%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.86%	0.58%	0.00%	0.00%	0.00%	0.23%
3	**Financial corporations**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.01%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.01%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
4	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
8	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
9	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
13	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
17	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	5.06%	0.29%	0.00%	0.00%	0.00%	5.06%	0.29%	0.00%	0.00%	0.00%	0.00%
18	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	5.06%	0.29%	0.00%	0.00%	0.00%	5.06%	0.29%	0.00%	0.00%	0.00%	0.00%
19	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
20	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%

	% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		31 December 2024															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which transitional	Of which enabling	
21	**Non-financial corporations subject to NFRD disclosure obligations**	**13.33%**	**4.13%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**13.33%**	**4.13%**	**0.00%**	**0.00%**	**0.00%**	**0.23%**
22	Loans and advances	14.36%	4.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.36%	4.45%	0.00%	0.00%	0.00%	0.23%
23	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
24	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
25	**Households**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
26	of which loans collateralised by residential immovable property	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
27	of which building renovation loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28	of which motor vehicle loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29	**Local government financing**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31	Other local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32	Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

GAR KPI flow

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
	% (compared to total covered assets in the denominator)	31 December 2024															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
1	**GAR**	**2.42%**	**0.29%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**2.42%**	**0.29%**	**0.00%**	**0.00%**	**0.00%**	**0.83%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	9.32%	1.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	9.32%	1.13%	0.00%	0.00%	0.00%	0.83%
3	**Financial corporations**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
4	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
8	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
9	of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
12	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
13	of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
17	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
19	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
20	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%

	% (compared to total covered assets in the denominator)	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		31 December 2024															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
21	**Non-financial corporations subject to NFRD disclosure obligations**	**18.68%**	**2.27%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**18.68%**	**2.27%**	**0.00%**	**0.00%**	**0.00%**	**0.83%**
22	Loans and advances	18.68%	2.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	18.68%	2.27%	0.00%	0.00%	0.00%	0.83%
23	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
24	Equity instruments	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%		0.00%	0.00%
25	**Households**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
26	of which loans collateralised by residential immovable property	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
27	of which building renovation loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28	of which motor vehicle loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29	**Local government financing**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
30	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
31	Other local governments financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
32	Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Incentive-Based Financing

HPB Group fosters strong partnerships with national and international development institutions, with a particular emphasis on its longstanding collaboration with the **Croatian Bank for Reconstruction and Development (HBOR)**. These partnerships enable HPB to offer preferential financing terms for investments that drive innovation, energy efficiency, environmental sustainability, and business competitiveness, including support for export-oriented enterprises. Through these agreements, HPB provides access to specialized credit lines designed for targeted entrepreneur groups, such as women entrepreneurs, startups, and agricultural businesses.

Among the financing programs offered, credit lines established in cooperation with the **Green for Growth Fund** and the **European Fund for Southeast Europe** support client investments that improve energy efficiency, reduce CO_2 emissions, promote renewable energy projects, and foster sustainable business practices. These initiatives are particularly aimed at young entrepreneurs, minority-led businesses, and women entrepreneurs, reinforcing HPB's commitment to inclusive and responsible financing).

HPB also maintains a longstanding partnership with the **Croatian Agency for SMEs, Innovation, and Investments (HAMAG-BICRO)**, primarily in the area of guarantee programs. This collaboration allows HPB to facilitate investment financing under more favorable conditions, providing both improved commercial terms and reduced collateral requirements, making funding more accessible to a broader range of businesses.

In addition to these guarantee programs, HPB clients can benefit from **interest rate subsidies** under the National Recovery and Resilience Plan (NPOO) for projects focused on green transition, eco-friendly production, resource efficiency, digital transformation, and overall market competitiveness. By participating in this initiative, HPB actively supports the sustainable transformation of the Croatian economy, helping businesses adapt to the evolving landscape of green and digital transition. A key advantage for subsidy recipients and for the broader economy is the alignment of their operations with sustainability standards, as all investments financed under NPOO must adhere to strict environmental sustainability principles.

Beyond national-level initiatives, HPB collaborates with **regional and local government units (cities and counties)** to foster entrepreneurial growth, with a strong focus on small and medium-sized enterprises (SMEs). These partnerships typically involve interest rate subsidies provided by counties for economic activities deemed high-priority at the regional level, further supporting local business development.

Active Business Partnerships with Local and Regional Governments

City / Municipality / County	Program / Business Partnership
Bjelovarsko-bilogorska County	Financing of the 2024 Spring Sowing Season
Dubrovnik-Neretva County	SME Development Program (2022–2024) – "Poticaj 2022" Project
City of Vinkovci	Interest rate subsidies for loans related to residential building renovations
Koprivnica-Križevci County	HBOR Credit Programs: "Youth, Women, and Startup Entrepreneurship" & "Private Sector Investments"
Lika-Senj County	"Youth, Women, and Startup Entrepreneurship" & "Working Capital Loans" – Interest Rate Subsidies
Osijek-Baranja County	HBOR Credit Program: "Private Sector Investments" – Interest Rate Subsidies
Zadar County	"Success Through Credit" Program – Interest Rate Subsidies
	HBOR Credit Programs: "Youth, Women, and Startup Entrepreneurship" & "Private Sector Investments"
Šibenik-Knin County	SME Financing Program
Primorje-Gorski Kotar County	"Youth, Women, and Startup Entrepreneurship" – Interest Rate Subsidies
	"Working Capital Loans" – Interest Rate Subsidies
Zagreb County	"HBOR Credit Subsidy Program," "Youth, Women, and Startup Entrepreneurship," "Working Capital Loans," and "Private Sector Investments" – Interest Rate Subsidies
Split-Dalmatia County	SME and Craft Financing Program – Interest Rate Subsidies

By leveraging these specialized financing programs, HPB reduces the cost of investment financing for projects involving new technologies, innovation, and sustainable business practices. Additionally, the Bank optimizes financial costs for entrepreneurs from underrepresented groups, including young entrepreneurs, minority-owned businesses, senior entrepreneurs, women entrepreneurs, and persons with disabilities. Through these initiatives, HPB simultaneously enhances the sustainability of its portfolio while facilitating access to financing that contributes to macroeconomic stability and sustainability goals.

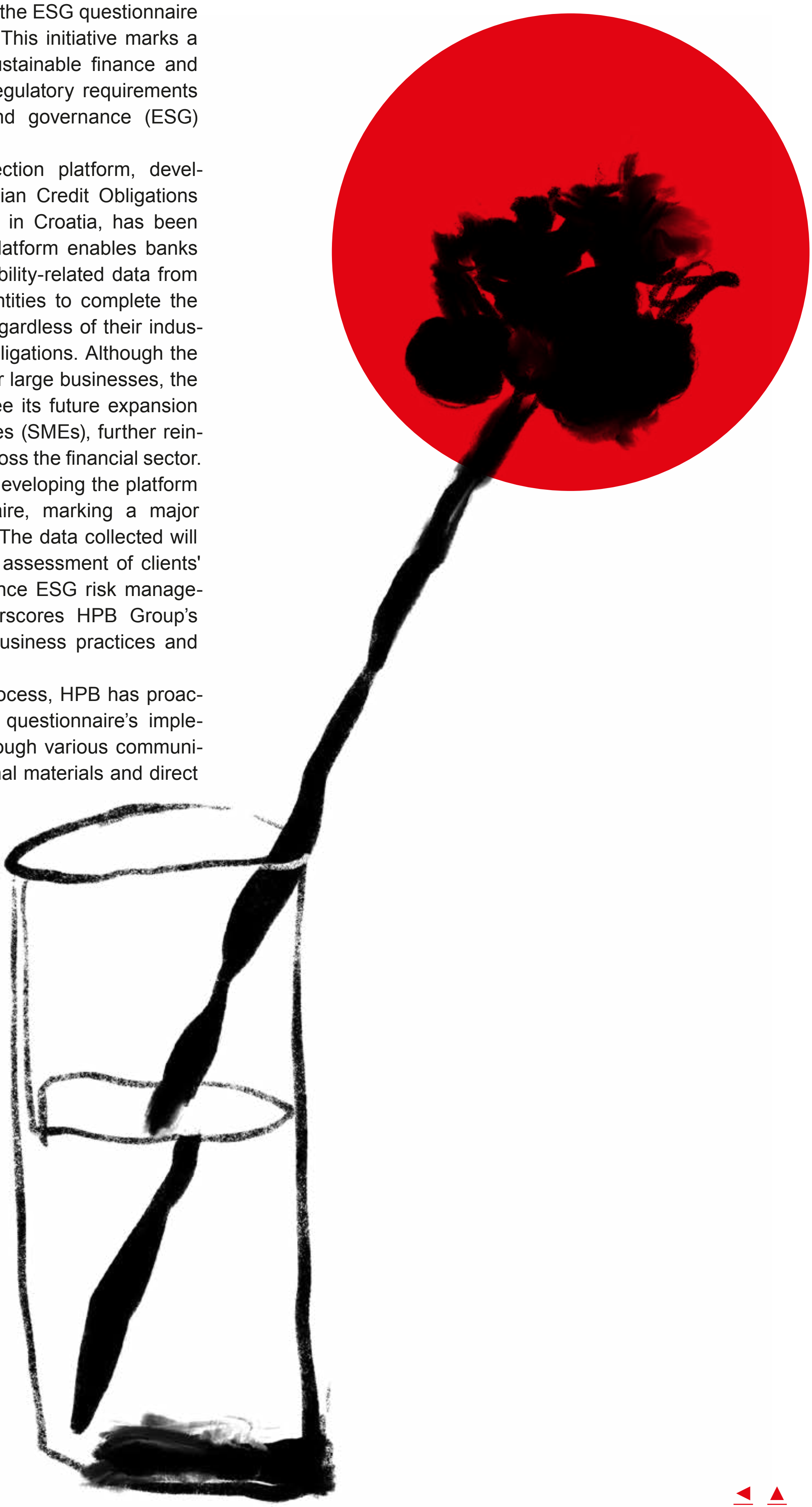
ESG Questionnaire for Customers

As part of our commitment to sustainability and responsible banking, HPB successfully integrated the ESG questionnaire into its business processes in 2024. This initiative marks a significant step toward advancing sustainable finance and ensuring compliance with evolving regulatory requirements related to environmental, social, and governance (ESG) factors.

The centralized ESG data collection platform, developed in collaboration with the Croatian Credit Obligations Registry (HROK) and leading banks in Croatia, has been operational since early 2024. This platform enables banks to systematically collect key sustainability-related data from customers while allowing all legal entities to complete the ESG questionnaire free of charge, regardless of their industry, size, or sustainability reporting obligations. Although the questionnaire is primarily designed for large businesses, the European Commission's plans foresee its future expansion to small and medium-sized enterprises (SMEs), further reinforcing sustainability transparency across the financial sector.

HPB has played a pivotal role in developing the platform and designing the ESG questionnaire, marking a major advancement in sustainable finance. The data collected will contribute to a more comprehensive assessment of clients' sustainability performance and enhance ESG risk management practices. This initiative underscores HPB Group's commitment to driving sustainable business practices and fostering positive societal change.

To facilitate a smooth adoption process, HPB has proactively informed its clients about the questionnaire's implementation, purpose, and benefits through various communication channels, including informational materials and direct outreach.



Sustainable Investment

By incorporating environmental, social, and governance (ESG) factors into our investment decision-making and advisory processes, HPB Group contributes to long-term value creation while enhancing overall portfolio returns.

As a financial market participant and investment advisor, HPB has fully integrated sustainability risks into its investment processes, as outlined in the Sustainability and Responsible Investment Policy for Investment Services, which is publicly available on the Bank's website.

For the portfolios managed by the Bank, sustainability risks refer to ESG-related risks arising from investments in financial instruments issued by entities whose business practices may expose them to such risks. Poor ESG risk management increases the likelihood of adverse events, potentially affecting issuer performance, financial stability, and market perception (e.g., higher costs, reputational risks). This, in turn, may influence the issuer's financial instrument pricing (market risk), creditworthiness (credit risk), and overall liquidity (liquidity risk). To mitigate these risks, HPB actively monitors the weighted average ESG rating of its portfolios, ensuring that sustainability risks remain contained within broader financial risk management frameworks.

Currently, the portfolios managed under HPB's portfolio management service fall into the category of neutral or mainstream investment products, meaning they do not explicitly aim to promote sustainability factors or qualify as sustainable investments under Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088). However, despite this classification, sustainability remains an integral component of HPB's investment decision-making process, and sustainability risks are systematically considered in all investment activities.

When managing client portfolios and making investment decisions, HPB assesses principal adverse impacts (PAIs) on sustainability factors by applying exclusion policies, engagement strategies, and ESG performance monitoring. Principal adverse impacts refer to the potential negative effects that investment decisions may have on sustainability factors, which HPB carefully evaluates as part of its commitment to responsible investing.

In accordance with this commitment, HPB does not invest in financial instruments issued by entities involved in the production or trade of controversial weapons, the extraction of fossil fuels, or activities generating revenue through human rights violations, labor rights abuses, child exploitation, corruption, or bribery. Furthermore, investments in entities operating under international sanctions or within authoritarian regimes are also excluded from all managed portfolios. Beyond these exclusions, HPB actively seeks to reduce portfolio exposure to greenhouse gas emissions, carbon footprint, water consumption, hazardous waste generation, and biodiversity risks, while supporting increased investments in renewable energy sources.

Za For the assessment and measurement of principal adverse impacts, HPB adheres to the regulatory framework and sustainability indicators prescribed by the EU Sustainable Finance Disclosure Regulation (SFDR) and its related Regulatory Technical Standards (RTS). The Bank publishes Principal Adverse Impact (PAI) reports on its website, with the next report covering the reference period from January 1 to December 31, 2024 scheduled for publication by June 30, 2025.

Principles for Responsible Banking (PRB)

As a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI), HPB is committed to implementing the six Principles for Responsible Banking (PRB) within a defined timeframe, while ensuring transparent monitoring and annual reporting on progress.

In the 2023 Sustainability Report, the Bank for the first time reported on the integration of PRB into its operations, placing particular emphasis on the impact analysis conducted as a foundation for setting SMART targets (Principle 2). This section provides an overview of the key measures undertaken to implement the six PRB principles, with references to detailed sections outlining our progress. Throughout this Report, relevant chapters are clearly marked, directing readers to additional information on the practical application of each principle.

Principle 1: Alignment

HPB's sustainability strategy is aligned with the Sustainable Development Goals (SDGs), the Paris Agreement, and other relevant national and European frameworks and guidelines. The business processes we implement, the activities we undertake, and the targets we set are all based on this regulatory framework. Additionally, our operations comply with ISO 26000:2020, the internationally recognized standard for social responsibility.

The internal policies governing sustainability-related business processes are detailed in this Report, within the thematic standards section.

References: chapters About This Sustainability Report, Sustainability as a Core Pillar of Responsible Development, Environmental Sustainability and Corporate Governance.

Principle 2: Impact and Target Setting

An initial portfolio impact analysis was conducted in the previous reporting period, identifying our most significant positive and negative impact areas. The findings of this analysis were published in the 2023 Sustainability Report and serve as the foundation for our target-setting process.

Portfolio Impact Analysis

As part of our comprehensive portfolio assessment, HPB analyzed the entire credit product portfolio across three key business segments: retail banking, small and medium-sized enterprises (SMEs), and large corporations. This analysis enabled us to identify the most significant areas of both positive and negative impact.

In 2024, we further expanded the scope of analysis within the retail segment, incorporating demographic and gender-based data in relation to loan volumes, account balances, savings deposits, product adoption rates, and overall customer numbers.

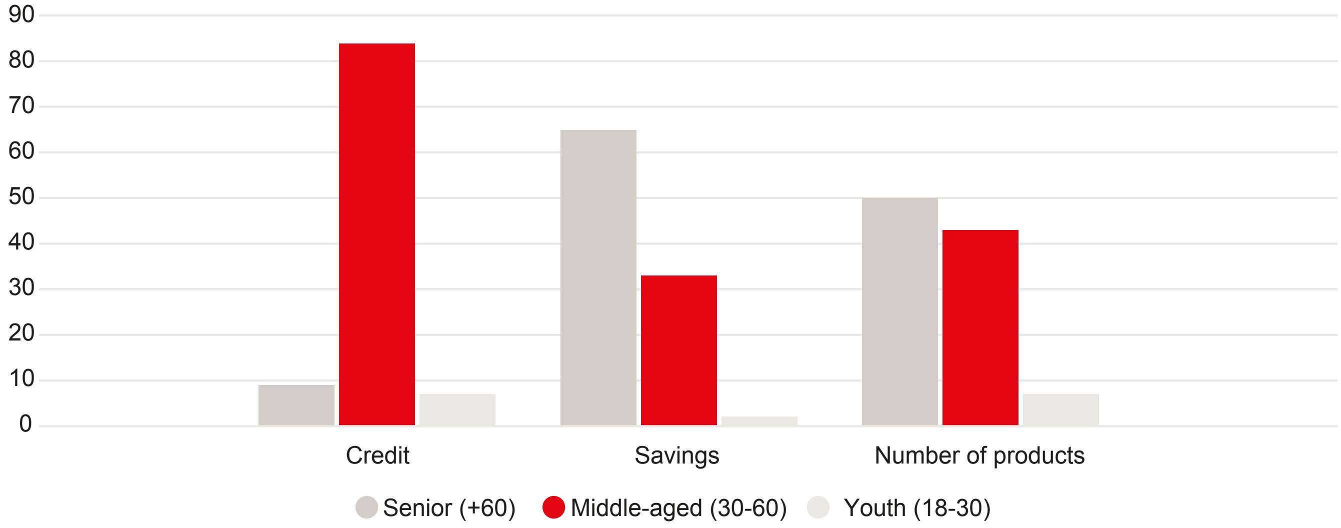
Beyond portfolio structure analysis within the retail segment, we conducted an in-depth materiality assessment, identifying priority impact areas most relevant to the Croatian market.

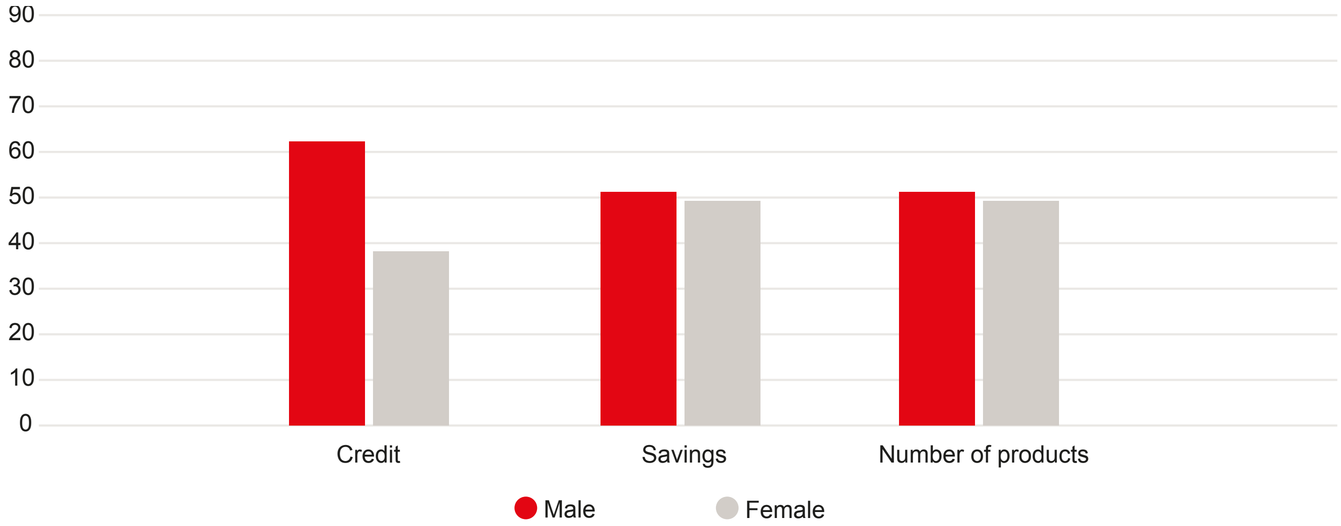
Given our exposure across large corporate and SME portfolios, we further evaluated our positive and negative impact across specific themes.

The most significant negative impacts were identified in healthcare, wages, climate stability, resource use, and waste management, while the most notable positive impacts were found in employment, wage growth, and SME development.

In addition to our own portfolio assessment and national priorities, we aligned our evaluation with UNEP FI guidelines, particularly insights from Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector. HPB recognizes its key role in addressing climate change,

Representation of age-gender groups by credit indicators, savings, and product distribution





both within its operational processes and through the financing of client activities. By reducing our portfolio's negative environmental impact, we not only contribute to climate stability but also support biodiversity conservation and overall societal well-being.

Through our commitment to supporting our clients' sustainable transition, we strive to foster a healthier, more resilient, and diverse economic environment.

Strategic Goals

Following our initial portfolio impact analysis in 2023, we identified Circular Economy as a key negative impact area and Service Accessibility & Quality as a core positive impact area.

In 2024, we prioritized efforts to reduce negative environmental impacts, with a stronger focus on Climate Stability and Circular Economy. The objectives set align with our Climate Strategy 2050 and Transition Plan for a Low-Carbon Economy 2030, specifically targeting **greenhouse gas (GHG) emission reductions** across our portfolio and an **increase in the share of green assets**.

Beyond our SMART targets, HPB remains committed to continuing investments in initiatives that enhance customer service quality and strengthen engagement with stakeholders.

> References:
chapters Sustainable Financing, Greenhouse Gas Emissions

Principle 3:
Clients & Customers

At HPB, we see our clients as partners in the transition to a more sustainable future. Through a responsible and forward-thinking approach, we actively encourage them to integrate sustainability into their operations by offering tailored financial solutions that support energy efficiency, environmental protection, innovation, and the development of sustainable technologies. In partnership with national and international institutions, we provide preferential financing solutions for sustainable projects, guiding our clients towards financial instruments that support environmentally and socially responsible business operations.

Beyond financing, we are committed to empowering our clients with knowledge. Through various communication channels, we keep them informed about regulatory changes, emerging obligations, and best sustainability practices. Raising awareness is key because when businesses understand the impact of their decisions, they become active contributors to positive change.

A key tool introduced in 2024 is the ESG Questionnaire, designed to help clients evaluate their sustainability performance and align their operations with ESG criteria. This initiative reflects our shared commitment to responsible banking and long-term value creation.

> References:
chapter Sustainable Financing

Principle 4:
Stakeholders

At HPB, we believe that real progress happens through collaboration. By engaging proactively with our stakeholders, we work toward shared sustainability goals, fostering partnerships that drive meaningful change. Open dialogue, transparency, and continuous engagement are at the core of how we operate. We invest heavily in communication, joint initiatives, and sustainability reporting, ensuring our stakeholders and clients stay informed and involved.

Understanding the expectations, needs, and perspectives of those we work with helps us identify key impacts, navigate challenges, and seize opportunities. By actively listening and responding, we not only strengthen trust but also turn engagement into a strategic advantage for long-term sustainable growth.

> References:
chapter Sustainability as a Core Pillar of Responsible Development - Engaging with Our Stakeholders

Principle 5:
Governance

At HPB, we recognize the significant impact and responsibility our business has on both society and the environment. Our governance structure is designed to align with the interests of society, ensuring strong corporate governance through strategic planning, responsible decision-making, and meaningful stakeholder engagement.

For us, responsible corporate governance means transparent decision-making, effective risk management, and full compliance with regulatory and ethical standards. By embedding sustainability into our leadership framework, we reinforce trust, accountability, and long-term value creation.

> References:
chapters Sustainability Governance and Oversight and Corporate Governance

Principle 6:
Transparency

Throughout 2024, we further deepened our commitment to the Principles for Responsible Banking by establishing our first measurable targets and impact metrics. With a strong focus on accountability and progress tracking, we are ensuring that our efforts to minimize negative impacts are continuously monitored and transparently reported. At HPB, we strive for absolute transparency, providing accurate, timely, and reliable information on our environmental and social impacts, as well as the actions we take to enhance positive outcomes and mitigate risks.

The 2024 Sustainability Report was externally reviewed by an independent auditor, resulting in a limited assurance statement, further reinforcing our commitment to accountability.

> References:
chapters About This Sustainability Report, Sustainability Governance and Oversight and Corporate Governance

Double Materiality Assessment

ESRS 2 (GOV-4, SBM-3, IRO-1, IRO-2)

In our 2024 Sustainability Report, we highlight the material sustainability topics and indicators that have shaped our engagement over the past year.

The Report's structure is informed by our double materiality assessment, which provides a framework for identifying critical current and potential impacts, risks, and opportunities—both positive and negative. This approach considers direct effects arising from our operations as well as broader impacts driven by our business relationships and the wider economic and social landscape.

The double materiality assessment incorporates due diligence principles such as identifying, preventing, and mitigating adverse impacts on people and the environment across our value chain.

As an essential component of our sustainability strategy, the double materiality assessment allows us to prioritize key environmental, social, and governance (ESG) topics that are most relevant to HPB Group and its stakeholders. By leveraging this methodology, we gain a deeper understanding of our risks, opportunities, and impact areas, ensuring that we focus on sustainability themes that deliver the most meaningful outcomes.

Building on these insights, we define clear goals and action plans designed to minimize negative impacts, maximize positive contributions, and strengthen our ability to navigate evolving sustainability challenges.

In determining material impacts, risks, and opportunities, we incorporate insights and feedback from our key stakeholder groups, who are directly affected by our business activities. While we did not use a survey-based questionnaire for this assessment, we carefully analyzed stakeholder perspectives gathered through ongoing dialogue, workshops, and other communication channels outlined in the chapter Sustainability as a Strategic Driver of Development. However, given that stakeholder perspectives are often shaped by individual experiences and limited access to information, our materiality analysis primarily reflects HPB Group's business context, market landscape, and industry-specific considerations.

This 2024 double materiality assessment builds upon the initial evaluation conducted in the same year, integrating new ESRS guidelines and recommendations while refining our assessment methodology.

The double materiality assessment comprises two key dimensions:

1. Impact Materiality – Evaluating HPB Group's environmental, social, and governance (ESG) impacts that hold significance for all stakeholders
2. Financial Materiality – Identifying external ESG risks and opportunities that may influence HPB Group's financial performance, development, and market position.

Impact Materiality

To identify both actual and potential positive and negative impacts, HPB Group carried out a comprehensive assessment process aligned with its business activities and operating environment. From the full scope of sustainability topics defined by the ESRS standards, we selected a broad set of relevant themes across all three sustainability pillars - environmental, social, and governance (ESG), which were then subjected to further analysis and evaluation.

Following this initial selection, we performed an in-depth analysis of our business operations within each identified sustainability topic. This assessment was informed by scientific and analytical research on the impacts of financial institutions, stakeholder feedback, regulatory frameworks, and internal expert evaluations. The objective was to determine the actual and potential positive and negative impacts HPB Group generates, contributes to, or is directly linked to through its activities, products, services, and business relationships. In this phase we defined 13 topics, or sub-topics, which we then used to determine significance.

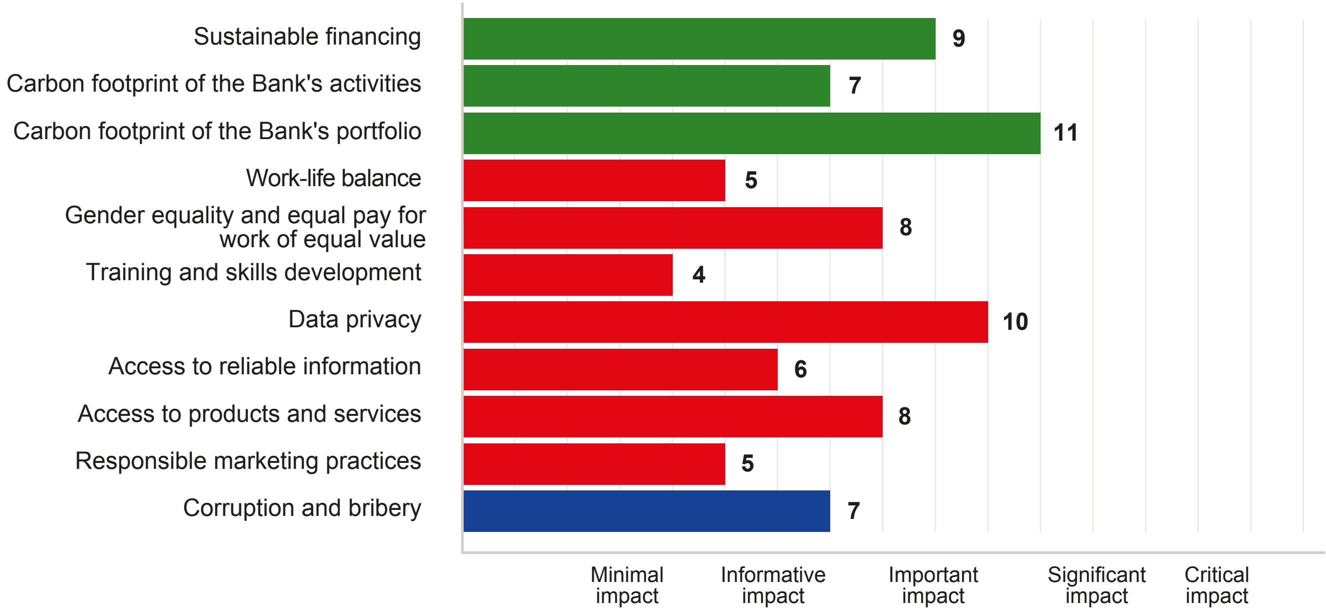
The final phase of our double materiality assessment involved evaluating impact significance and defining priorities. The assessment considered four key factors: scale, scope, remediability (the possibility of reversing a negative impact), and likelihood (for potential impacts). The scoring categories for scale (range 0 – none to 5 – absolute), scope (range 0 – none to 5 – global), remediability (range 0 – very easy to remedy to 5 – non-remidable/irreversible) and likelihood (range 1 – none to 4 – extremely high) were established by internal policy.

The significance of impact was defined by score sum of all scoring factors criteria aligned with internally set scoring thresholds which are aligned with ESRS guidelines. Based on thresholds, impacts with less then 5 scoring points are considered as minimal, 5 to 7 as informative, 8 to 10 as important, 11 to 13 as significant and over 13 as critical.

This structured approach allows HPB Group to prioritize key sustainability topics, refine its strategic focus, and ensure that its business decisions support long-term resilience, transparency, and accountability.

The key material issues from an impact materiality perspective are outlined in the Impact Materiality Table below.

Impact Materiality Matrix



Impact Materiality

Sustainable Financing		
Thematic ESRS Standard	**Positive Impact**	**Actual or Potential**
ESRS E1 **CLIMATE CHANGE** Climate Change Adaptation	The Bank plays a significant role in driving the transition to a low-carbon economy and reducing environmental impact by directing its investment and lending activities toward sustainable projects. Through leadership and educational initiatives, HPB promotes sustainable practices among clients and stakeholders, actively supporting them in their transition. The Bank has established a framework for sustainable product development and is currently enhancing existing products and services while implementing a data management model to ensure greater transparency and accuracy in tracking sustainable financing.	Actual

Access to Products and Services		
Thematic ESRS Standard	**Positive Impact**	**Actual or Potential**
ESRS S4 **CONSUMERS AND END USERS** Consumer Social Inclusion	Accessibility and affordability of banking products and services are key priorities for clients when choosing a financial institution. Accessibility encompasses a nationwide network of branches and ATMs, digitalization and online banking services, support for persons with disabilities, as well as financial literacy programs and customer education. Since its founding, HPB has invested significantly in expanding access to banking services. Through a strategic partnership with Hrvatska pošta (HP), HPB has become the most accessible bank in Croatia, providing services even in the country’s most remote areas. The Bank also continuously enhances its digital services to enable clients to conduct more financial transactions online. HPB has been offering free financial literacy programs for years, addressing the most pressing banking topics for diverse client groups. Additionally, by establishing performance goals, measuring success, and incentivizing sales staff, the Bank applies methodologies and practices designed to protect consumers and ensure compliance with ethical business conduct. This includes fair, transparent, and professional service delivery that respects consumer rights and interests.	Actual

Carbon Footprint of the Bank's Portfolio		
Thematic ESRS Standard	**Negative Impact**	**Actual or Potential**
ESRS E1 **CLIMATE CHANGE** Climate Change Mitigation	The majority of the Bank's greenhouse gas (GHG) emissions, over 90%, originate from Category 15 of Scope 3, which encompasses emissions from its financial activities. To mitigate long-term negative environmental impacts, the Bank's lending and investment focus must be directed toward low-carbon sectors and sustainable business practices. HPB is committed to shifting its financing activities toward industries that have a positive environmental impact while reducing exposure to activities with adverse environmental effects. In 2023, the Bank calculated its Scope 3, Category 15 emissions for the first time and, through its Climate Strategy, established a target for reducing the GHG emissions of its portfolio. This marks a significant step in aligning HPB's financial activities with sustainability objectives and fostering a transition to a low-carbon economy.	Actual

Gender Equality and Equal Pay for Work of Equal Value		
Segment	**Negative Impact**	**Actual or Potential**
ESRS S1 **OWN WORKFORCE** Equal Treatment and Opportunities for All	U Industry data shows that, on average, women in the banking sector earn less than men and remain underrepresented in senior and executive roles. HPB actively monitors gender pay differences across its workforce. In cases where material disparities between male and female employees are identified, the Bank analyzes the root causes and implements targeted corrective measures where necessary. Furthermore, HPB ensures that any existing pay gaps do not stem from a remuneration policy that is not gender-neutral. The latest analysis found that among employees with the greatest influence on the Bank's risk profile (identified staff), excluding governing bodies, the pay gap favors women. However, in other employee categories, both managerial and specialist positions, a gender pay gap was observed in favor of men. Since the identified gender pay gap is concentrated in a specific category of managerial and specialist roles, the Bank has set an annual target to reduce this disparity for the affected job category.	Actual

Data Privacy		
Segment	**Negative Impact**	**Actual or Potential**
ESRS S4 **CONSUMERS AND END USERS** Impacts Related to Consumer and End-User Information	As digital threats continue to evolve, the security of consumer and end-user information remains a critical priority. In the event of a cyberattack compromising the confidentiality, integrity, or availability of the Bank's information systems, HPB could face financial, regulatory, and reputational risks due to the loss or inaccessibility of sensitive data and services. The risk of impersonation attacks targeting HPB's clients is also increasing. Fraudsters attempt to deceive customers into disclosing their credentials or making unauthorized transactions, ultimately leading to financial loss. To mitigate these risks, HPB has implemented a comprehensive information security management system, incorporating a range of organizational and technical measures. A dedicated unit is responsible for cybersecurity, fraud prevention, and the ongoing monitoring of emerging threats. Additionally, the Bank conducts regular security and business continuity testing while providing continuous employee training to enhance awareness of information security risks.	Actual

Financial Materiality

The external environment encompasses a broad range of factors and conditions that directly or indirectly shape HPB Group's operations and development, often in unpredictable and uncertain ways. While it presents new growth opportunities, it also introduces risks and challenges that must be identified proactively to ensure resilience and enable timely and effective responses.

To understand how climate and market dynamics may affect our business, revenue, growth, and market position, we conducted a financial materiality assessment leveraging internal expertise. This process allowed us to pinpoint the areas with the most significant financial impact and ensure our strategy is aligned with evolving risks and opportunities.

Our financial materiality assessment mirrors the scope of our impact materiality evaluation, applying a financial lens to sustainability topics by assessing their influence on business performance, strategic development, and risk management.

Each topic was analyzed across three-time horizons: short-term (up to one year), medium-term (one to five years), and long-term (beyond five years), ensuring a forward-looking approach that aligns with HPB's broader risk management framework and regulatory reporting obligations. For each identified potential risk, we evaluated its scale (range 0 – none to 5 – absolute) and likelihood (range 1 – none to 4 – extremely high) based on internally defined rating criteria. In order to determine prioritised topics, governed by expert analysis of interlinkages between defined scale and likelihood of impact, we assigned a financial materiality score to each sustainability topic as shown in the table below.

Financial Materiality Scoring Scale

SCALE

LIKEHOOD

	0-None	1-Minimal	2-Low	3-Medium	4-High	5-Absolute
4-Extremely high	0	1	2	3	4	4
3-High	0	1	1	2	3	4
2-Low	0	0	0	1	2	3
1-None	0	0	0	0	0	0

Given the existing regulatory requirements for environmental risk management, HPB has established a structured process for identifying and quantifying material environmental risks. Accordingly, our financial materiality assessment for environmental topics is grounded in findings from our comprehensive risk management framework, ensuring consistency and strategic alignment.

The key material topics from a financial materiality perspective are presented in the Financial Materiality Table.

Scoring threshold	
4	Critical
3	Significant
2	Important
1	Informative
0	Minimal

Financial Materiality

Environmental Risk Management			
Thematic ESRS	**Risks**	**Opportunities**	**Time Horizon**
ESRS E1 **CLIMATE CHANGE** Adaptation to Climate Change	Failure to manage environmental risks can lead to significant financial losses, threaten business sustainability, and negatively impact the Bank's competitiveness and reputation. Physical environmental risks are localized risks tied to properties financed by the Bank. If unmanaged, such risks could expose the Bank to financial losses. Additionally, HPB's clients face transition risks and operational adjustments, which may result in higher costs or lower revenues, affecting their ability to meet financial obligations to the Bank. If HPB does not integrate environmental risk management, it may also increase exposure to sectors with high greenhouse gas emissions (e.g., oil, gas, metals, mining, transportation), which would directly impact the Bank's Scope 3 emissions.	Identifying and assessing environmental risks within HPB's portfolio, including evaluating climate change-related threats, strengthens both the Bank's resilience and that of its clients. Financing climate transition presents an opportunity to expand lending activities and revenue streams while helping high-emission clients transition to low-carbon operations and navigate transition-related costs.	Medium / Long-Term

Fair Compensation			
Segment	**Risks**	**Opportunities**	**Time Horizon**
ESRS S1 **OWN WORKFORCE** Working Conditions	Inflation can have a significant impact on salary adequacy. Insufficient compensation may lead to increased employee dissatisfaction and decreased productivity, ultimately resulting in higher turnover rates. Inadequate salaries can also drive up operational costs due to the need for employee replacements, recruitment, onboarding, and training. Additional financial pressures may arise from wage adjustments driven by inflation, as well as potential revenue losses caused by reduced efficiency, higher attrition, and challenges in attracting skilled talent in a competitive labor market.	Continuous improvement of working conditions and organizational culture can enhance employee satisfaction and productivity, ultimately reducing costs and driving business growth.	Long-Term

To ensure a precise understanding of our impacts, we conducted a detailed assessment down to the sub-sub-topic level, identifying key material issues within each area. However, in this Sustainability Report, we present disclosures at the topic level, providing comprehensive insights in line with thematic standards that reflect our most significant positive and negative impacts on the environment and society, as well as the external factors influencing our business.

Our reporting aligns with the material topics identified through this process, covering ESRS E1 (Climate Change), ESRS S1 (Own Workforce), ESRS S4 (Consumers and End Users), and ESRS G1 (Business Conduct).

Certain environmental themes ESRS E2 (Pollution), ESRS E3 (Water and Marine Resources), ESRS E4 (Biodiversity and Ecosystems), and ESRS E5 (Circular Economy) are not included in this Report, as HPB Group, given the nature of its business, does not have a direct or significant impact in these areas. Likewise, social topics under ESRS S2 (Workers in the Value Chain) and ESRS S3 (Affected Communities) have been excluded due to limited access to reliable data required by these reporting standards, as well as the predominantly indirect nature of our influence in these areas.

However, as we continuously evolve our approach to responsible business, we recognize the potential for a more meaningful impact through initiatives such as supplier questionnaires and responsible procurement practices. With this in mind, we anticipate addressing ESRS S2 in future iterations of this Report, further strengthening our commitment to sustainable value chains.

ESRS Disclosure Requirements covered by Sustainability Report ESRS 2 (IRO-2)

Segment	Theme	Disclosure Requirement	Relevant / Not relevant	Chapter
General Disclosures	ESRS 2 - General Disclosures	Letter to Stakeholders	-	Forewords
		BP-1 – General basis for preparation of sustainability statements	-	About this sustainability report
		BP-2 – Disclosures in relation to specific circumstances	-	About this sustainability report
				Alignment with ISO 26000:2020 Sustainability Guidelines
				Sustainability as a Core Pillar of Responsible Development
		GOV-1 – The role of the administrative, management and supervisory bodies	-	Sustainability Governance and Oversight
				(Corporate Governance, ESG Committee, Appointment Process of the Governing Body, Diversity of the Governing Body, Three Lines of Defense Model, Sustainability Office)
		GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	-	Sustainability Governance and Oversight
				(Three Lines of Defense Model, Strategic Priorities for 2024)
		GOV-3 - Integration of sustainability-related performance in incentive schemes	-	Sustainability Governance and Oversight
				(Remuneration Policy)
		GOV-4 - Statement on due diligence	-	Double Materiality Assessment
		GOV-5 - Risk management and internal controls over sustainability reporting	-	Sustainability Governance and Oversight
		SBM-1 – Strategy, business model and value chain	-	Sustainability as a Core Pillar of Responsible Development
		SBM-2 – Interests and views of stakeholders	-	Engaging with Our Stakeholders
		SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model	-	Sustainability as a Core Pillar of Responsible Development
				Double Materiality Assessment
				Environmental Sustainability
				Social Sustainability
				Corporate Governance
		IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities	-	Double Materiality Assessment
		IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement	-	Double Materiality Assessment
Environment	ESRS E1 - Climate change	E1-1 – Transition plan for climate change mitigation	Relevant	Transition Plan for Climate Change Mitigation
				Managing Environmental Risks (Environmental Risk Impact Assessment)
				Greenhouse Gas Emissions
				(Greenhouse Gas Emissions Inventory for 2024)
		E1-2 – Policies related to climate change mitigation and adaptation	Relevant	Transition Plan for Climate Change Mitigation
				Environmental Risk Impact Assessment
				Greenhouse Gas Emissions
				Energy Efficiency and Sustainable Resource Management
				Carbon Reduction Targets and Emission Control Measures

Segment	Theme	Disclosure Requirement	Relevant / Not relevant	Chapter
Environment	ESRS E1 - Climate change	E1-3 – Actions and resources in relation to climate change policies	Relevant	Transition Plan for Climate Change Mitigation
				Greenhouse Gas Emissions
				Managing Environmental Risks
				Energy Efficiency and Sustainable Resource Management
				Carbon Reduction Targets and Emission Control Measures
		E1-4 – Targets related to climate change mitigation and adaptation	Relevant	Transition Plan for Climate Change Mitigation
				Carbon Reduction Targets and Emission Control Measures
		E1-5 – Energy consumption and mix	Not relevant	Energy Efficiency and Sustainable Resource Management
		E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions	Relevant	Greenhouse Gas Emissions
				(Greenhouse Gas Emissions Inventory for 2024)
		E1-7 – GHG removals and GHG mitigation projects financed through carbon credits	Not relevant	Greenhouse Gas Emissions
		E1-8 – Internal carbon pricing	Not relevant	Greenhouse Gas Emissions
		E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Relevant	Managing Environmental Risks
				Environmental Risk Impact Assessment
	ESRS E2 - Pollution	E2-1 – Policies related to pollution	Not relevant	-
		E2-2 – Actions and resources related to pollution	Not relevant	-
		E2-3 – Targets related to pollution	Not relevant	-
		E2-4 – Pollution of air, water and soil	Not relevant	-
		E2-5 – Substances of concern and substances of very high concern	Not relevant	-
		E2-6 – Anticipated financial effects from pollution-related impacts, risks and opportunities	Not relevant	-
	ESRS E3 - Water and marine resources	E3-1 – Policies related to water and marine resources	Not relevant	-
		E3-2 – Actions and resources related to water and marine resources	Not relevant	-
		E3-3 – Targets related to water and marine resources	Not relevant	-
		E3-4 – Water consumption	Not relevant	-
		E3-5 – Anticipated financial effects from water and marine resources-related impacts, risks and opportunities	Not relevant	-
	ESRS E4 - Biodiversity and ecosystems	E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model	Not relevant	-
		E4-2 – Policies related to biodiversity and ecosystems	Not relevant	-
		E4-3 – Actions and resources related to biodiversity and ecosystems	Not relevant	-
		E4-4 – Targets related to biodiversity and ecosystems	Not relevant	-
		E4-5 – Impact metrics related to biodiversity and ecosystems change	Not relevant	-
		E4-6 – Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	Not relevant	-

Segment	Theme	Disclosure Requirement	Relevant / Not relevant	Chapter
Environment	ESRS E5 - Resource use and circular economy	E5-1 – Policies related to resource use and circular economy	Not relevant	-
		E5-2 – Actions and resources related to resource use and circular economy	Not relevant	-
		E5-3 – Targets related to resource use and circular economy	Not relevant	-
		E5-4 – Resource inflows	Not relevant	-
		E5-5 – Resource outflows	Not relevant	-
		E5-6 – Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	Not relevant	-
Social	ESRS S1 - Own workforce	S1-2 – Processes for engaging with own workers and workers' representatives about impacts	Relevant	Strengthening Employee Engagement and Workplace Dialogue
		S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns	Relevant	Strengthening Employee Engagement and Workplace Dialogue
		S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Relevant	Diversity, Equity, and Inclusion for Stronger Decision-Making
				Fair Compensation and Equitable Pay Practices
		S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Relevant	Diversity, Equity, and Inclusion for Stronger Decision-Making
				Fair Compensation and Equitable Pay Practices
		S1-6 – Characteristics of the undertaking's employees	Not relevant	HPB Group Workforce Structure
		S1-7 – Characteristics of non-employee workers in the undertaking's own workforce	Not relevant	HPB Group Workforce Structure
		S1-8 – Collective bargaining coverage and social dialogue	Not relevant	Collective Bargaining and Employee Representation
		S1-9 – Diversity metrics	Not relevant	Fair Compensation and Equitable Pay Practices
		S1-10 – Adequate wages	Relevant	Fair Compensation and Equitable Pay Practices
		S1-11 – Social protection	Not relevant	Health, Safety, and Employee Well-being
		S1-12– Persons with disabilities	Not relevant	Diversity, Equity, and Inclusion for Stronger Decision-Making
		S1-13 – Training and skills development metrics	Not relevant	Employee Learning, Training, and Development
		S1-14 – Health and safety metrics	Not relevant	Health, Safety, and Employee Well-being
		S1-15 – Work-life balance metrics	Not relevant	Work-Life Balance: Supporting Well-Being and Productivity
		S1-16 – Compensation metrics (pay gap and total compensation)	Relevant	Fair Compensation and Equitable Pay Practices
		S1-17 – Incidents, complaints and severe human rights impacts	Not relevant	Commitment to Human Rights and Ethical Standards
	ESRS S2 - Workers in the value chain	S2-1 – Policies related to value chain workers	Not relevant	-
		S2-2 – Processes for engaging with value chain workers about impacts	Not relevant	-
		S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns	Not relevant	-
		S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	Not relevant	-
		S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Not relevant	-

Segment	Theme	Disclosure Requirement	Relevant / Not relevant	Chapter
Social	ESRS S3 - Affected communities	S3-1 – Policies related to affected communities	Not relevant	-
		S3-2 – Processes for engaging with affected communities about impacts	Not relevant	-
		S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns	Not relevant	-
		S3-4 – Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	Not relevant	-
		S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Not relevant	-
	ESRS S4 - Consumers and end-users	S4-1 – Policies related to consumers and end-users	Relevant	Safeguarding Data Privacy and Information Security
				Consumer Protection and Ethical Business Practices
				Enhancing Consumer Experience and Engagement
		S4-2 – Processes for engaging with consumers and end-users about impacts	Relevant	Enhancing Consumer Experience and Engagement
		S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	Relevant	Consumer Protection and Ethical Business Practices
				Enhancing Consumer Experience and Engagement
		S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	Relevant	Safeguarding Data Privacy and Information Security
				Inclusive Banking: Accessibility and Service Availability
				Consumer Protection and Ethical Business Practices
				Enhancing Consumer Experience and Engagement
		S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Relevant	Safeguarding Data Privacy and Information Security
Governance	ESRS G1 - Business conduct	G1-1– Corporate culture and Business conduct policies and corporate culture	Not relevant	Corporate Governance Policies and Code of Conduct
				Internal Control and Audit
				Anti-Corruption and Anti-Bribery Measures
				Reporting Irregularities/ Whistle-Blowing
		G1-2 – Management of relationships with suppliers	Not relevant	Responsible Supplier Engagement
		G1-3 – Prevention and detection of corruption and bribery	Not relevant	Anti-Corruption and Anti-Bribery Measures
		G1-4 – Confirmed incidents of corruption or bribery	Not relevant	Anti-Corruption and Anti-Bribery Measures
		G1-5 – Political influence and lobbying activities	Not relevant	Corporate Governance
		G1-6 – Payment practices	Not relevant	Responsible Supplier Engagement

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement and related datapoint	Relevant / Not relevant	Chapter
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	-	Diversity of the Governing Body
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)	-	Diversity of the Governing Body
ESRS 2 GOV-4 Statement on due diligence paragraph 30	-	Double Materiality Assessment
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	-	Sustainable Investment
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	-	Sustainable Investment
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	-	Sustainable Investment
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv	-	Sustainable Investment
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14	Relevant	Transition Plan for Climate Change Mitigation
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)	Relevant	Transition Plan for Climate Change Mitigation
ESRS E1-4 GHG emission reduction targets paragraph 34	Relevant	Carbon Reduction Targets and Emission Control Measures
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Not relevant	Not applicable
ESRS E1-5 Energy consumption and mix paragraph 37	Not relevant	Energy Efficiency and Sustainable Resource Management
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Not relevant	Not applicable
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Relevant	Greenhouse Gas Emissions Inventory for 2024
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Relevant	Greenhouse Gas Emissions Inventory for 2024
ESRS E1-7 GHG removals and carbon credits paragraph 56	Not relevant	Greenhouse Gas Emissions
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66	Relevant	Managing Environmental Risks
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)	Relevant	Phased-in Disclosure Requirement
ESRS E1-9Location of significant assets at material physical risk paragraph 66 (c)	Relevant	Phased-in Disclosure Requirement
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).	Relevant	Phased-in Disclosure Requirement
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69	Relevant	Phased-in Disclosure Requirement
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Not relevant	-
ESRS E3-1 Water and marine resources paragraph 9	Not relevant	-
ESRS E3-1 Dedicated policy paragraph 13	Not relevant	-
ESRS E3-1 Sustainable oceans and seas paragraph 14	Not relevant	-
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Not relevant	-
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Not relevant	-
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Not relevant	-
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Not relevant	-
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Not relevant	-
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Not relevant	-
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Not relevant	-
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Not relevant	-
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Not relevant	-
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Not relevant	-

Disclosure Requirement and related datapoint	Relevant / Not relevant	Chapter
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Not relevant	Commitment to Human Rights and Ethical Standards
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Not relevant	Commitment to Human Rights and Ethical Standards
ESRS S1-1 Human rights policy commitments paragraph 20	Not relevant	Our Commitment to Sustainability Principles HPB Group Workforce Structure Diversity, Equity, and Inclusion for Stronger Decision-Making Employee Learning, Training, and Development
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21	Not relevant	Our Commitment to Sustainability Principles
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Not relevant	-
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Not relevant	Health, Safety, and Employee Well-being
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Not relevant	Strengthening Employee Engagement and Workplace Dialogue
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Not relevant	Health, Safety, and Employee Well-being
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Not relevant	Health, Safety, and Employee Well-being
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Relevant	Fair Compensation and Equitable Pay Practices
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Relevant	Fair Compensation and Equitable Pay Practices
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Not relevant	Commitment to Human Rights and Ethical Standards
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Not relevant	Commitment to Human Rights and Ethical Standards
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Not relevant	-
ESRS S2-1 Human rights policy commitments paragraph 17	Not relevant	-
ESRS S2-1 Policies related tovalue chain workers paragraph 18	Not relevant	-
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles andOECD guidelines paragraph 19	Not relevant	-
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19	Not relevant	-
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Not relevant	-
ESRS S3-1 Human rights policy commitments paragraph 16	Not relevant	-
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Not relevant	-
ESRS S3-4 Human rights issues and incidents paragraph 36	Not relevant	-
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Relevant	Customer-Centric Approach
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Not relevant	Sustainability as a Core Pillar of Responsible Development (Our Commitment to Sustainability Principles)
ESRS S4-4 Human rights issues and incidents paragraph 35	Not relevant	Enhancing Consumer Experience and Engagement
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Not relevant	Corporate Governance Policies and Code of Conduct
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Not relevant	Reporting Irregularities/ Whistle-Blowing
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Not relevant	Anti-Corruption and Anti-Bribery Measures
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Not relevant	Anti-Corruption and Anti-Bribery Measures

Our Approach to Climate Change Adaptation

ENVIRONMENTAL SUSTAINABILITY: Our Approach to Climate Change Adaptation

ESRS E1
PRB Principle 1, 2, 6

Transition Plan for Climate Change Mitigation

ESRS E1-1, E1-2, E1-3, E1-4, ESRS 2 (SBM-3)

Recognizing our direct and indirect impact on the environment and natural resources, HPB Group has identified key areas of influence in the process of adapting to and mitigating climate change. In alignment with ambitious regulatory and legislative goals to achieve carbon neutrality by 2050, the Bank's Management Board, with the approval of the Supervisory Board, has adopted the HPB Group Climate Strategy 2050. This strategy is grounded in key regulatory frameworks, including the Paris Agreement, the European Green Deal, and Croatia's Low-Carbon Development Strategy.

The adoption of the Climate Strategy is a strategic imperative for the Bank, reinforcing its dedication to sustainable business practices, which form a core pillar of its 2023–2026 Business Strategy. By embedding environmental, social, and governance (ESG) considerations across all operational segments, the Bank is actively shaping its transformation toward long-term sustainability.

The Climate Strategy establishes the guiding principles, priority impact areas, and clear objectives that drive HPB Group's efforts to reduce environmental risks, support climate adaptation, and accelerate the transition to a low-carbon economy.

Principles of the Climate Strategy

Principle	Implementation Approach
Sustainability in Financial Decisions	Integrating environmental criteria into all financial decision-making processes while promoting investments in sustainable projects and technologies
Support for the Sustainability Transition	Providing financial and advisory support to clients transitioning to sustainable and low-carbon business models
Transparency and Accountability	Ensuring transparency in financial investments, climate-related risks, and the measures HPB Group is taking to reduce its carbon footprint
Education and Awareness	Educating employees, clients, and the community on the importance of sustainability, climate change, and the role each stakeholder can play in minimizing environmental impact
Innovation and Technological Development	Encouraging innovation and the development of technologies that support a low-carbon economy, including investments in renewable energy, emission-reduction technologies, and sustainable infrastructure
Partnerships and Collaborations	Engaging with key stakeholders to share knowledge, resources, and best practices in advancing sustainable development

Building on our identified climate impact areas, we have set clear targets and, as a core component of the HPB Group Climate Strategy 2050, developed a Transition Plan to a Low-Carbon Economy by 2030.

This Transition Plan establishes key performance indicators (KPIs) across different time horizons, detailing specific actions, responsibilities, and the resources required to achieve our Climate Strategy objectives. To remain effective and relevant, the plan is continuously updated and refined, incorporating the latest scientific insights, industry developments, and the evolving transition progress of our clients.

Through this framework, we are committed to mitigating climate-related risks, channeling capital toward sustainable economic activities, and empowering stakeholders with the knowledge and tools needed for a successful transition to a climate-resilient economy.

Climate Strategy Goals

Impact Area	Goal	Impact on Bank & Economy Resilience
Environmental Risk Management	Strengthen management of physical and transition risks	More structured and effective monitoring of environmental risks; Focus on industries and clients with lower exposure to environmental risks and/or positive environmental impact
Sustainable Products	Financing sustainable projects	Stronger market positioning in sustainable finance; Supporting clients in transitioning to low-carbon business models; Enhancing climate resilience among clients
Energy Efficiency & Carbon Footprint	Reduce greenhouse gas emissions	More energy-efficient operations; Expanding the share of low-emission economic activities in the portfolio; Lowering climate impact both through direct operations and the portfolio
Client Education & Internal Capacity Building	Raising awareness of sustainability	Easier regulatory compliance; Increased transparency; Strengthening internal and client capabilities to implement sustainability policies

Managing Environmental Risks

ESRS E1-1, E1-2, E1-3, E1-9

Understanding that climate-related risks pose a significant threat to both the economy and financial institutions, HPB Group remained steadfast in 2024 in its commitment to identifying, assessing, and integrating environmental risks into its business operations. Aligning with regulatory frameworks and supervisory expectations, we continue to strengthen our approach to ensure long-term resilience in an evolving financial and environmental landscape.

Through our double materiality assessment, we have identified environmental risk management as a potentially material factor in terms of financial materiality, as failing to manage these risks effectively could impact the Bank's financial stability, counterparty exposures, and asset performance.

Recognizing the importance of this area, we have positioned environmental risk management as a strategic priority within the HPB Group Climate Strategy. As part of our Transition Plan to 2050, we have set two short-term key performance indicators (KPIs) to accelerate progress: embedding environmental risks into the Bank's risk management system and integrating them into the credit process. These actions not only enhance our operational resilience but also support the broader shift toward a climate-conscious financial sector.

Environmental Risk Impact Assessment

ESRS E1-1, E1-2, E1-3, E1-9

The Environmental Risk Impact Assessment process, initially established in 2023 and conducted again at the end of 2024, encompasses both a general environmental risk assessment and an evaluation of the material significance of environmental risks in relation to the Bank's existing risk management framework.

This process involves identifying environmental risks across Croatia, where the Bank operates, and assessing them based on the vulnerability of economic sectors to which the Bank is exposed. We analyze physical and transition risks, determine transmission channels through which these risks could impact the Bank's operations, and assess their likelihood using climate scenario projections across different time horizons. For physical risk assessments, we apply climate projections developed by The Network for Greening the Financial System (NGFS), evaluating risks under three scenarios: Orderly, Disorderly, and Hot House World. For transition risks, we rely on European Central Bank (ECB) climate scenarios, considering Accelerated Transition, Late-Push Transition, and Delayed Transition pathways. Based on the findings of the general environmental risk assessment and the probability of risk occurrence, we conduct a materiality assessment of environmental risks in relation to credit, market, liquidity, and operational risks. Where environmental factors significantly increase the Bank's risk exposure, we classify them as material prudential risks.

The general environmental risk assessment is conducted in accordance with HPB's Internal Rulebook on the Identification, Determination, and General Assessment of Environmental Risks, adopted in 2023. Meanwhile, the materiality assessment methodology for environmental risks is defined by HPB's Internal Methodology for Assessing the Materiality of Environmental Risks, also adopted in 2023. These methodologies, along with other internal policies governing the implementation of these processes and the conclusions of risk assessments, are approved by the Bank's Management Board with the consent of the Supervisory Board.

Materiality of Environmental Risks in Banking Operations

The materiality assessment of environmental risks was conducted in relation to credit, market, liquidity, and operational risks, considering environmental risk drivers and transmission channels alongside the characteristics of the Bank's portfolio.

Impact of Environmental Risk on Credit Risk

When assessing the impact of environmental risk on credit risk, physical and transition risks are evaluated separately.

Physical risk assessment primarily covers the real estate collateral portfolio, with increased granularity in 2024—now assessed at the land parcel level, compared to the previous year's assessment at the municipality level. This methodological enhancement significantly influenced the results and conclusions. The latest analysis covers 63% of the real estate portfolio at the land parcel level, while the remaining portion was assessed using a conservative risk evaluation approach at the municipality level.

Additionally, the physical risk assessment includes the corporate loan portfolio (large enterprises), where exposure is analyzed at the industry level for economic activities representing at least 10% of total exposure in this portfolio.

The transition risk assessment for corporate clients is based on the Bank's internal ESG industry rating, developed according to the ESG Rating Methodology for Industries and

Economic Activities. This methodology ranks industries based on publicly available pollution data, under the assumption that high-polluting industries will face the greatest adaptation costs due to the necessity of transitioning to a sustainable economy.

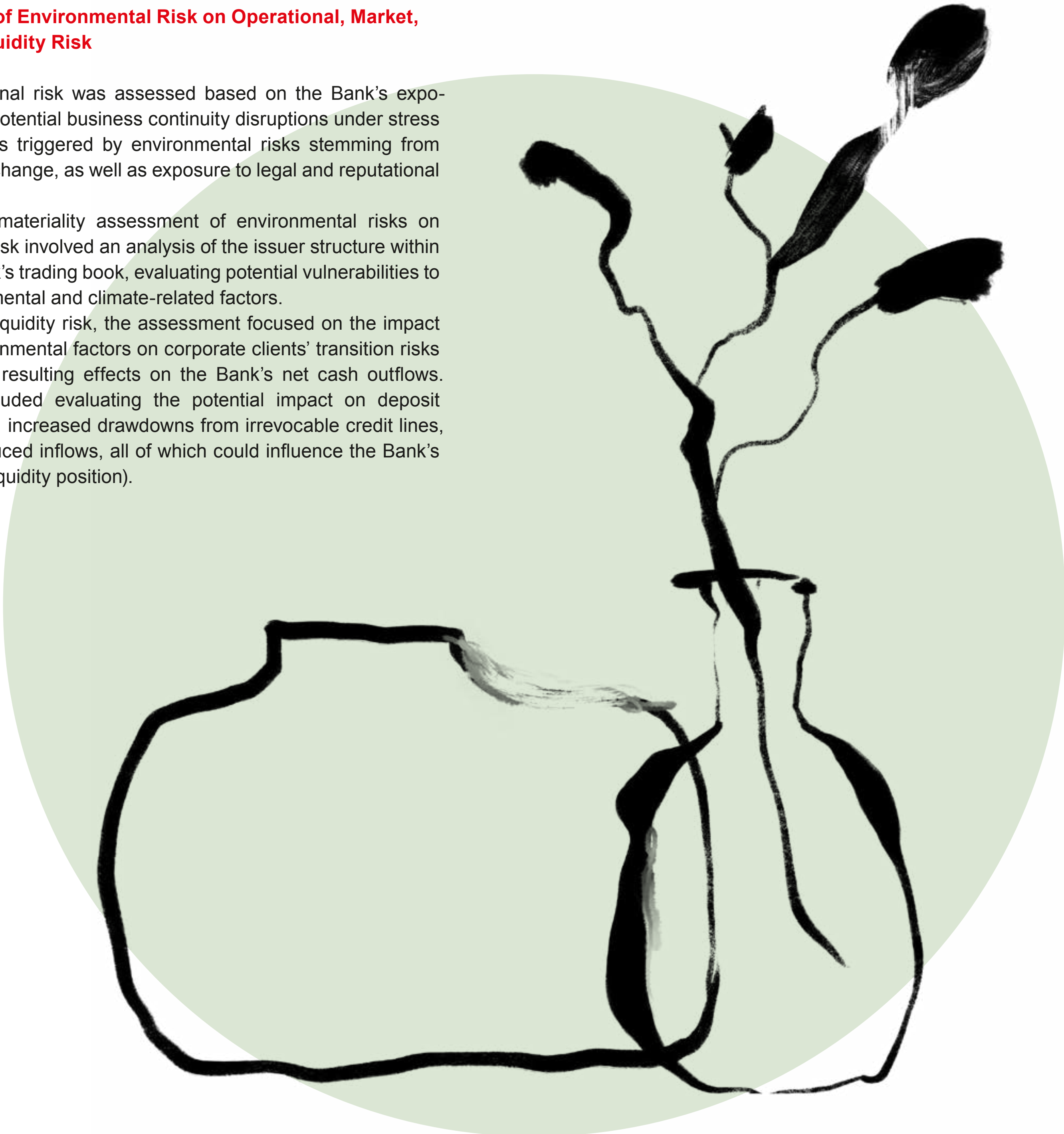
For individual clients, the primary transition risk assessed is the trend in energy prices, specifically, the ability of individuals, depending on their income levels, to absorb rising energy costs without impacting their ability to meet loan obligations. A materially significant long-term exposure to energy price increases was identified in cash loan portfolios. Despite an overall increase in average wages, in the long run, a higher rate of loan defaults is expected among individuals whose incomes consistently remain below the national average.

Impact of Environmental Risk on Operational, Market, and Liquidity Risk

Operational risk was assessed based on the Bank's exposure to potential business continuity disruptions under stress scenarios triggered by environmental risks stemming from climate change, as well as exposure to legal and reputational risks.

The materiality assessment of environmental risks on market risk involved an analysis of the issuer structure within the Bank's trading book, evaluating potential vulnerabilities to environmental and climate-related factors.

For liquidity risk, the assessment focused on the impact of environmental factors on corporate clients' transition risks and the resulting effects on the Bank's net cash outflows. This included evaluating the potential impact on deposit outflows, increased drawdowns from irrevocable credit lines, and reduced inflows, all of which could influence the Bank's overall liquidity position).



Greenhouse Gas Emissions

ESRS E1-1, E1-2, E1-3, E1-6

HPB Group is committed to understanding, measuring, and mitigating its impact on climate change and the environment. By setting clear and realistic emission reduction targets, the Group is establishing a solid foundation for its transition to sustainable business practices.

Energy efficiency and carbon footprint reduction have been identified as core impact areas within the HPB Group Climate Strategy 2050, which sets two key long-term objectives: reducing the Bank's operational emissions and lowering financed emissions. To support these goals, the Transition Plan 2030 defines key performance indicators (KPIs), using 2023 as the baseline year and 2030 as the target year.

The Bank's portfolio carbon footprint, which includes Scope 3 – Category 15 emissions, has been recognized as a significant negative impact in the double materiality assessment, as emissions from the Bank's financed activities account for over 90% of HPB Group's total emissions.

ESRS E1-7, E1-8

HPB Group's Transition Plan does not include investments in carbon offset projects or climate mitigation initiatives financed through carbon credits, nor does the Bank invest in carbon capture and storage technologies within its own operations. Additionally, HPB does not currently apply an internal carbon pricing mechanism as part of its climate strategy.

Greenhouse Gas Emissions Inventory for 2024

ESRS E1-1, E1-6

As part of our commitment to enhancing energy efficiency and reducing our climate impact, HPB Group has been actively working since 2022 to improve the quality of data used for calculating greenhouse gas (GHG) emissions across all three Scopes.

GHG emissions calculations are conducted in line with the internally approved Greenhouse Gas Emissions Calculation Methodology, formally endorsed by the Management Board and Supervisory Board.

The 2024 calculation remains fully aligned with the GHG Global Corporate Protocol Standards (GHG Protocol), an internationally recognized framework that ensures consistency, transparency, and efficiency in measuring, reporting, and managing emissions. This methodology allows HPB Group to systematically identify and quantify emissions sources across its operations.

For emissions arising from the Bank's core financial activities, including financing and lending, categorized under Scope 3, Category 15, HPB Group applies the Platform for Carbon Accounting Financials (PCAF) methodology in accordance with the GHG Protocol, ensuring a standardized and robust approach to measuring financed emissions).

Emissions data for Scope 1, Scope 2, and Scope 3 are collected annually for the previous year, covering the entire reporting period from January 1 to December 31. Data collection is conducted at the entity level, including HPB, HPB Invest, and HPB Nekretnine, and incorporates all available information required to calculate emissions. However, data availability remains a key challenge, particularly for Scope 3, Category 15, where estimates are applied in line with PCAF methodologies where necessary.

The calculation of HPB Group's emissions is based on relevant emission factors sourced from national and international public databases.

Scope 1 – Direct Emissions

Scope 1 includes direct GHG emissions from sources owned or controlled by HPB Group. Identified emission sources for the reporting year include:

- Natural gas combustion (measured in kWh)
- Diesel fuel combustion (measured in liters)
- Gasoline combustion (measured in liters).

Scope 1 Emissions

	Baseline Year 2023	Reporting Year 2024	Absolute Difference	Percentage Change
Scope 1 (tCO_2e)	649.41	762.28	112.87	+17.38%

In 2024, Scope 1 emissions increased compared to 2023, primarily due to a rise in on-site working hours following the restructuring of the remote work model. Additionally, improved data quality and broader data availability from suppliers contributed to more precise calculations, affecting the reported Scope 1 emissions.

Scope 2 Emissions

Scope 2 emissions encompass indirect greenhouse gas (GHG) emissions associated with the purchase of electricity, steam, heating, or cooling consumed by HPB Group. The following activities were identified as sources of Scope 2 emissions:

- Electricity consumption (measured in kWh)
- Heating via district heating systems (measured in kWh).

Scope 2 Emissions

	Baseline Year 2023	Reporting Year 2024	Absolute Difference	Percentage Change
Scope 2 (tCO_2e)	597.05	706.39	109.34	+18.31%

Similar to Scope 1, Scope 2 emissions increased in 2024 compared to 2023. This rise is primarily attributed to the higher number of working hours conducted at HPB Group's office locations following the reorganization of the remote work model. Additionally, the improved quality and expanded dataset provided by suppliers contributed to a more comprehensive and precise emissions calculation.

Scope 3 Emissions

Scope 3 emissions account for indirect greenhouse gas (GHG) emissions that arise from assets not owned or directly controlled by HPB Group but influenced by its business activities. Given the nature of HPB Group's operations, several reporting categories have been identified as material within Scope 3.

Scope 3 Categories Included in the Calculation

Category	Description	Metric
Category 1	Purchased goods and services	€ (includes operational and administrative costs)
Category 3	Fuel- and energy-related emissions	kWh and liters
Category 5	Waste generated in operations	Tons (measured waste from HPB Group operations)
Category 6	Business travel	€ (includes costs incurred from official business travel)
Category 7	Employee commuting	km (survey-based data on employee commuting patterns)
Category 15	Investments	€ (includes financed emissions from financial services)

Scope 3 Emissions Overview

	Baseline Year 2023	Reporting Year 2024	Absolute Difference	Percentage Change
Scope 3 - Category 1 (tCO_2e)	2,860.12	2,838.43	-21.69	-0.76%
Scope 3 - Category 3 (tCO_2e)	16.09	18.44	2.35	+14.61%
Scope 3 - Category 5 (tCO_2e)	0.185	0.17	-0.02	-8.11%
Scope 3 - Category 6 (tCO_2e)	60.83	88.41	27.58	+45.34%
Scope 3 - Category 7 (tCO_2e)	651.93	671.18	19.25	+2.95%
Scope 3 - Category 15 (tCO_2e)	795,976.59	957,947.47	161,970.88	+20.35%
Scope 3 Total (tCO_2e)	**799,565.75**	**961,564.10**	**161,998.35**	**+20.26%**

The calculation of Category 15 emissions (Investments) is particularly significant for HPB Group, as it reflects GHG emissions from its core financial activities—namely, investments and financing.
The following segments were included in the calculation:

- Listed equity and corporate bonds
- Corporate and project financing
- Mortgage portfolio
- Sovereign debt – loans
- Sovereign debt – bonds.

By applying the Platform for Carbon Accounting Financials (PCAF) methodology, HPB Group has quantified the GHG exposure of its investment portfolio, which accounts for approximately 99% of its total direct and indirect emissions.

Scope 3 – Category 15

Source of Emissions	Baseline Year 2023	Reporting Year 2024
Listed equity and corporate bonds	74,226.21	71,011.24
Corporate loans and project financing	338,036.33	379,418.84
Mortgages	13,988.63	14,868.97
Sovereign debt	369,725.42	492,648.42
Scope 3 – Category 15 Total (tCO_2e)	**795,976.59**	**957,947.47**

Financed emissions in Category 15 increased by 20% in 2024 compared to 2023. This growth is primarily attributed to the increase in outstanding principal amounts of newly issued financial instruments during the year.

Greenhouse Gas Intensity in 2024

Total GHG emissions (tCO_2e)	Net revenue (Mln €)	GHG Intensity (tCO_2e/Mln €)
963,032.77	222.52	4,327.85

Energy Efficiency and Sustainable Resource Management

ESRS E1-2, E1-3, E1-5

HPB Group, as a responsible financial institution, is committed to minimizing its environmental footprint while maintaining the highest service standards for its clients. Our focus remains on enhancing energy efficiency, reducing energy consumption, and continuously optimizing business processes to support a more sustainable future.

Recognizing that employee habits and behaviors are essential to energy efficiency, we actively promote awareness and engagement through our internal Guidelines for Efficient Energy Consumption in the Workplace. These guidelines, approved by the Bank's governing body, outline best practices for reducing electricity, water, and gas consumption, as well as optimizing transportation energy use, and apply to all HPB Group employees.

For years, we have fostered a culture of environmental responsibility through our internal initiative "My Green Decision", designed to increase ecological awareness across the organization. In the past year, the initiative placed a strong emphasis on responsible water consumption and soil conservation, highlighting waste reduction, sustainable purchasing, recycling, and volunteer activities. Employees stay informed and engaged through the Green Board, an internal platform providing practical energy-saving tips, insights into environmentally responsible behaviors, and strategies for making small, meaningful changes that benefit both our workplace and the planet.

Total Energy Consumption (E1-5)

	2023	2024	% Change (2024 vs. 2023)
Electricity consumption (kWh)	2,299,452.00	2,636,646.00	+14.67%

In 2024, electricity consumption increased compared to 2023. As with Scope 1 and Scope 2 emissions, this rise is primarily attributed to the higher number of working hours spent at HPB Group locations following the reorganization of the remote work model. Additionally, the improved quality and scope of data collected from suppliers contributed to more precise reporting.

The composition of electricity consumption is not explicitly detailed in the monthly invoices provided by Hrvatska elektroprivreda (HEP). However, an analysis conducted by HEP in 2023 on the sources of electricity supply in Croatia showed that 78% of electricity was generated from fossil fuels, 16% from renewable sources, and 6% from nuclear energy.

Carbon Reduction Targets and Emission Control Measures

ESRS E1-3, E1-4
PRB Principle 2

HPB Group sets its greenhouse gas (GHG) emission reduction targets at the Group level using an absolute emissions reduction approach, ensuring a linear decrease in total emissions over time.

As data availability improves and calculation methodologies are refined, these targets will be supplemented by monitoring emission reduction intensitymeasuring reductions relative to other operational metrics such as the number of employees or revenue. To maintain alignment with the latest climate science and best practices, targets will be reviewed and adjusted at least every five years as needed.

To establish science-based targets, HPB Group has applied the International Energy Agency (IEA) scenarios and pathways. Based on the IEA absolute emissions reduction approach, Scope 1 and Scope 2 emissions require a 42% reduction by 2030 compared to the 2023 baseline year.

Similarly, for Scope 3, Category 15, the target is set at a minimum 25% reduction by 2030.

GHG Emission Reduction Targets

	Baseline Year (2023)	Reporting Year (2024)	Target Year (2030)	Reduction Target (vs. Baseline Year)
Scope 1 (tCO_2e) i Scope 2 (tCO_2e)	1,246.46	1,468.67	722.95	-42%
Scope 3, Category 15 (tCO_2e)	795,976.59	957,947.47	596,982.44	-25%

We recognize that immediate reductions may not be evident in the initial phase due to business expansion and portfolio growth, which could even lead to temporary increases in emissions.

However, achieving emission reductions requires a long-term perspective, realistic expectations, and well-defined goals supported by operational measures.

To align HPB Group's business growth with environmental objectives and achieve our emission reduction targets, our focus in the coming period will be on:

- Expanding low-carbon economic activities within our portfolio by implementing sectoral policies, industry and client assessment methodologies, thresholds, and exclusion policies to ensure sustainable credit allocation
- Increasing financing for sustainable projects and developing sustainable financial products by establishing clear criteria for sustainable products and creating a monitoring model for green financing purposes
- Continuously improving the quality and scope of GHG emissions data from clients, ensuring a more accurate representation of financed emissions
- Enhancing energy efficiency across HPB Group's business premises through ongoing employee education, raising awareness about energy conservation, conducting energy efficiency assessments of individual office spaces, implementing relevant energy-saving measures, and transitioning to renewable energy sources wherever possible.

Driving Meaningful Social Impact

SOCIAL SUSTAINABILITY: Driving Meaningful Social Impact

Our People and Organizational Culture

ESRS S1, ESRS 2 (SBM-3)

Our employees are our greatest asset, the driving force behind every success we achieve. We are committed to continuously strengthening organizational resilience by investing in the growth and skills of our people while fostering a culture of transparency, collaboration, openness to change, and adaptability to new circumstances. Sustainability and social responsibility are deeply embedded in our business model, not only in how we engage with the community and the environment but also in how we support our employees. That is why we place great emphasis on sustainable human resource management.

Flexibility, work-life balance, fair and supportive working conditions, opportunities for growth and development, equality, and open communication at all levels have become essential factors in choosing an employer and staying within an organization. We remain dedicated to these areas, striving to meet the evolving expectations and needs of our employees and maintaining our position as a desirable and responsible employer.

Through our double materiality assessment, we have identified both actual and potential positive and negative impacts, risks, and opportunities within key social sustainability topics related to our workforce. This enables us to prioritize minimizing negative impacts while reinforcing positive outcomes. Given that industry data indicates women in banking, on average, earn less than men and are underrepresented in senior leadership roles, we place particular emphasis on addressing gender equality and ensuring equal pay for equal work with a high level of commitment and accountability.

Fair and competitive compensation has also been recognized as a critical material topic, particularly from a financial materiality perspective. Inflation can have a significant impact on salary adequacy, potentially leading to employee dissatisfaction, decreased productivity, and, ultimately, higher turnover rates. Insufficient compensation can also drive up costs related to recruitment, onboarding, and training while posing challenges in workforce stability. Additionally, the inability to offer competitive salaries may result in operational inefficiencies, talent shortages, and difficulties in attracting and retaining skilled professionals, directly influencing long-term business performance and resilience.

A more detailed overview of our material topics, policies, objectives, and measures aimed at addressing these challenges is provided in the following chapters.

HPB Group Workforce Structure

ESRS S1-1, S1-6, S1-7

The composition of our workforce reflects our core values and corporate culture, one that embraces diversity, inclusion, and the principle that every employee should have the opportunity to reach their full potential. We believe that a diverse workforce, encompassing individuals of different age groups, genders, backgrounds, and perspectives, fosters creativity and strengthens decision-making processes. At the same time, an inclusive and equitable work environment ensures that employees feel valued, engaged, and motivated to thrive, regardless of their personal characteristics or circumstances.

The following tables provide key insights into HPB Group's workforce structure and statistical data for 2024.

HPB Group's Workforce Structure (S1-6):

	Total Employees (End of Year)	Average Number of Employees	Employees Who Left HPB Group in the Reporting Year	Turnover Rate (Based on End-of-Year Headcount) (%)	Turnover Rate (Based on Average Headcount) (%)
Men	467	473.50	49	10.49	10.35
Women	1,253	1,259.00	128	10.22	10.17
Total	**1,720**	**1,732.50**	**177**	**10.29**	**10.22**

* Due to variations in reporting methodology and data structure in the 2023 Sustainability Report, direct year-on-year comparability is not available for 2024 figures

HPB Group is committed to a fair, transparent, and merit-based recruitment process, ensuring equal opportunities for all candidates. The hiring process is governed by the Recruitment Procedure, which mandates that all decision-makers involved in candidate selection must base their choices on objective and professional criteria. Any form of discrimination, whether direct or indirect, is strictly prohibited, in full compliance with the HPB Group Code of Ethics and applicable anti-discrimination laws. HPB Group upholds the highest standards of fairness, ensuring that all employment decisions are based on merit and objective criteria. We categorically reject any form of favoritism or discrimination based on gender, race, skin color, ethnic or social origin, genetic characteristics, language, religion or belief, political or other opinions, national minority status, property, birth, disability, age, or sexual orientation.

To attract and select top talent, we employ a diverse range of recruitment channels, fostering a broad and inclusive hiring process. Our internal psychologists play an integral role in candidate evaluation, ensuring that selection procedures align with the HPB Group Code of Ethics and the Law on Psychological Practice, reinforcing our commitment to ethical and unbiased decision-making.

HPB Group's dedication to compliance is reflected in its Work Regulations, which are fully aligned with both national and international labor laws, safeguarding employee rights and maintaining the highest employment standards.

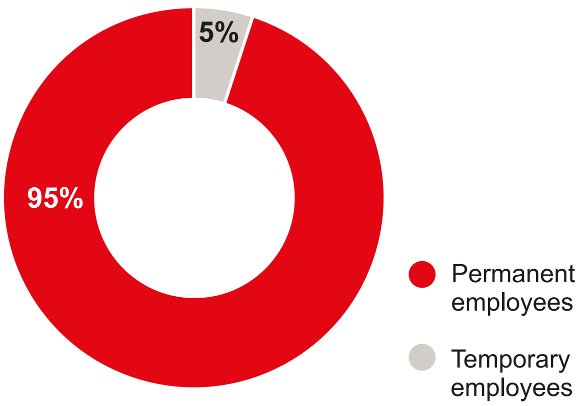
HPB Beyond traditional employment, we actively engage students and external associates through student contracts and service agreements. In the past year, 57 students were employed, primarily in administrative and data processing roles, while 11 external associates contributed to project-based work, training programs, digitalization efforts, and data management initiatives.

Workforce Composition – Temporary and External Associates (S1-7)

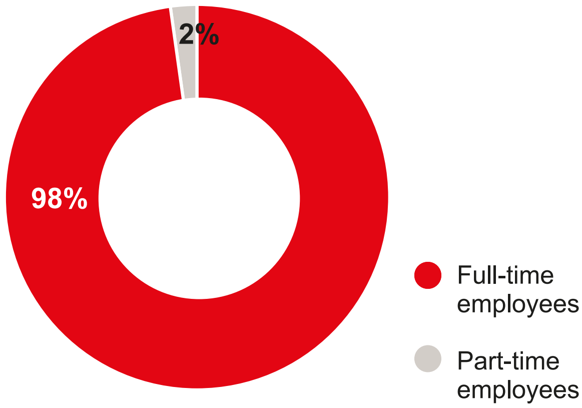
	Total Number of Temporary and External Associates
Men	33
Women	38
Total	**71**

*Ukupan broj radnika kroz godinu (ne na 31, 12, niti prosjek)

Workforce Composition by Contract Type



Workforce Composition by Working Hours



Diversity, Equity, and Inclusion for Stronger Decision-Making

ESRS S1-1, S1-4, S1-9, S1-12

We believe that the success of an organization lies in recognizing and valuing diverse perspectives, experiences, and talents that each individual brings. Diversity is a fundamental value of modern society and a cornerstone for fostering a positive workplace culture, one that prioritizes hiring based on skills, competencies, and qualifications, free from discrimination or harassment. For years, we have actively embraced our role in cultivating an organizational culture that respects and promotes diversity, ensuring that it remains at the heart of everything we do.

As a signatory of the Diversity Charter, which encourages the implementation of diversity policies in the corporate sector, we are committed to building a fairer and more equitable society every day. In our workplace, individual differences are not only respected but embraced. We uphold equal access to professional training, career advancement, reskilling, employment conditions, workplace rights, social security, healthcare, and participation in employee associations or other organizations.

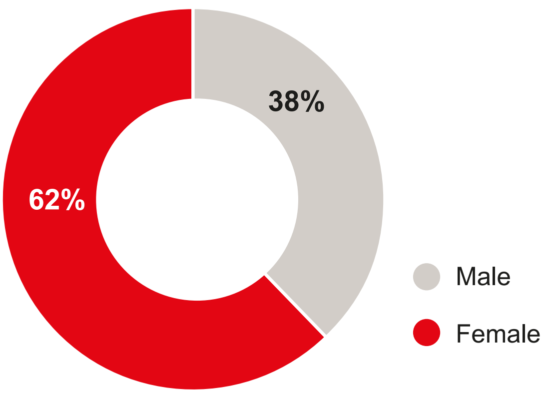
Guided by the principles of diversity and non-discrimination, we have embedded Diversity and Inclusion Principles into our Environmental, Social, and Governance (ESG) Management Policy, ensuring that these values are fully integrated into our business operations.

For us, fostering a diverse and inclusive workplace is not just a moral responsibility, it is a strategic advantage that fuels innovation, productivity, sustainable growth, and long-term success.

Women represent 62% of leadership positions, and our workforce spans a wide range of age groups, reinforcing HPB Group's commitment to leveraging the strengths and contributions of employees across generations.

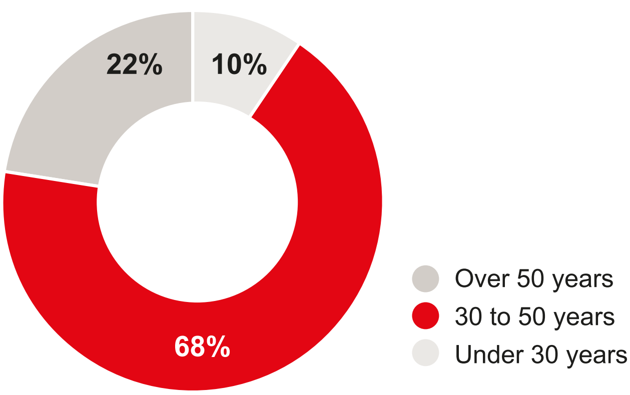
Diversity Indicators (S1-9)

Gender Distribution in Executive Leadership



* Gender Representation at Executive Level

Age Distribution of Employees



Additionally, 3.2% of our workforce comprises employees with disabilities, and we actively participate in initiatives and events that support this vulnerable group. We continuously work to make our business premises as accessible as possible, adapting them to meet the specific needs of employees and clients with disabilities wherever feasible.

Employment of People with Disabilities (S1-12)

Total Employees (End of Year)	Total Employees with Disabilities	Percentage of Persons with Disabilities (%)
1,720	55	3.20

Fair Compensation and Equitable Pay Practices

ESRS S1-1, S1-4, S1-10, S1-16

Fair pay is more than just financial compensation, it encompasses broader social, environmental, and human factors that ensure fairness, equality, and long-term sustainability. At HPB Group, we uphold transparency in our pay policies, adhere to legal and international standards, and actively work to reduce pay disparities while aligning with our broader sustainability commitments.

Our approach to compensation is rooted in respect for human rights, reducing inequalities, and ensuring that salaries remain competitive and grounded in transparent principles. HPB Group guarantees that employee remuneration reflects their qualifications, experience, and job responsibilities while remaining in line with market conditions and legal standards.

Employee rights, including salary structures, allowances, cost reimbursements, bonuses, solidarity support, rewards, and additional benefits, are clearly outlined in the Work Regulations and Collective Agreement. These internal policies also define working conditions, employee obligations, and other entitlements arising from employment relationships.

Our Key Objectives in Compensation Management:

- **Ensuring long-term employee satisfaction, particularly in the fairness of the reward system**
- **Reducing turnover rates and fostering retention**
- **Strengthening a corporate culture where employees serve as brand ambassadors**
- **Enhancing employee loyalty through competitive compensation and benefits.**

HPB Group continuously monitors market conditions and has steadily expanded employee benefits. In 2024, we placed a strong focus on strategic investments in salaries, financial benefits, and professional development opportunities.

Acknowledging inflationary pressures, evolving market conditions, and the Bank's strong financial performance, we introduced a salary adjustment model designed to ensure fair and competitive compensation. The primary focus was on increasing salaries for employees most affected by inflation, as well as enhancing compensation in sales-related roles, recognizing their responsibility and strategic importance to the Bank's success. As part of these efforts, an amendment to the Collective Agreement in 2024 resulted in a 32%–37% increase in base gross salaries for entry-level positions, along with an increase in meal allowances and special bonuses. Additionally, all employees earning €2,500 or less (gross) received a 5% salary increase, reflecting the Bank's commitment to equitable pay distribution and employee well-being.

For 2024, the Bank's average salary (excluding the Management Board, B-1 level managers, and their deputies) increased by 13% compared to 2023. For professional and administrative roles alone, the increase was even higher, 14% year-over-year.

Through these actions, HPB Group has actively mitigated the financial impact of inflation on its employees and remains committed to further enhancing financial well-being across the organization.

In line with our Remuneration Policy, HPB Group has committed to eliminating any gender-based pay disparities and to monitoring and reporting on gender pay gaps within the organization. The Bank's job classification system is structured around uniform criteria for all employees, regardless of gender, ensuring a fair and equitable compensation framework.

Key Operational Objectives in the Area of Gender Pay Equality:

- **Maintaining a remuneration system based on consistent and transparent criteria, ensuring equal pay for equal work or work of equal value, regardless of gender, race or ethnicity, language, religion, political or other beliefs, national or social origin, or any other discriminatory factors**
- **Fostering gender diversity across all levels of the organization and cultivating a workplace culture where employees have equal access to opportunities, irrespective of gender**
- **Reducing gender pay disparities at all levels whenever they are identified.**

Compensation Indicators (S1-16)

Employee Category	Number of Employees (as of 31 Dec 2024)		Gender Pay Gap (Male vs. Female Salaries)
	M	F	
Management Board (HPB)	5	0	-
Identified Employees* (excluding HPB Management Board)	26	25	-4.60%
Other Employees (Managers)	70	136	11.90%
Other Employees (Operational Staff)	366	1,092	17.40%

* Identified employees, beyond Management Board and Supervisory Board members, include all employees whose professional activities significantly impact the risk profile on an individual or consolidated level within HPB Group. This classification follows the criteria outlined in Article 27 of the Decision on Employee Remuneration and Commission Delegated Regulation (EU) 2021/923. It encompasses senior management (B-1 directors and deputy executive directors), management board members or directors of HPB Group subsidiaries (HPB Invest and HPB Nekretnine), as well as employees at lower organizational levels whose authorizations exceed 2% of the internal capital requirement. Additionally, this category includes the officer responsible for anti-money laundering and counter-terrorism financing.

A detailed analysis indicates that the most significant factor influencing the hourly gross pay gap between women and men is organizational affiliation, specifically, the higher concentration of male employees in the " IT Development, Maintenance, and Security Audit (IT DMSA) job family. Market conditions and the associated internal salary ranges result in higher average salaries within this job family compared to other organizational units.

Among managerial positions (excluding identified employees), men generally have higher hourly gross salaries than women, with differences ranging from 1% to 12%. These disparities are more pronounced in managerial roles where male employees are disproportionately represented in the IT Development, Maintenance, and Security Audit (IT DMSA) job family, particularly at Level 4 managerial positions.

In the "Other Employees (Managers)" category, the most significant pay gap in favor of men is observed at the Level 4 Management position. This disparity can be further attributed to the fact that male managers in these roles, on average, oversee significantly larger teams than their female counterparts. As a result, they assume greater responsibilities, which is reflected in their compensation.

In the “Other Employees (Operational Staff)" category, the pay gap is largely driven by organizational affiliation and job family classification. Additionally, educational attainment plays a role in determining hourly wage differences. At specialist-level positions, men generally earn 4–9% more per hour than women. This gap is particularly evident at Specialist Levels 1, 2, and 3, where a higher proportion of men hold roles in the IT DMSA job family. However, at Specialist Level 4, a 7% gender pay gap in favor of men remains unexplained by job family classification or other previously identified factors.

In conclusion, while the analysis suggests that organizational affiliation, managerial responsibilities, and educational attainment significantly influence gender pay differences, certain discrepancies remain unexplained, particularly at Specialist Level 4 positions.

Recognizing the fundamental principles outlined in the Bank’s Remuneration Policy, ensuring equal pay for equal work or work of equal value, alongside regulatory obligations and internal policies, as well as the transposition of Directive (EU) 2023/970 on strengthening the enforcement of the principle of equal pay for men and women through pay transparency and enforcement mechanisms into national legislation by June 2026, the Bank has set an annual target to reduce the gender pay gap at Specialist Level 4 positions by at least 2%

Total Annual Compensation Ratio

	2024
Total Annual Compensation Ratio	7.12

Employee Learning, Training, and Development

ESRS S1-1, S1-13

Professional training and continuous skill development are essential for empowering our employees, strengthening their expertise, and preparing them for the challenges of an evolving business environment. By investing in education and professional growth, we not only support individual career advancement but also drive organizational growth and contribute to a more sustainable society.

Our employees’ knowledge and skills are the driving force behind innovation and productivity. That’s why we provide a diverse range of educational programs that extend beyond technical and professional competencies to include communication skills, leadership, and adaptability. We are committed to ensuring equal learning opportunities for all employees, enabling them to grow, advance, and contribute to HPB Group’s development, regardless of their position or experience level. Our goal is to build strong, skilled, and motivated teams that play a key role in achieving HPB Group’s strategic objectives.

The Employee Professional Development Policy establishes a framework for continuous professional growth, covering training, skill enhancement, and career progression within the organization. It also highlights employees' opportunities to develop and acquire the skills necessary to navigate future challenges. The Training Management Procedure further defines the detailed steps and responsibilities within the learning and development process.

As employee development remains a central pillar of HPB Group's human resources strategy, the training budget for 2024 was increased by 64%, providing ambitious employees with even more opportunities for professional growth and skill-building. Over the course of the year, numerous internal and external training sessions were conducted across various business areas, accessible to all employees. Additionally, employees had access to digital learning platforms for self-paced education. Through the **eClassroom** platform alone, 78 training programs were delivered, covering topics such as investment funds, mortgage and consumer lending, GDPR, SPNFT, regulatory compliance, information security, applications, operational procedures and products, ESG, fraud prevention, workplace safety, and human resources management.

Training and Skill Development Indicators (S1-13)

Average Training Hours

Men	Women	Per Employee
26,262.86	54,429.61	23.46

To ensure the highest quality execution of our responsibilities and full alignment with regulatory requirements, HPB Group has implemented policies that establish structured procedures for identifying key business areas requiring ongoing professional development and **training for the Management Board and Supervisory Board**. In 2024, a total of 15 training sessions were conducted across various domains, including organizational culture, corporate governance, strategic management, ESG, information security, SPNFT, GDPR, and risk management.

To further enhance data-driven analytical competencies among HPB Group employees, we continued the **Data Incubator Program**, with 123 participants actively engaged throughout the year. Additionally, we launched a new initiative in 2024, Data Saplings, where employees meet virtually several times a month to exchange data-driven best practices. Over the past year, 22 sessions were held, featuring presentations from 59 employees.

For the second consecutive year, newly appointed managers (a total of 26 employees) participated in the **First-Time Manager Program**, designed to prepare them for leadership responsibilities and strengthen their long-term management competencies. This comprehensive program covered project management, data management, financial reporting, employee development and recruitment, labor law, performance management and rewards, situational leadership, and peer coaching.

In line with our Onboarding Procedure, we continued the HPB Start Program, a structured and ongoing initiative for integrating new employees and supporting their professional development over their first six months. In 2024, the **HPB Start Program** was conducted six times, welcoming 114 new employees into the organization.

As part of our commitment to **women's leadership development,** 12 female employees at the B-2 management level participated in The Lady's Realm Leadership Academy, an external program focused on psychological safety in teams, self-care as a critical leadership element, change management, goal-setting, strategic planning, and fostering a supportive and adaptable work environment. Over two intensive days, participants explored their leadership styles, addressed unique workplace challenges, and collaborated on real-life case studies with peer support.

HPB Group continues to support employees in pursuing higher education and professional certifications, providing full or **partial funding** for degree programs, retraining, certification courses, and professional exams that align with business needs and individual career development plans. In 2024, education funding was approved for 25 employees.

To maintain service excellence and equip employees with the skills to handle difficult conversations, whether with clients or colleagues, our Service Quality Management Office runs **"Quality Wednesdays"**, an internal workshop series covering various aspects of service excellence. In 2024, five workshops were held as part of this initiative.

HPB Group is also continuously refining its **performance management process**, ensuring transparency in goal-setting at both the organizational and individual levels. Leadership teams receive ongoing training on defining and aligning performance objectives, emphasizing one-on-one goal-setting discussions between managers and employees. This structured approach strengthens HPB Group's strategic direction, enhances individual and team performance, and fosters long-term sustainable business growth. By clearly communicating expectations, we empower employees to improve their performance, contribute to team success, and align their professional development with our corporate values.

Work-Life Balance: Supporting Well-Being and Productivity

ESRS S1-15

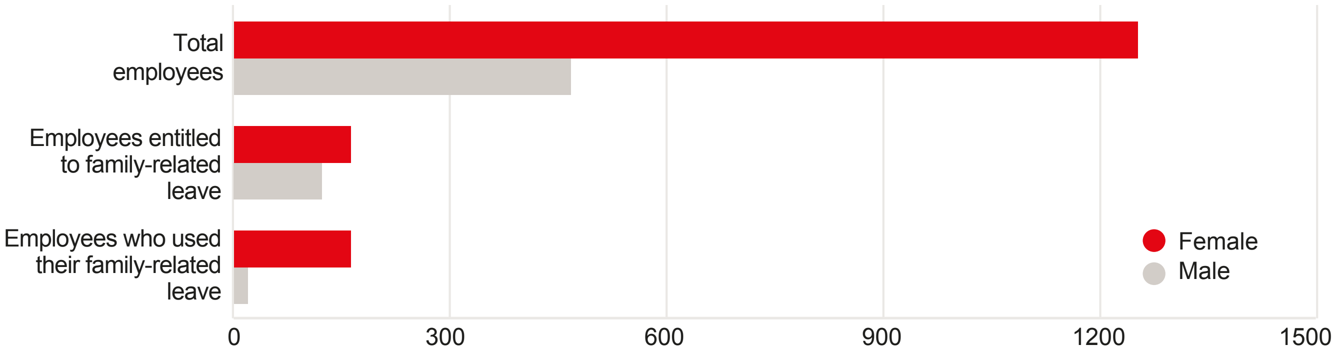
Maintaining a healthy balance between work and personal life is essential for employee well-being, productivity, and overall organizational success. In today's dynamic work environment, where professional and personal boundaries often overlap, HPB Group is committed to fostering policies and practices that support a sustainable balance, allowing employees to reach their full potential without compromising their personal needs and values.

To enhance work-life balance, HPB Group offers a range of benefits designed to provide flexibility and support employees at different life stages:

- Remote work – most roles offer the option of working remotely for up to three days per week, allowing employees to better balance their professional and family responsibilities
- Shortened Friday – for several years, HPB Group has applied a working time model of 8.5-hour shifts from Monday to Thursday and 6-hour shifts on Fridays, giving employees an earlier start to their weekends
- Flexible working hours – employees have the option of a one-hour sliding window to adjust their schedules according to personal needs
- Preferential financial services – employees benefit from reduced fees, lower loan interest rates, and other banking services, including favorable mortgage terms for those looking to purchase or renovate their homes
- Support for growing families – financial assistance is provided to employees for the birth or adoption of a child, supporting parents and adoptive families
- Kindergarten subsidies – financial relief for parents of young children through subsidized kindergarten costs, reducing the financial burden
- Holiday gifts – each year, employees' children up to the age of 15 receive a St. Nicholas gift, bringing joy during the festive season
- Additional annual leave days – employees are entitled to one extra day of annual leave per child under the age of 15
- Special leave – extra time off is granted for significant life events, including marriage or civil partnership, childbirth or adoption, a child's first day of school or kindergarten, moving house, preventive health check-ups, volunteering, blood donation, and other key occasions.

In 2024, 100% of female employees and 15.57% of male employees exercised their right to family leave, demonstrating our commitment to promoting a workplace that supports both career growth and personal well-being.

Graph: Work-Life Balance Indicators (S1-15)



Health, Safety, and Employee Well-being

ESRS S1-11; S1-14

The health and safety of our employees are among our top priorities. Every workplace must be safe, supportive, and focused on preserving both the physical and mental well-being of all employees. Our commitment to fostering a healthy and secure work environment reflects our responsibility to the people who form the foundation of our success.

Through proactive measures, educational initiatives, and the implementation of best practices, we ensure that our employees work in conditions that minimize risks and support their overall well-being.

Health and safety measures, including preventive actions and risk reduction strategies to prevent work-related injuries and illnesses, are outlined in our Workplace Safety Regulations, Physical Security Measures Regulations, and Security Protection Measures Regulations.

Our dedication to creating a safe and healthy workplace is reflected in the numerous benefits and activities we offer to employees:

- Supplementary and additional health insurance for all HPB Group employees, including an annual medical check-up to encourage participation, employees receive a paid day off for their check-up
- Health Week at the workplace, featuring education and guidance on developing healthy habits
- Webinar series "Life is Meant to Be Easier" held during Psychology Week 2024, aimed at raising awareness about mental health care
- Membership in HPB Sport, which offers various

sports activities, and interactive workshops on stress management held throughout the year
- Blood donation drives organized in partnership with the City Red Cross Society of Zagreb, hosted at the Bank’s premises
- Employer-sponsored psychological counseling to provide employees with easier access to mental health support resources
- Evacuation and rescue drills conducted regularly across all HPB Group locations, in compliance with workplace safety laws held every two years for all employees
- Ongoing e-learning modules through eClassroom, covering topics such as cybersecurity, appropriate use of the Bank’s IT systems, and workplace safety training.

In 2024, HPB Group successfully renewed its "Health-Friendly Company" certification for another five years. This recognition, awarded by the Croatian Institute of Public Health under the "Living Healthy" initiative, highlights the Bank’s commitment to promoting the well-being of both employees and clients, as well as encouraging a healthier lifestyle.

Health and Safety Indicators – HPB Group Workforce (S1-14)

Percentage of employees covered by the health and safety management system	Number of workplace fatalities	Number of recorded workplace injuries	Workplace injury rate (per million hours worked)	Number of recorded work-related illnesses	Number of lost workdays due to injuries and fatalities
100.00	0	11	3.37	0	772

Commitment to Human Rights and Ethical Standards

ESRS S1-1, S1-17

HPB Group is firmly committed to promoting, respecting, and protecting human and children's rights across all areas of its operations, in full alignment with international standards, national legislation, and internal policies and principles. We recognize human rights as the cornerstone of a fair, inclusive, and sustainable society and believe that responsible management of these issues is essential in fostering long-term trust among our employees, clients, business partners, and the wider community.

Our approach to human rights protection is built on transparency and accountability, ensuring equal opportunities, embracing diversity, and actively preventing discrimination and unethical behavior.

We integrate human rights considerations into our daily operations through internal policies and principles, including the Principles on Human and Children's Rights and the Principles on Diversity and Non-Discrimination, which form part of our ESG Management Policy. By implementing regular employee training and systematic risk assessments, we go beyond mere compliance, our goal is to actively contribute to an improved quality of life for all our stakeholders.

At the core of our commitment is the HPB Group Code of Ethics, which establishes clear and unequivocal principles, guidelines, and requirements for lawful, ethical, and professional conduct. This Code reinforces our dedication to human rights protection, ensuring that all interactions, whether with employees, clients, or external partners, are conducted with the highest ethical standards.

Reported Cases and Complaints on Human Rights Violations (S1-17)

	Total number of complaints and discrimination cases
Serious human rights violations related to the workforce	0
Reported cases of discrimination	5
Complaints filed through employee reporting channels	0

As part of our core mission, we are committed to ensuring a safe and healthy future for every child, which means adhering to the highest standards in employment, working conditions, and child protection. HPB Group strictly complies with minimum employment age regulations, fully aligning with international standards and legal requirements to protect children from potential risks. Furthermore, we uphold all children's rights as outlined in the United Nations Convention on the Rights of the Child, ensuring that every child, regardless of background, status, or circumstances, has the right to life, survival, development, and participation in society.

In partnership with UNICEF Croatia, HPB Group actively contributes to improving conditions for children worldwide. Through participation in UNICEF programs "Guardians of Childhood" and "Partnerships with Small and Medium Enterprises", we work alongside our clients, providing regular monthly donations to support initiatives that assist children in socially vulnerable situations, helping create a better future for them and society as a whole.

Collective Bargaining and Employee Representation

ESRS S1-8

HPB Group fully supports the right to freedom of association, ensuring that all employees have a voice in shaping their working conditions. The HPB Union plays a crucial role in advocating for improved working conditions, material benefits, and social protections, fostering a fair and supportive workplace. Through collective bargaining, employees benefit from a range of rights and entitlements, including financial provisions upon retirement, reinforcing our commitment to their long-term well-being.

In 2024, an Amendment to the Collective Agreement was signed, introducing enhancements to compensation structures, special payments, and salary regulations, further strengthening our dedication to fairness, transparency, and employee rights.

Collective Bargaining Indicators (S1-8)

Total number of employees (reporting year)	Employees covered by collective agreements	Percentage covered by collective agreements (%)	Percentage covered by employee representatives (%)
1,720	1,720*	100*	24.77

* All Bank employees are covered by the Collective Agreement, with certain provisions applicable to Management Board members. However, material entitlements that conflict with the Law on the Prevention of Conflicts of Interest are excluded.

Strengthening Employee Engagement and Workplace Dialogue

ESRS S1-2, S1-3

As part of our ongoing efforts to foster a positive organizational climate, strong corporate culture, and high employee engagement, we regularly conduct organizational vitality surveys. These surveys provide every employee with the opportunity to share their views on key aspects of workplace experience, including:

- Employee perception of their work environment
- Satisfaction with management, performance evaluation, and reward systems
- Effectiveness of internal communication
- Personal sense of commitment and engagement
- Opinions on HPB Group as an employer.

The survey results are shared with all employees, and management teams actively collaborate with their teams to develop targeted action plans for improvement. The Management Board, in close cooperation with the Human Resources Division, oversees their implementation, ensuring that employee feedback directly informs key initiatives that further strengthen HPB Group as an employer of choice.

Our 2024 pulse check survey focused on job satisfaction, compensation, career development, burnout, and employee advocacy, with an outstanding 91.4% participation rate across HPB Group. The positive trends we observed reaffirm the effectiveness of our ongoing improvements, while also highlighting the importance of continuous engagement to drive long-term progress.

To streamline HR-related communication, we introduced "Ask HR", a fast and efficient query resolution channel within the HRnet application. This new tool provides employees with direct access to information on payroll, performance management, and other employment-related matters, reinforcing transparency, accessibility, and support across the organization.

HPB Group is committed to ensuring that all employees work in an environment free from discrimination, harassment, segregation, or unfair treatment. In line with the Labor Act, the Anti-Discrimination Act, and the Gender Equality Act, we have implemented an Internal Rulebook on Dignity at Work, outlining the rights and responsibilities of both employees and the employer. This policy also enables employees to report **violations of dignity** through a structured complaints procedure.

To uphold high ethical and professional standards, HPB Group has established a comprehensive system for reporting violations of the Code of Ethics. This mechanism allows both employees and external stakeholders to report concerns through confidential and secure channels, ensuring accountability and transparency.

To ensure compliance with legal and regulatory requirements, as well as the highest ethical and professional standards set out in HPB Group's Code of Ethics and internal policies, HPB Group has established a robust reporting system. This framework also aligns with the Anti-Corruption Program of the Government of the Republic of Croatia for state-owned enterprises. The system enables employees, clients, and third parties to report potential violations of the Code of Ethics or suspected irregularities in the Bank's operations.

Reports of **ethical breaches by employees or third parties** can be submitted through secure reporting channels and are handled by the appointed **Ethics Commissioner and Deputy Ethics Commissioner**.

Similarly, reports of **irregularities submitted by clients or external stakeholders**, who do not operate within HPB Group's work environment, are processed by the **designated Irregularities Officer and Deputy Irregularities Officer**.

Comprehensive guidelines on reporting procedures are publicly available on the websites of HPB Group entities.

HPB Group has also implemented an **internal whistleblowing system,** fully aligned with the **Whistleblower Protection Act**, allowing individuals within HPB Group's work environment to confidentially report suspected misconduct or illegal activities in good faith, without fear of retaliation or negative consequences for their employment status. HPB Invest d.o.o., as an HPB Group entity, has established its own whistleblowing and whistleblower protection system, ensuring compliance with HPB Group's internal reporting framework while adapting to the specific requirements of its size and business model.

Detailed instructions and reporting forms are available on the Bank's website.

Customer-Centric Approach

ESRS S4
PRB Principle 3

Recognizing that trust and customer satisfaction are the foundation of long-term success, HPB Group is committed to continuously improving its products, services, and business processes to ensure security, clarity, and fairness in all consumer interactions.

We place particular emphasis on transparent communication, ensuring that our products and services are accessible, clearly presented, and tailored to the diverse needs and financial capabilities of our customers. Through our double materiality assessment, we have identified two key impact areas, customer information and communication, focusing on the clarity and reliability of financial product and service disclosures, and social inclusion of consumers, ensuring equitable access to financial services for all customer segments. These topics are explored in more detail in the following chapters.

Safeguarding Data Privacy and Information Security

ESRS S4-1, S4-4, S4-5

Data privacy and security represent key areas where we have identified potential negative impacts on consumers, particularly in light of the increasing frequency of cyberattacks aimed at compromising the confidentiality, integrity, and availability of the Bank's information and IT systems. Additionally, there is a rising risk of fraudulent impersonation, where attackers attempt to deceive clients into disclosing login credentials or making unauthorized payments for illicit financial gain.

To mitigate cyber threats and prevent potential consequences, HPB Group has established a comprehensive information security management system through a range of organizational and technical measures. A dedicated unit has been formed to oversee information security, protect against cyber threats, monitor for fraud, and implement preventive measures. A set of internal policies, regulations, and procedures defines the principles, guidelines, and rules governing information security in compliance with legal requirements, regulatory standards, recommendations from national cybersecurity authorities, internationally recognized norms, and industry best practices.

To minimize cyberattack risks and protect clients from social engineering tactics, we implement the following measures as part of our regular activities in line with internal policies:

- **Enhancing technical controls to enable early detection and prevention of incidents that could compromise the confidentiality, integrity, and availability of information and IT systems, as well as to prevent fraud across digital channels**
- **Conducting educational programs and awareness campaigns for both employees and clients**

- **Strengthening business processes to combat money laundering**
- **Improving fraud detection and prevention mechanisms within the Bank's operational framework.**

Additionally, HPB Group has implemented a robust data protection management system and ensures full compliance with the General Data Protection Regulation (GDPR). We invest in employee training, promote transparency in client communications, and maintain close collaboration with regulatory authorities.

The Personal Data Protection Policy is the Group's fundamental internal document outlining the framework for data privacy, ensuring compliance with legal requirements, security protocols, best practices, and internationally recognized standards.

The Bank has appointed an independent Data Protection Officer, responsible for safeguarding the rights of clients, employees, and business partners regarding their personal data.

Comprehensive information on the processing of personal data for clients, employees, business partners, and other stakeholders is publicly available on the Bank's website.

Inclusive Banking: Accessibility and Service Availability

ESRS S4-4

Accessibility and ease of access to products and services consistently rank among the top priorities for clients when choosing a bank. This includes an extensive branch and ATM network, digitalization and online services, accessibility for people with disabilities, as well as financial literacy programs and client education. Through our double materiality assessment, we have identified our impact in the sub-topic Social Inclusion of Consumers, specifically in Access to Products and Services, as significantly positive.

Since its founding, HPB Group has made substantial efforts to enhance accessibility for clients. Thanks to our strategic partnership with HP, we are now the most accessible bank in Croatia, reaching even the smallest and most remote locations across the country.

Detailed information on our branch network can be found in Chapter Overview of Business Segment Operations, of the Annual Report.

We are continuously improving our digital services to provide clients with faster, more convenient, and more accessible financial solutions. HPB has been at the forefront of banking innovation and digitalization in Croatia, being the first to introduce access to the e-Citizens portal, biometric login for mobile banking, online account opening, cash withdrawals via mobile phone, the most comprehensive range of services through eBranch (accessible via mobile), and one of the first three banks to implement instant payments. As digital transformation remains a strategic priority, HPB Group continues to see steady growth in mobile banking users.

Further details on our digital services are available in Chapter Overview of Business Segment Operations, of the Annual Report.

Recognizing that knowledge drives social progress, HPB, as a financial institution, takes responsibility for promoting financial literacy across all generations. To help individuals and entrepreneurs develop essential money management skills, we have been running the "HPB for Financial Literacy" program for several years, offering free educational sessions on key banking topics. We remain particularly committed to financial education for young people, ensuring that future generations are equipped to make responsible financial decisions. As part of this effort, we actively participated in European Money Week last year, reinforcing our dedication to youth financial literacy. Additionally, in collaboration with the Croatian Banking Association (HUB), we took part in the "Finance for New Generations" project aimed at young entrepreneurs, further strengthening our relationship with the business community and supporting their ambitions through specialized financial solutions.

Consumer Protection and Ethical Business Practices

ESRS S4-1, S4-3, S4-4

HPB Group has adopted a Consumer and Non-Consumer Protection Policy, which establishes a framework for effectively combating unfair business practices, unfair contract terms, misleading advertising, unsafe products, and substandard services. This policy defines a set of measures and activities aimed at safeguarding both consumers and non-consumers throughout the offering, contracting, and use of the Bank's financial products and services. Our commitment is to ensure the highest service quality and transparency in our business relationships, fostering consumer trust and delivering excellence in every interaction. We provide high-quality, competitively structured products and services, including an expanding portfolio of digital solutions that simplify and accelerate financial transactions.

When developing new products, we pay special attention to consumer protection regulations and best practices. We assess the impact of products on data privacy, technical and technological requirements, and identify potential risks for clients, considering the complexity of financial products and clients' financial literacy. Additionally, we evaluate security requirements, including physical and technical safeguards and information security measures.

The principles of the Consumer and Non-Consumer Protection Policy are embedded in our performance measurement and employee remuneration system, which is incorporated into HPB Group's Remuneration Policy and operational guidelines. At the Bank, team, and individual levels, performance criteria are set to uphold consumer rights and interests, focusing on service quality, employee expertise, and ethical product sales that align with client needs, avoiding any unfair practices that prioritize the Bank's or employees' interests at the expense of consumers.

Despite employing the latest technology and a highly skilled, dedicated workforce, there may be instances where the services provided do not meet expected quality standards. If consumers or end users wish to submit a complaint or express dissatisfaction, they can do so in person at any HPB center or entrepreneurial center, by email at kvalitetausluge@hpb.hr and/or hpb@hpb.hr, by completing the complaint form available on the Bank's website, or by sending a written complaint by post to Hrvatska poštanska banka, d.d., Office for Service Quality Management, Jurišićeva 4, 10 000 Zagreb. In compliance with legal provisions, HPB clearly states in all General Terms and Conditions that clients who are unable to resolve disputes directly with the Bank can seek mediation through consumer dispute resolution centers or alternative dispute resolution bodies. By endorsing alternative consumer dispute resolution mechanisms, the Bank aims to resolve conflicts amicably, avoiding lengthy and costly litigation for both clients and the Bank.

The complaint management process is governed by the Complaints and Requests Management Policy, which outlines:

- Receipt, recording, and resolution of complaints by relevant Bank departments
- Monitoring and analysis of complaints to identify root causes, issue recommendations for business improvements, and provide both internal and external reporting.

Through a structured service quality management system, the Bank consistently strives to reduce the number of justified complaints year over year. In 2024, the number of justified complaints decreased by 33% compared to the previous year, an impressive achievement, particularly given portfolio growth following the merger with Nova hrvatska banka.

We take great pride in the fact that HPB ranks highly in consumer satisfaction surveys, with strong client recommendations. Moving forward, we remain committed to further enhancing service quality and refining our complaint management system to uphold the trust of our valued clients.

Enhancing Consumer Experience and Engagement

ESRS S4-1, S4-2, S4-3, S4-4

One of the core principles of sustainability is transparency, and HPB Group is fully committed to ensuring the timely, accurate, and reliable disclosure of information about its products, services, and any changes in its operations. We believe that effective communication with consumers is fundamental to building long-term trust and loyalty and that through clear and proactive engagement, we can better understand their needs, expectations, and challenges. Our goal is to create an environment where every consumer feels heard, valued, and fully informed.

Our approach is based on accessibility, clarity, and adaptability across all communication channels, whether through personal interactions, digital platforms, or contact centers.

HPB Group employees across our business network are readily available to address any inquiries from individuals and businesses, providing accurate and relevant information to ensure that every customer has the support needed to make informed decisions. Alongside our branch colleagues, the dedicated team at the HPB Contact Center continuously responds to inquiries received via phone or email.

To engage with clients, stakeholders, and the wider public, the Bank utilizes its website, www.hpb.hr, as well as social media platforms including LinkedIn, Facebook, Instagram, and YouTube. In 2024, HPB's LinkedIn community surpassed 10,000 followers, placing us among the top four banks in Croatia and affirming the trust we have diligently built over the years on the largest professional social network.

To gather customer feedback, we have been systematically conducting service quality, satisfaction, and loyalty surveys in collaboration with market research agencies for several years. Since the inception of these measurements, a clear upward trend in service quality and customer satisfaction has been observed. Each survey provides valuable insights that help us identify areas for improvement and continuously enhance the service we provide.

As outlined in the section on Employee Engagement and Communication, HPB Group has established an effective system for reporting violations of the Code of Ethics by employees and third parties, as well as for reporting concerns or suspected irregularities in the Bank's operations by clients and other external stakeholders.

Complaints regarding breaches of the Code of Ethics by employees and third parties can be submitted through secure reporting channels and are handled by the designated Ethics Officer and their deputy. Similarly, reports of suspected irregularities in the Bank's operations from clients and external stakeholders are processed through secure channels and fall under the responsibility of the appointed Compliance Officer and their deputy.

Upholding the Highest Standards

CORPORATE GOVERNANCE: Upholding the Highest Standards

PRB Principle 5, 6

HPB Group is dedicated to upholding the highest standards of transparency, ethical business practices, and regulatory compliance, ensuring that its operations create positive and sustainable impacts on stakeholders, society, and the environment. Our corporate governance framework is founded on the principles of integrity, accountability, and inclusivity, fostering responsible decision-making and long-term value creation.

While governance-related topics were not identified as priorities in our double materiality assessment, we recognize our role and responsibility as a financial institution and therefore report transparently in accordance with the requirements and guidelines of the ESRS G1 thematic standard. As HPB Group does not engage in political activities or any form of lobbying, disclosure under G1-5 is not included.

Ethical Business Conduct and Compliance

ESRS G1, ESRS 2 (SBM-3)

Through our business strategy, corporate policies, and key internal regulations, we strive to foster transparency, efficiency, and strong relationships within our business environment.

HPB Group's core governance framework mandates lawful, ethical, and professional conduct from all Management Board members, Supervisory Board members, and employees. This commitment aligns with all applicable laws and regulations, internal policies, corporate values, and the professional standards of the financial sector.

We conduct business and continuously enhance our corporate governance practices in accordance with the following principles:

- Business transparency
- Sustainable value creation with a focus on stakeholder interests
- An effective internal control system
- A robust accountability framework
- Avoidance of conflicts of interest
- Ethical, responsible, and principled behavior.

Corporate Governance Policies and Code of Conduct

ESRS G1-1

HPB Group, as an issuer of shares listed on the regulated market of the Zagreb Stock Exchange, adheres to the **Corporate Governance Code** jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (ZSE), as well as the **Corporate Governance Code for companies in which the Republic of Croatia holds shares or stakes**, adopted by the Government of the Republic of Croatia. In alignment with best corporate governance practices and the recommendations of both Codes, HPB continuously enhances its corporate governance framework and transparency, ensuring robust protection of shareholders, investors, clients, employees, and other stakeholders. The Bank's governance approach considers its structure, strategy, and business objectives while maintaining effective oversight by the Management Board and Supervisory Board, with a particular focus on risk identification, measurement, monitoring, and reporting, alongside the establishment of strong internal control mechanisms.

As outlined in the Sustainability Governance section, the Bank's Management Board has adopted the HPB Group Remuneration Policy, which has also received the approval of the Supervisory Board. This overarching policy establishes an objective, transparent, and fair remuneration system across HPB Group, aligning with the strategic sustainability framework, corporate values, and long-term interests of the Group. The policy is based on equal pay for equal work or work of equal value, irrespective of gender, race, ethnicity, language, religion, political or other beliefs, national or social origin, or any other discriminatory criteria. These principles also underpin the **Remuneration Policy for Members of the Management Board and Supervisory Board**, which is publicly available on the Bank's website.

HPB Group has adopted a **Code of Ethics**, which sets out clear and unequivocal principles, guidelines, and requirements for lawful, ethical, and professional conduct in all interactions with clients, employees, the community, shareholders, regulatory bodies, business partners, and competitors. Rooted in the Group's vision, mission, and core corporate values, support, responsibility, trust, innovation, and value creation, the Code is continuously updated to reflect evolving standards. Emphasis is placed on ensuring that all employees are familiar with and uphold ethical principles through regular education and awareness initiatives.

The **Anti-Corruption Policy** defines mechanisms for identifying, preventing, and combatting corruption, reinforcing HPB Group's commitment to ethical business practices. In addition, in compliance with the Credit Institutions Act, the Act on the Prevention of Conflicts of Interest, the Capital Market Act, the Companies Act, and the Decision on the Governance System, HPB has implemented a Conflict of Interest Management Policy. This policy establishes fundamental principles for identifying, mitigating, or preventing actual or potential conflicts of interest, including those arising from the provision of investment services and financial instrument-related activities.

HPB Group is dedicated to ensuring full transparency by disclosing accurate, timely, and reliable information on its environmental and social impacts while continuously enhancing its reporting practices in accordance with evolving regulatory requirements. Committed to fostering trust and accountability, the Group provides shareholders and stakeholders with clear and equitable access to comprehensive insights into its ownership structure, corporate governance framework, and financial and operational performance. Through its reporting, HPB Group offers a transparent and detailed overview of its progress in sustainable business practices and corporate social responsibility, reinforcing its commitment to responsible and ethical business conduct.

Internal Control and Audit

ESRS G1-1

At HPB Group, internal audit and robust risk management are fundamental to maintaining sound corporate governance. Their key responsibility is to implement measures that safeguard independence and objectivity while ensuring clearly defined authority, accountability, and oversight. This includes continuous monitoring of professional qualifications, expertise, and experience among internal audit professionals. By taking a systematic and disciplined approach, internal audit supports organizational units in strengthening risk management, internal controls, and governance effectiveness.

The Internal Audit Office is mandated to inform the Management Board and the Supervisory Board of any identified legal violations or breaches of risk management policies that could compromise the Bank's liquidity, solvency, or operational stability. Furthermore, the Audit Committee conducts an annual assessment of the effectiveness of internal audit processes and reports its findings to the Supervisory Board, reinforcing transparency and accountability in HPB Group's operations.

Anti-Corruption and Anti-Bribery Measures

ESRS G1-1, G1-3, G1-4

HPB Group enforces a zero-tolerance policy on bribery and corruption, promoting a lawful, ethical, professional, and fair approach across all business activities. The Group is committed to ensuring that its employees operate in full compliance with national and international anti-corruption regulations and standards, fostering a culture of integrity and accountability.

To proactively identify, prevent, and combat corruption, HPB Group has implemented a comprehensive Anti-Corruption Policy. This policy outlines the responsibilities of the Group's organizational units and members, pinpoints high-risk areas, and establishes clear anti-corruption principles aligned with Croatia's regulatory framework.

Applicable across all HPB Group business processes, the Anti-Corruption Policy provides a structured approach for effective risk management, reinforcing transparency, integrity, and trust among stakeholders. The implementation and oversight of anti-corruption measures are conducted through Action Plans, which define specific initiatives and projects aimed at strengthening compliance within the designated strategic period.

In 2024, there were no reported or suspected cases of bribery or corruption involving HPB Group or its employees.

Compliance Violations Related to Anti-Corruption and Bribery (G1-4)

Total Confirmed Cases of Corruption or Bribery	Number of Convictions	Number of Employees Dismissed/ Sanctioned for Corruption or Bribery	Number of Contracts Terminated Due to Corruption or Bribery	Total Monetary Fines (EUR)
0	0	0	0	0

As part of its commitment to professional development and compliance, the Compliance Function at HPB Group continuously conducts mandatory anti-corruption training for all employees, including Management Board and Supervisory Board members.

Anti-Corruption and Bribery Prevention Training Activities (G1-3)

	Management Board	Managerial Function	Assistant Managerial Function	Specialist Function	Administrative Function
Number of Trainees					
Total	8	220	29	1,445	18
Duration of Training by Delivery Method					
Classroom Training (Hours)	1.5	1,260.5	282	11,136	124
Computer-Based Training (Hours)	10	66	2	105.7	0
Voluntary Computer-Based Training (Hours)	0	20	5	25	0

Reporting Irregularities/ Whistle-Blowing

ESRS G1-1

As outlined in previous sections on Strengthening Employee Engagement and Workplace Dialogue as well as Enhancing Consumer Experience and Engagement, HPB Group has established an effective internal reporting system for employees and other individuals within its work environment to report irregularities.

Additionally, the Group has implemented a robust mechanism for reporting **violations of the Code of Ethics by employees and third parties**, as well as a **system for reporting suspected or identified irregularities in the Bank's operations by clients and external stakeholders who are not part of the HPB Group's work environment**.

In accordance with adopted internal policies governing the reporting of irregularities and violations of the Code of Ethics, confidentiality is ensured at all times, providing maximum protection for all parties involved in the process.

All reports from employees and third parties can be submitted through secure reporting channels. Detailed information on the reporting mechanisms for irregularities and ethical breaches is publicly available on the Bank's website.

Responsible Supplier Engagement

ESRS G1-2; G1-6

HPB Group is committed to the highest ethical business standards, ensuring full compliance with the laws and regulations of the Republic of Croatia and the European Union, as well as financial market standards and internal policies. The Group actively seeks to engage with business partners and suppliers who uphold principles of environmental, social, and corporate responsibility, aligning their values with those embraced by HPB Group.

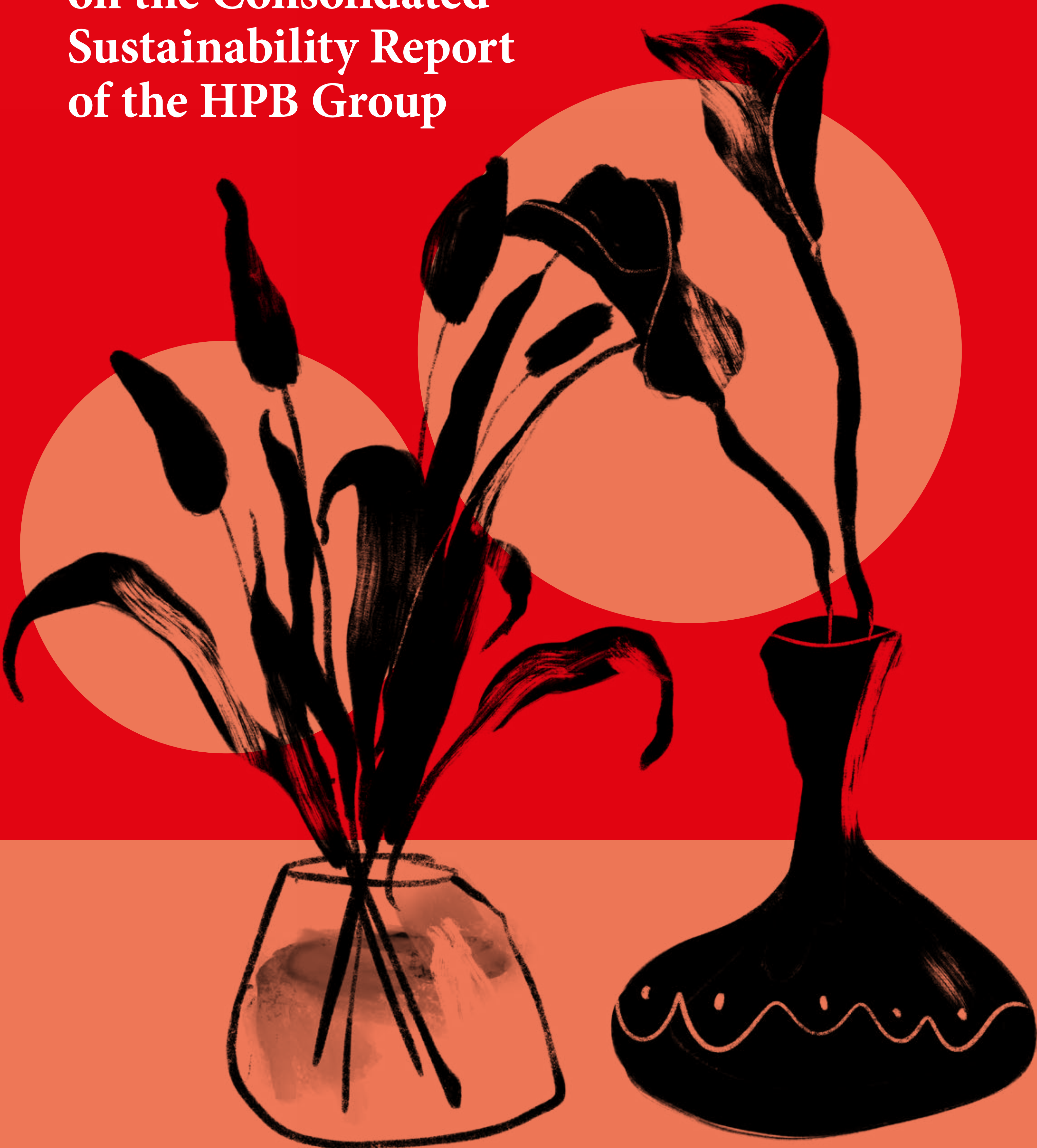
Suppliers are expected to adhere to HPB Group's ethical standards and objectives as outlined in the Supplier Principles, which are an integral part of the ESG Management Policy. These principles define the expectations for suppliers aiming to establish and maintain long-term partnerships with HPB Group, with their acceptance serving as a prerequisite for collaboration. To strengthen oversight and assessment of supplier sustainability practices and impact, HPB Group is in the process of implementing a supplier questionnaire.

We partner with suppliers we trust, fully aware that our business relationships shape our reputation and public perception. Supplier selection follows a transparent and well-documented process based on clear criteria, ensuring fairness and preventing any conflicts of interest, whether actual or potential. HPB Group does not engage in business with entities owned or majority-owned by employees or their immediate family members.

Payment Performance (G1-6)

Percentage of payments made within standard terms	Number of unresolved legal disputes due to late payments
93.97%	0

Independent Auditor's Report on Limited Assurance on the Consolidated Sustainability Report of the HPB Group



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INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT OF THE GROUP HRVATSKA POŠTANSKA BANKA d.d.

To the shareholders of Hrvatska poštanska banka d.d., Zagreb

Subject of Examination

We have been engaged by the Hrvatska poštanska banka d.d. Group to conduct an engagement with limited assurance, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (revised) ("Engagement"), on the consolidated Sustainability Report ("Subject of Examination") of Hrvatska poštanska banka d.d. ("Bank") and its subsidiaries (together "Group"), contained in the "Sustainability Report" in the Management Report (consolidated Sustainability Report) as of 31 December 2024, and for the year then ended.

Criteria Applied by the Group

In preparing the consolidated Sustainability Report, the Group applied the provisions of Articles 32 and 36 of the Accounting Act (Official Gazette, No. 85/24 and 145/24), including:

- Compliance with the provisions of the European Sustainability Reporting Standards (ESRS), including the implementation of the process for identifying information disclosed in the consolidated Sustainability Report ("Process") as described in the section Double Materiality Assessment; and
- Compliance of disclosures in the consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("Taxonomy Regulation").

Inherent Limitations in Preparing the Consolidated Sustainability Report

Inherent limitations exist in all assurance engagements.

The criteria and characteristics of the Sustainability Report and the lack of long-established authoritative guidelines, standard applications, and reporting practices allow for the adoption of different, but acceptable, measurement methodologies, which may result in differences among entities. The adopted measurement methodologies can also affect the comparability of sustainability data reported by different organizations and the consistency within the same organization from year to year as methodologies evolve.

In reporting information about future events in accordance with ESRS, the Group's Management is required to prepare information about future events based on published assumptions about events that may occur in the future and possible future activities of the Group. The actual outcome is likely to be different, as future events often do not follow expectations.

In determining disclosures in the consolidated Sustainability Report, the Group's Management interprets undefined legal and other terms. Undefined legal and other terms can be interpreted in different ways, including the legal compliance of their interpretation, and are therefore subject to uncertainties.

Management's and Those Charged with Governance Responsibility for Sustainability Reporting

Management is responsible for the design and implementation of the process for identifying information disclosed in the consolidated Sustainability Report in accordance with ESRS, and for disclosing this Process in the section Double Materiality Assessment in the consolidated Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and understanding the affected stakeholders;
- Identifying actual and potential impacts (both negative and positive) related to sustainability issues, as well as risks and opportunities that affect or could reasonably be expected to affect the Group's financial position, financial performance, cash flows, access to financing, or cost of capital in the short, medium, or long term;
- Assessing the significance of identified impacts, risks, and opportunities related to sustainability issues by selecting and applying appropriate materiality thresholds; and
- Making assumptions that are reasonable in the given circumstances.

Furthermore, Management is responsible for preparing the consolidated Sustainability Report in accordance with the provisions of Articles 32 and 36 of the Accounting Act, including:

- Compliance with ESRS;
- Preparing disclosures in the section Sustainable and Responsible Banking / Sustainable Financing / Taxonomy Indicators of the consolidated Sustainability Report in accordance with the reporting requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation);
- Designing, implementing, and maintaining internal control systems that Management determines are necessary to enable the preparation of the consolidated Sustainability Report without material misstatements due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and forming appropriate estimates and judgments about individual sustainability disclosures that are reasonable in the given circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process established by the Company.

Auditor's Responsibility

We conducted an engagement with limited assurance in accordance with the International Standard on Assurance Engagements, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE) 3000 (revised), as prescribed by the provision of Article 37 of the Accounting Act and the provisions of the contract for this engagement concluded with Hrvatska poštanska banka d.d. on 17 October 2024. These standards require planning and performing the engagement to express a conclusion on whether we are aware of any significant changes that need to be made to the Subject of Examination to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of selected procedures depend on our professional judgment, including the assessment of the risk of material misstatement, whether due to fraud or error.

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Auditor's Responsibility (continued)

Our responsibility is to express a conclusion on the presentation of the Subject of Examination based on the evidence we have obtained. Our responsibilities regarding the Subject of Examination, in relation to the Process, include:

- Gaining an understanding of the Process but not for the purpose of expressing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the identified information meets the applicable ESRS disclosure requirements; and
- Designing and performing procedures to assess the compliance of the Process with the description of the Group's Process, as disclosed in the section Double Materiality Assessment.

Our other responsibilities regarding the Subject of Examination include:

- Identifying disclosures where significant misstatements are likely to occur, whether due to fraud or error;
- Designing and performing procedures aimed at disclosures in the consolidated Sustainability Report where significant misstatements are likely to occur. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion with limited assurance.

Our Independence and Quality Management

We comply with the independence and other ethical requirements established by the International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA), which sets out fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. We possess the necessary knowledge and experience to conduct this assurance engagement.

We also apply the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Description of Procedures Performed

Procedures performed in a limited assurance engagement differ in nature and timing from, and are less extensive than, those performed in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is significantly lower than that which would have been obtained had a reasonable assurance engagement been performed. Our procedures are designed to obtain a limited level of assurance on which we can base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of internal controls established by Management in determining the nature and extent of our procedures, our assurance engagement was not designed to provide a conclusion on internal controls. Our procedures did not include testing controls or performing procedures relating to checking the aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making inquiries, primarily to persons responsible for preparing the consolidated Sustainability Report and related information, and applying analytical and other appropriate procedures.

A limited assurance engagement includes performing procedures to obtain evidence about the consolidated Sustainability Report.

The nature, timing, and extent of selected procedures depend on professional judgment, including identifying disclosures where significant misstatements are likely to occur, whether due to fraud or error, in the consolidated Sustainability Report.

In conducting our limited assurance engagement, we performed the following procedures regarding the Process:

- Gaining an understanding of the Process:
  - Making inquiries to understand the sources of information used by Management (e.g., stakeholder engagement, business plans, and strategic documents);
  - Reviewing the Group's internal documentation on the Process; and
  - Assessing the compliance of evidence obtained from our procedures on the Process conducted by the Group with the description of the Process stated in the section Double Materiality Assessment.

In conducting our limited assurance engagement on the consolidated Sustainability Report, we performed the following procedures:

- Gaining an understanding of the Group's reporting process relevant to the preparation of the consolidated Sustainability Report, including the consolidation process by gaining an understanding of the Group's control environment, processes, and information systems relevant to the preparation of the consolidated Sustainability Report, but not assessing the design of specific control activities, obtaining evidence of their implementation, or testing their operational effectiveness;
- Assessing whether significant information identified by the Process for identifying information for disclosure in the consolidated Sustainability Report is included in the consolidated Sustainability Report;
- Assessing the compliance of the structure and presentation of the consolidated Sustainability Report in accordance with ESRS;
- Making inquiries of relevant employees and performing analytical procedures on selected information from the consolidated Sustainability Report;
- Assessment of methods, assumptions, and data for developing significant estimates and future information, and how these methods were applied.

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Description of Procedures Performed (continued)

- Understanding the process for calculating the Group's Green Asset Ratio and the corresponding disclosures in the consolidated Sustainability Report;
- Assessment of the alignment process, methods, and data for covered activities, evaluating compliance with minimum safeguards through inquiries with personnel and evidentiary and analytical procedures related to disclosures aligned with the EU taxonomy;
- Assessment of the presentation and use of EU taxonomy templates in accordance with relevant requirements; and
- Evaluation of whether taxonomy disclosures, where relevant, are aligned with the consolidated financial data of the Group.

Conclusion on Limited Assurance

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated Sustainability Report of the Group is not prepared, in all material respects, in accordance with the provisions of Articles 32 and 36 of the Accounting Act, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including the compliance of the process conducted by the Group for identifying information disclosed in the consolidated Sustainability Report ("Process") with the description provided in the section Double Materiality Assessment; and

- Compliance of disclosures in the section Sustainable and Responsible Banking / Sustainable Financing / Taxonomy Indicators in the consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/85 (EU Taxonomy Regulation).

Other Matters

Comparative information included in the consolidated Sustainability Report of the Group for the financial year from 1 January to 31 December 2023, was not subject to the assurance engagement. Our conclusion is not modified with respect to this matter.

Zagreb, 28 March 2025

For signatures, please refer to the original Croatian auditor's report, which prevails.

Responsibilities of the Management Board for the preparation and approval of the annual report

The Management Board is responsible for preparation of consolidated and uncosolidated annual financial statements of Hrvatska poštanska banka, public limited company (hereinafter referred to as the "Bank") for each financial year which give a true and fair view of the financial position of the Group and the Bank and of the results of their operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time.

The Management Board is also responsible for the preparation and content of the Annual Report and the Statement of the Management Board on the condition of the Bank and the Group in accordance with the Accounting Act (Official Gazette 85/24 and 145/24), the Statement on the application of the Corporate Governance Code and other information in accordance with the Accounting Act, as well as the report formats prepared in accordance with the Decision of the Croatian National Bank on the structure and content of annual financial statements of credit institutions (Official Gazette 42/18, 122/20, 119/21 and 108/22), presented in the appendix. The Management Board holds a general responsibility for taking all available measures to safeguard the assets of the Bank and the Group and to prevent and detect fraud and other irregularities. Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; making reasonable and prudent judgments and estimates; and preparing the Annual report on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

In accordance with the Articles 32 and 36 of the Accounting Act (Official Gazette 85/24 and 145/24), which implement Article 29(a) of EU Directive 2013/34/EU, the Management Board is responsible for preparing the consolidated Sustainability Report in accordance with the European Sustainability Standards. The Management Board is responsible to include, in the Sustainability Report on a consolidated basis, which forms an integral part of the HPB Group's Annual Report, all material information necessary for understanding the HPB Group's performance on sustainability issues and information necessary for understanding how sustainability issues affect the development, business results and position of the HPB Group. The presentation of the aforementioned information is based on the regulatory framework that prescribes disclosure requirements and guidelines regarding corporate sustainability reporting, and the applied sustainability reporting guidelines are set out in the Sustainability Report in the chapter 'About this Report'.

The Management Board is obliged to submit the Annual Report, which includes the annual unconsolidated and consolidated financial statements and the Sustainability Report, to the Supervisory Board for acceptance. If the Supervisory Board approves the Annual Report, they are deemed confirmed by the Management Board and Supervisory Board.

The accompanying consolidated and uncosolidated financial statements, alongside the Forms prepared in accordance with the Decision of the Croatian National Bank on the structure and content of annual financial statements of credit institutions (Official Gazette 42/18, 122/20, 119/21 and 108/22), were approved by the Management Board on March 28, 2025. and delivered to the Supervisory Board for its acceptance. As a formal acknowledgment, the financial statements have been officially signed by designated signatories, as outlined below.

Signed on behalf of Hrvatska poštanska banka plc.:

Marko Badurina
President of the Management Board

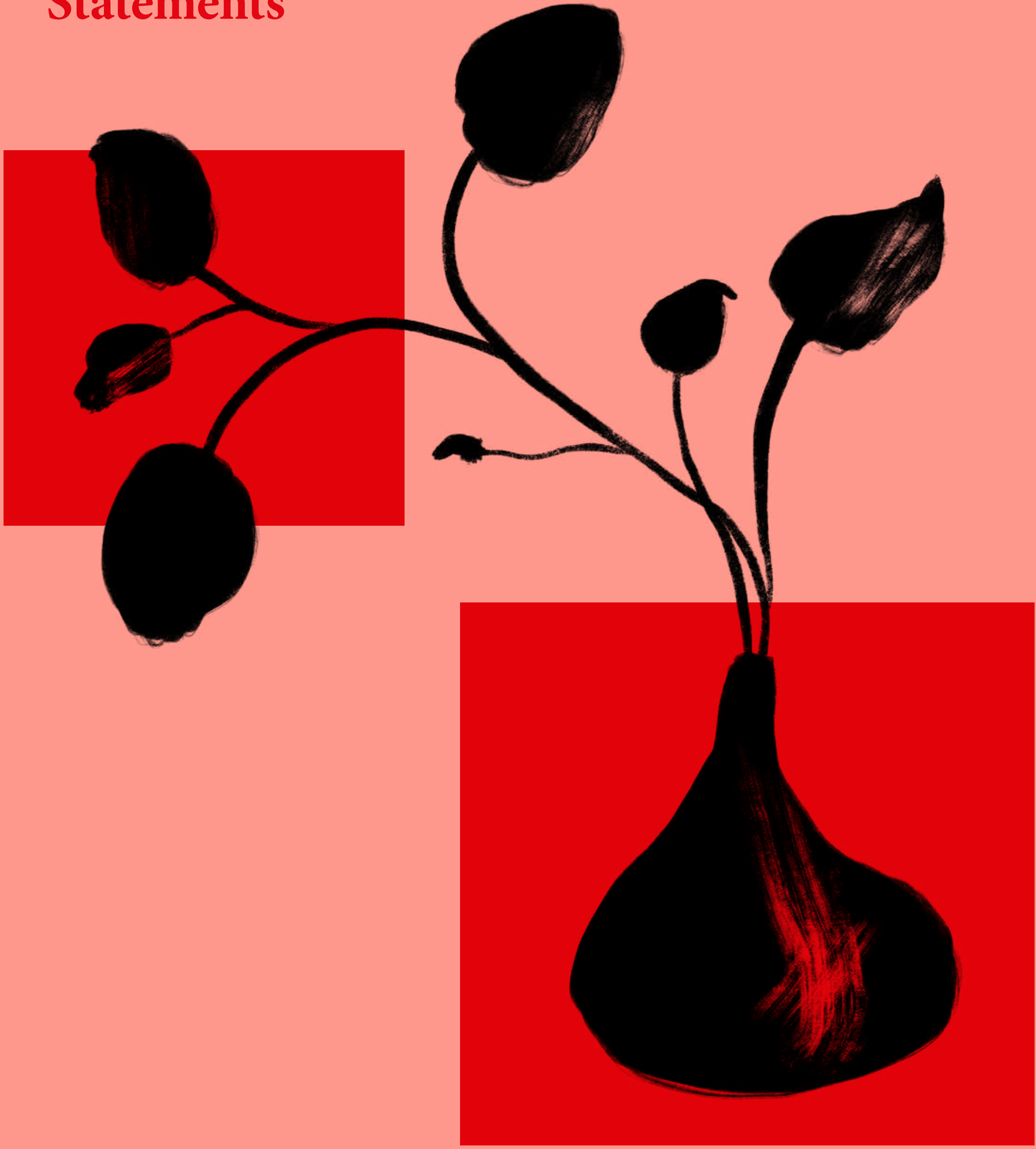
Tadija Vrdoljak
Member of the Management Board

Ivan Soldo
Member of the Management Board

Anto Mihaljević
Member of the Management Board

Josip Majher
Member of the Management Board

Independent Auditor's Report on the Audit of the Unconsolidated and Consolidated Annual Financial Statements



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

Independent Auditor's Report

To the shareholders of Hrvatska poštanska banka d.d., Zagreb

Audit report on the separate and consolidated annual financial statements

Opinion

We have audited the separate annual financial statements of Hrvatska poštanska banka d.d., ("the Bank") and the consolidated annual financial statements of the Bank and its subsidiaries ("the Group"), which include the separate and consolidated statements of financial position of the Bank and the Group as at 31 December 2024, separate and consolidated income statements and other comprehensive income, the separate and consolidated statements of cash flows and the separate and consolidated statements of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present a true and fair view of the financial position of the Bank and the Group as at 31 December 2024, and of their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Commission and published in the official paper of the European Union ("EU IFRS").

Basis for Opinion

We performed the audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our Independent Auditor's report. We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code), as well as in accordance with the ethical requirements relevant to our audit of financial statements in the Republic of Croatia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those which were, in our professional judgment, of the utmost importance for our audit of the separate and consolidated annual financial statements of the current period and include most significant recognized risks of significant misstatement as a result of error or fraud with the greatest impact on our audit strategy, the allocation of our available resources and the time spent by the engaged audit team. We have dealt with these matters in the context of our audit of the separate and consolidated annual financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

We have determined that the following matter was key audit matter and should be published in our Independent Auditor's report.

This version of the Audit report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over translation.

Key audit matters (continued)

Impairment of loans and advances to customers	
As at 31 December 2024, in the consolidated financial statements gross loans and advances to customers amounted to EUR 3,059 million, related impairment provision of EUR 190 million and impairment loss recognized in the income statement of EUR 13.6 million (31 December 2023: gross loans and advances: EUR 3,151 million, impairment provision: EUR 241 million, impairment loss recognized in the income statement: EUR 5 million). As at 31 December 2024, in the separate financial statements, gross loans and advances to customers amounted to EUR 3,059 million, impairment provision of EUR 190 million and impairment loss recognized in the income statement of EUR 13.6 million (31 December 2023: gross loans and advances: EUR 3,151 million, impairment provision: EUR 241 million, impairment loss recognized in the income statement: EUR 1.6 million).	
Key audit matter	**How we addressed the key audit matter**
We focused on this area due to the significance of the amounts involved in the separate and consolidated financial statements and also because of the nature of the judgements and assumptions that the management is required to make. Impairment provision represents management's best estimate of risk of default and the expected credit losses within the loans and advances at the reporting date. Management makes judgments about the future and various items in the separate and consolidated financial statements are subject to estimation uncertainty. The estimates required for credit loss allowances for loans and advances to customer represent significant estimates. The key areas of judgement associated with credit loss adjustments for loans and advances to customers are the identification of loans that are deteriorating, the assessment of significant increase in credit risk, forecasts of future cash flows as well as expected proceeds from the realization of collateral and the determination of the expected credit losses of loans and advances to customer which are all inherently uncertain. The impairment provision is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.	In order to address the risks associated with impairment provision for expected credit losses on loans and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient appropriate audit evidence for our opinion. Our audit procedures in this area included, among others: • reviewing the methodology of the Bank and the Group for the calculation of the expected credit loss and assessing its compliance with the requirements of International Financial Reporting Standards 9: Financial Instruments ("IFRS 9"), • obtaining an understanding of the provisioning process, IT applications used therein, as well as key data sources and assumptions for data used in the expected credit loss model, • evaluating the design, implementation and operational effectiveness of controls in credit risk management and lending processes, and tested key controls related to the approval, recording and monitoring of loans and advances,

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Key audit matter	How we addressed the key audit matter
For individually significant loans or exposures that are exceeding EUR 150 thousand individually and for which there has been a default (non-revenue exposures), the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. Related impairment provisions are determined on an individual basis by means of a discounted cash flows analysis. Impairment provision for performing exposures and non-performing retail exposures as well as non-performing corporate exposures below EUR 150 thousand individually (together "collective value adjustment") are determined by modelling techniques. Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment are incorporated into the model assumptions. The Bank is continuously recalibrating the model parameters which also requires our increased attention in the audit. **Related disclosures accompanying the annual financial statements** For additional information see notes: 2.1. (Credit risk), 3. (Accounting estimates and judgements in applying accounting policies) and note 10. (Loans and advances to customers)	• testing the design, implementation and operational effectiveness of selected key controls in the areas of customer rating, as well as the controls relating to the identification of loss events and default, appropriateness of classification of exposures between performing and non-performing and their segmentation into homogenous groups, calculation of days past due, collateral valuations and calculation of the value adjustments, • testing, on a sample basis, whether the definition of default and the staging criteria were consistently applied in accordance with relevant policies, • evaluating the overall modelling approach of calculation of expected credit losses (ECLs), including the calculation of main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD)), • testing the adequacy of individual impairment provisions, on a sample basis, with focus on those with the greatest potential impact on the financial statements due to their magnitude and risk characteristics, as well as lower value items, which we independently assessed as high-risk, • conducting a test of details of the selected sample to assess the correctness of the loan classification, • in certain cases, we used our own judgment to determine the parameters for calculating impairment losses on loans and compared our calculations with the impairment of the value calculated by the Bank, • evaluating the accuracy and completeness of the financial statement disclosures.

Key audit matters (continued)

Litigation provisions

As at 31 December 2024, in the consolidated financial statements litigation provisions amount to EUR 26.7 million (31 December 2023: EUR 29 million).

As at 31 December 2024, in the separate financial statements litigation provisions amount to EUR 26.7 million (31 December 2023: EUR 29 million).

Key audit matter	How we addressed the key audit matter
On 3 July 2023 the Bank, due to the merger of Nova Hrvatska banka d.d., recognized provisions for litigation provisions for loans initially approved or indexed in Swiss francs ("CHF"). Litigation provisions refer to loans which are denominated in "CHF", including claims for the declaration of invalidity of the loan agreement, as a whole, and claims for invalidation of specific clauses of the loan agreement and the default interest on the loans that were converted from "CHF" to "EUR" according to the Law on consumer lending. Litigation provisions represent the Management Board's best estimate considering the moment and the volume of potential outflow of economic resources required for the settlement of liabilities on the reporting date. We focused on this area due to significance of the judgements and estimates in use of International accounting standard 37 that it includes when estimating potential outflow of the economic resources required for the settlement of the Bank's liabilities that came out of these court disputes, considering their inherent uncertainty. **Related disclosures accompanying the annual financial statements** For additional information see notes: 3. (Accounting estimates and judgements in applying accounting policies) and note 22. (Provisions for commitments and contingencies)	Our audit procedures in this area included, among others: • obtaining an understanding of the estimation of litigation provisions regarding the loans initially approved in "CHF" and methodology used therein • detailed review of court disputes against the Bank regarding the loans denominated in "CHF" as well as the analytics of provisions recognized by these court disputes. We will agree this information with the information presented in the financial statements and the information that we will receive from the Bank's external legal representatives • as a part of our testing the estimate of the Management Board we requested independent review and the opinion on the court disputes against the Bank from the Bank's external legal representatives and we will verify the adequacy of the provisions by comparing the Bank's provisions with the opinion of the external legal representatives and publicly available information in order to reconsider Management Board's key judgements • estimate of the arithmetic accuracy of the calculation of provisions by reperforming the calculation of expected provisions for liabilities and expenses • evaluation of the accuracy and completeness of the disclosures in the financial statements regarding litigation provisions by criteria od adequacy and compliance with the International accounting standard 37

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Other information in the Annual Report

The Management Board is responsible for the other information. The other information includes the Management Report, the Sustainability Report and the Statement on the Application of the Corporate Governance Code, but does not include the unconsolidated and consolidated annual financial statements and our Independent Auditor's Report on them.

Our opinion on the separate and consolidated annual financial statements does not include other information.

In relation with our audit of the separate and consolidated 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 separate and consolidated annual financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report and the Statement on the Application of the Corporate Governance Code, we have completed procedures prescribed by the Accounting Act. These procedures include checking whether The management report prepared in accordance with Article 24 of the Accounting Act and whether it contains the Statement of application of the corporate governance code data from Article 25 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 and Statement on the Application of the Corporate Governance Code is consistent, in all material respects, with the attached annual consolidated and unconsolidated financial statements;

2. attached Management Report is prepared in accordance with Article 24 of the Accounting Law;

3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 25 of the Accounting Act; and

4. In relation to the Sustainability Report, which is included as part of the other information and forms a separate part of the Management Report, we have performed limited procedures to issue a limited assurance report, the results of which are presented as a separate limited assurance report with an unmodified conclusion.

Based on our knowledge and understanding of the Bank's and the Group's operations and their environment obtained in the course of our audit of the annual consolidated and unconsolidated financial statements, we are required to report if we have identified any material misstatements in the accompanying Management Report, Sustainability Report and Corporate Governance Statement. We have nothing to report on in this regard.

Responsibilities of Management and those charged with Governance for the Annual Financial Statements

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

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

Auditor's Responsibility for the Audit of the Annual Financial Statements

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

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

- identify and assess the risks of material misstatement of the separate and consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management of the Bank.
- make conclusion on the appropriateness of Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated annual financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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Auditor’s Responsibility for the Audit of the Annual Financial Statements (continued)

- evaluate the overall presentation, structure and content of the separate and consolidated annual financial statements, including the disclosures, and whether the separate and consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also 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 protections.

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

Report on other legal requirements

On 23 July 2024, the General Assembly of the Bank appointed us to conduct an audit of the Bank’s separate and consolidated annual financial statements for the year 2024.

At the date of this Independent Auditor's Report, we have been continuosly engaged in performing the statutory audit of the Bank's annual financial statements from 2023 which in total amounts to 2 years.

In the audit of the Bank's separate and consolidated annual financial statements for 2024, we have determined the following materiality levels for the financial statements as a whole:

- for the separate annual financial statements: EUR 11 million
- for the consolidated annual financial statements: EUR 11 million

which represents approximately 2% of the of the Bank's or Group's net assets for the year 2024.

We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is commonly measured by users and is a generally acceptable benchmark. Our audit opinion is consistent with the additional report for the Bank's auditing board, prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

During the period between the initial date of the audited separate and consolidated annual financial statements of the Bank for the year 2024 and the date of this Report, we did not provide the Bank and the Group with prohibited non-assurance services and we did not provide internal control or risk management procedure design and implementation services in the business year prior to the aforementioned period related to the preparation and/or control of financial information or the design and implementation of financial information technological systems and we have maintained independence in relation to the Bank during the performance of the audit.

Report on other legal requirements (continued)

Pursuant to the Decision on the structure and contents of annual financial statements published by Croatian National Bank (OG 42/18, 122/20, 119/21 and 108/22), the Bank's Management prepared forms presented on in the section " Regulatory financial statements for the Croatian National Bank" (hereinafter „the Forms"). The financial information in the Forms is derived from the separate and consolidated financial statements on which we expressed our opinion as stated in the section Opinion above.

Report based on the requirements of the ESEF Regulation

Auditor's assurance report on the compliance of annual separate and consolidated financial statements (hereinafter: financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/20 and 83/21) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file hrvatskapostanska-2024-12-31-0-en in all material aspects prepared in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and those charged with governance

The Bank's Management is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation. In addition, the Bank's Management is responsible for maintaining a system of internal controls that reasonably assures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management of the Bank is also responsible for:

- public disclosure of the financial statements contained in the annual report in a valid XBRL format,

  and

- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of governance are responsible for overseeing the preparation of financial statements in the ESEF format as part of the financial reporting process.

Auditor's responsibilities

It is our responsibility to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) - Assurance engagements other than audits or reviews of historical financial information.

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Report based on the requirements of the ESEF Regulation

Procedures performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance. However, it does not assure that the scope of testing will reveal all significant (material) non-compliance with the ESEF Regulation.

As part of the selected procedures, we have performed the following activities:
- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and
- based on that, we have planned and designed procedures for responding to assessed risks and for obtaining reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:
- the financial statements, which are included in the separate and consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the separate and consolidated financial statements required by ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL markup language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

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

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements of the ESEF Regulation for the year ended 31 December 2024. Our conclusion is not an opinion on the truthfulness and fair presentation of the financial statements presented in electronic form. In addition, we do not express our assurance in other information published with documents in ESEF format.

The partner engaged in the audit of the Bank's and Group's annual financial statements for the year 2024 resulting in this Independent auditor's report is Ivan Čajko, certified auditor.

Zagreb, 28 March 2024

For signatures, please refer to the original Croatian auditor's report, which prevails.

Financial Reports

Content of Financial Reports

EUR '000		GROUP		BANK	
	Notes	31/12/2024	31/12/2023	31/12/2024	31/12/2023
ASSETS					
Cash and Cash Equivalents	5	3,798,745	3,103,821	3,798,740	3,103,814
Loans and Receivables from Banks	6	2,284	3,654	2,284	3,654
Financial Assets at Fair Value through Profit and Loss	7	66,619	55,406	66,513	55,300
Financial Assets at Fair Value through Other Comprehensive Income	8	5,462	4,394	5,462	4,394
Financial Assets at Amortized Cost	9	1,032,259	855,857	1,032,259	855,857
Loans and Receivables from Customers	10	2,868,701	2,909,936	2,868,701	2,909,936
Investment in subsidiaries	12	-	-	1,495	1,296
Deferred tax assets, net	16	4,423	5,317	4,423	5,317
Tax Prepayment		9	29	-	-
Other Assets	17	32,246	31,465	32,214	31,306
Property, Equipment and asset with right of use	13	51,301	55,242	51,211	55,105
Investment Property	14	4,826	5,872	4,386	5,468
Intangible Assets	15	14,912	14,624	14,911	14,606
TOTAL ASSETS		**7,881,787**	**7,045,617**	**7,882,599**	**7,046,053**
LIABILITIES					
Financial Liabilities at Fair Value through Profit and Loss	18	542	16	542	16
Deposits from Banks	19	76,798	51,385	76,798	51,385
Customer Deposits	20	6,656,134	5,872,041	6,656,828	5,872,496
Borrowings	21	456,928	484,290	456,928	484,290
Provisions for commitments and contingencies	22	41,483	41,581	41,401	41,572
Income tax liability		6,048	7,508	6,048	7,508
Other Liabilities	23	84,341	55,267	84,236	55,049
TOTAL LIABILITIES		**7,322,274**	**6,512,088**	**7,322,781**	**6,512,316**
EQUITY					
Share Capital	24	161,970	161,970	161,970	161,970
Reserves for treasury shares	24	594	594	594	594
Statutory Reserve	24	8,099	6,790	8,099	6,790
Other Reserves	24	80,614	80,614	80,614	80,614
Fair Value Reserve	24	4,479	3,641	4,479	3,641
Revaluation Reserve	24	5,004	5,004	5,004	5,004
Retained Earnings	24	298,753	274,916	299,058	275,124
TOTAL EQUITY		**559,513**	**533,529**	**559,818**	**533,737**
TOTAL LIABILITIES AND EQUITY		**7,881,787**	**7,045,617**	**7,882,599**	**7,046,053**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

EUR '000		GROUP		BANK	
	Notes	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Interests Income using the effective interest method	26	258,608	191,372	258,604	170,655
Other interest income		2,507	1,590	2,507	1,370
Interests Expense	27	(83,164)	(28,654)	(83,169)	(26,182)
Other similar expense		(218)	(99)	(218)	(67)
Net Interest Income		**177,733**	**164,209**	**177,724**	**145,776**
Fees and Commissions Income	28	77,303	76,306	76,789	71,144
Fees and Commissions Expense	29	(41,410)	(43,395)	(41,417)	(41,786)
Net Fees and Commissions Income		**35,893**	**32,911**	**35,372**	**29,358**
Net Gains from Financial Instruments at Fair Value through Profit and Loss	30	5,603	6,763	5,602	6,803
Realized Gains on Disposal of Debt Securities at Fair Value through Other Comprehensive Income	31	28	20	28	20
Other Operating Income	32	5,838	7,892	5,129	7,517
Trading and Other Income		**11,469**	**14,675**	**10,759**	**14,340**
General and Administrative Expenses	33	(99,478)	(98,054)	(98,295)	(83,956)
Depreciation and Amortization	13,15	(13,371)	(14,491)	(13,290)	(11,839)
Gains/(losses) from loan impairment and receivables from customers and other assets	34	(14,364)	(8,772)	(14,364)	(5,015)
Provisions for Liabilities and Expenses	22	(7,832)	6,745	(7,759)	5,364
Operating expenses		**(135,045)**	**(114,572)**	**(133,708)**	**(95,446)**
PROFIT BEFORE TAX		**90,050**	**97,223**	**90,147**	**94,028**
Income Tax expense	35	(16,515)	(14,136)	(16,515)	(13,413)
PROFIT FOR THE YEAR		**73,535**	**83,087**	**73,632**	**80,615**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

EUR '000	GROUP		BANK	
	2024	2023	2024	2023
Profit for the Year	**73,535**	**83,087**	**73,632**	**80,615**
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss				
Equity instruments in assets carried at other comprehensive income - net change in fair value	1.075	708	1.075	708
Income Tax Relating to Items That Will Not Be Reclassified Subsequently	(238)	(83)	(238)	(83)
	837	**625**	**837**	**625**
Net Other Comprehensive Loss for the Year, net of tax	**837**	**625**	**837**	**625**
Total Comprehensive Income for the Year	**74,372**	**83,712**	**74,469**	**81,240**

EUR '000	GROUP		BANK	
	2024	2023	2024	2023
Profit for the Year	**73,535**	**83,087**	**73,632**	**80,615**
Earnings per share – Basic and Diluted	**36.32 €**	**41.04 €**	**36.37 €**	**39.82 €**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

GROUP	Share Capital	Own Shares	Reserve for Own Shares	Other and legal reserves	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2023	**161,228**	**-**	**594**	**87,266**	**3,017**	**5,004**	**199,790**	**456,899**
Equity instruments in assets carried at other comprehensive income - net change in fair value	-	-	-	-	708	-	-	**708**
Deferred Tax	-	-	-	-	(83)	-	-	**(83)**
Total comprehensive income	**-**	**-**	**-**	**-**	**625**	**-**	**-**	**625**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**83,087**	**83,087**
Total Comprehensive Income for 2023	**-**	**-**	**-**	**-**	**625**	**-**	**83,087**	**83,712**
Change based on the Conversion Law of HRK to EUR	742	-	-	(742)	-	-	-	**-**
Purchase of treasury ahares	-	(7)	-	-	-	-	-	**(7)**
Share based payment	-	7	-	-	-	-	-	**7**
Other changes	-	-	-	-	-	-	(1,798)	**(1,798)**
Dividend payment	-	-	-	-	-	-	(5,282)	**(5,282)**
Transfer to Statutory Reserves and other reserves	-	-	-	880	-	-	(880)	**-**
Balance as at 31 December 2023	**161,970**	**-**	**594**	**87,404**	**3,641**	**5,004**	**274,916**	**533,529**
Balance at 1 January 2024	**161,970**	**-**	**594**	**87,404**	**3,641**	**5,004**	**274,916**	**533,529**
Equity instruments in assets carried at other comprehensive income - net change in fair value	-	-	-	-	1,075	-	-	**1,075**
Deferred Tax	-	-	-	-	(238)	-	-	**(238)**
Total comprehensive income	**-**	**-**	**-**	**-**	**837**	**-**	**-**	**837**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**73,535**	**73,535**
Total Comprehensive Income for 2024	**-**	**-**	**-**	**-**	**837**	**-**	**73,535**	**74,372**
Purchase of treasury shares	-	4	-	-	-	-	-	**4**
Share based payment	-	(4)	-	-	-	-	-	**(4)**
Dividend payment	-	-	-	-	-	-	(48,389)	**(48,389)**
Transfer to Statutory Reserves and other reserves	-	-	-	1,309	-	-	(1,309)	**-**
Balance as at 31 December 2024	**161,970**	**-**	**594**	**88,713**	**4,479**	**5,004**	**298,753**	**559,513**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

BANK	Share Capital	Own Shares	Reserve for Own Shares	Other and legal reserves	Fair Value Reserve	Revaluation Reserve	Retained Earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2023	**161,228**	**-**	**594**	**87,266**	**3,017**	**5,004**	**89,886**	**346,995**
Equity instruments in assets carried at other comprehensive income - net change in fair value	-	-	-	-	708	-	-	**708**
Deferred Tax	-	-	-	-	(83)	-	-	**(83)**
Total comprehensive income	**-**	**-**	**-**	**-**	**625**	**-**	**-**	**625**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**80,615**	**80,615**
Total Comprehensive Income for 2023	**-**	**-**	**-**	**-**	**625**	**-**	**80,615**	**81,240**
Promjena temeljem Zakona o konverziji kuna u EUR	742	-	-	(742)	-	-	-	**-**
Povećanje kapitala kroz poslovna spajanja	-	-	-	-	-	-	110,786	**110,786**
Purchase of treasury ahares	-	(7)	-	-	-	-	-	**(7)**
Share based payment	-	7	-	-	-	-	-	**7**
Isplata dividende	-	-	-	-	-	-	(5,283)	**(5,283)**
Transfer to Statutory Reserves and other reserves	-	-	-	880	-	-	(880)	**-**
Balance as at 31 December 2023	**161,970**	**-**	**594**	**87,404**	**3,641**	**5,004**	**275,124**	**533,737**
Balance at 1 January 2024	**161,970**	**-**	**594**	**87,404**	**3,641**	**5,004**	**275,124**	**533,737**
Equity instruments in assets carried at other comprehensive income - net change in fair value	-	-	-	-	1,075	-	-	**1,075**
Deferred Tax	-	-	-	-	(238)	-	-	**(238)**
Total comprehensive income	**-**	**-**	**-**	**-**	**837**	**-**	**-**	**837**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**73,632**	**73,632**
Total Comprehensive Income for 2024	**-**	**-**	**-**	**-**	**837**	**-**	**73,632**	**74,469**
Purchase of treasury shares	-	4	-	-	-	-	-	**4**
Share based payment	-	(4)	-	-	-	-	-	**(4)**
Dividend payment	-	-	-	-	-	-	(48,389)	**(48,389)**
Transfer to Statutory Reserves and other reserves	-	-	-	1,309	-	-	(1,309)	**-**
Balance as at 31 December 2024	**161,970**	**-**	**594**	**88,713**	**4,479**	**5,004**	**299,058**	**559,818**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

GROUP EUR '000	Notes	1.1. – 31.12.2024	1.1. – 31.12.2023
Cash Flows from Operating Activities			
Profit Before Taxation		90,050	97,223
Adjusted by:			
- Depreciation and Amortization	13, 15	13,371	14,491
-Net (profit) / loss on exchange rate differences		(607)	1,058
- Net Impairment Losses on Loans and Receivables from Customers and Other assets		14,364	8,772
- (gains) / losses on provisions for liabilities and charges	22	7,832	(6,745)
- Net change on Financial Assets at Fair Value	30	(5,405)	(4,433)
- Net interest income		(177,734)	(164,208)
- Dividend income		(225)	-
Changes in Operating Assets and Liabilities			
Loans and Receivables from Banks		-	8,953
Financial Assets at Fair Value through Profit and Loss		(11,213)	12,125
Financial Assets at amortized cost		(176,402)	(59,284)
Financial Assets at fair value through other comprehensive income		(1,068)	(586)
Loans and Receivables from Customers		41,235	113,094
Other assets		20	(25)
Deposits from Banks		25,413	1,716
Customer Deposits		784,093	1,280,530
Other Liabilities		(25,742)	645
Interest received		261,115	192,961
Interest paid		(83,381)	(28,754)
Net cash flow from operating activities before taxes		**755,716**	**1,467,533**
Income Tax Paid		(17,081)	-
Net cash flow from operating activities		**738,635**	**1,467,533**
Cash Flows from Investing Activities			
Net purchase of Property, Equipment and Intangible Assets		(10,352)	(9,359)
Dividends Received		225	-
Net Cash flow from Investing Activities		**(10,127)**	**(9,359)**
Cash Flows from Financing Activities			
Dividend Paid		(5,284)	-
Increase in Borrowings		50,416	226,647
Repayments of Borrowings		(75,060)	(66,447)
Other income form financing activities		(3,608)	(2,809)
Net Cash flow from Financing Activities		**(33,536)**	**157,391**
FX changes on cash and cash equivalents		6	(143)
Net Increase in Cash and Cash Equivalents		**694,978**	**1,615,422**
Cash and Cash Equivalents at the Beginning of the Year	37	**3,115,370**	**1,499,948**
Cash and Cash Equivalents at the End of the Year	37	**3,810,348**	**3,115,370**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

BANK EUR '000	Notes	1.1. – 31.12.2024	1.1. – 31.12.2023
Cash Flows from Operating Activities			
Profit Before Taxation		90,147	94,028
Adjusted by:			
- Depreciation and Amortization	13, 15	13,290	11,839
-Net (profit) / loss on exchange rate differences		(607)	1,044
- Net Impairment Losses on Loans and Receivables from Customers and Other assets		14,364	5,015
- (gains) / losses on provisions for liabilities and charges	22	7,759	(5,364)
- Net change on Financial Assets at Fair Value	30	(5,405)	(3,388)
- Net interest income		(177,724)	(145,776)
- Dividend income		(225)	(984)
Changes in Operating Assets and Liabilities			
Loans and Receivables from Banks		-	14,975
Financial Assets at Fair Value through Profit and Loss		(11,213)	322
Financial Assets at amortized cost		(176,402)	(58,454)
Financial Assets at fair value through other comprehensive income		(1,068)	-
Loans and Receivables from Customers		41,235	101,885
Other assets		(902)	(8,833)
Deposits from Banks		25,413	(126,481)
Customer Deposits		784,332	1,290,739
Other Liabilities		(24,800)	(8,124)
Interest received		261,111	172,025
Interest paid		(83,387)	(26,249)
Net cash flow from operating activities before taxes		**755,918**	**1,308,217**
Income Tax Paid		(17,081)	-
Net cash flow from operating activities		**738,837**	**1,308,217**
Cash Flows from Investing Activities			
Investment in subsidiaries		(200)	149,580
Net purchase of Property, Equipment and Intangible Assets		(10,352)	(9,359)
Dividends Received		225	984
Net Cash flow from Investing Activities		**(10,327)**	**141,205**
Cash Flows from Financing Activities			
Dividend Paid		(5,284)	-
Increase in Borrowings		50,416	226,647
Repayments of Borrowings		(75,060)	(66,447)
Lease repayments under IFRS 16		(3,608)	(2,809)
Net Cash flow from Financing Activities		**(33,536)**	**157,391**
FX changes on cash and cash equivalents		6	(124)
Net Increase in Cash and Cash Equivalents		**694,980**	**1,606,689**
Cash and Cash Equivalents at the Beginning of the Year	37	**3,115,363**	**1,508,674**
Cash and Cash Equivalents at the End of the Year	37	**3,810,343**	**3,115,363**

The significant accounting policies and other notes on pages that follow form an integral part of these financial statements.

1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Hrvatska Poštanska Bank p.l.c. Zagreb ("Bank") is a joint stock company incorporated and domiciled in the Republic of Croatia, Jurišićeva 4, Zagreb. The Bank is the parent of the Hrvatska Poštanska Bank Group (“the Group).

Bank is the parent company of the Hrvatska poštanska banka Group ("Group", "HPB Group"), which includes the following subsidiaries consolidated according International Financial Reporting Standards (IFRS) adopted in European Union:

	Industry	State	Ownership as of 31 December 2024	Ownership as of 31 December 2023
HPB Invest Ltd.	Investment Funds Management	Croatia	100%	100%
HPB-nekretnine Ltd.	Real Estate Agency and Construction	Croatia	100%	100%

An overview of investments in HPB subsidiaries is presented in note 12, while the consolidation basis is described in note 1, item e).

These financial statements comprise unconsolidated and consolidated financial statements of the Bank as defined in IFRS 10 "Consolidated Financial Statements" and International Accounting Standard 27 "Unconsolidated Financial Statements".

The main accounting policies applied in the preparation of these financial statements are presented in following notes. Where accounting policies coincide with the accounting principles of International Financial Reporting Standards adopted in European Union, in the description of the Group's accounting policies, individual standards may be referred to, and unless otherwise stated, these are the Standards that were in effect at 31 December 2024.

The accompanying financial statements are prepared in accordance with statutory requirements and only as general information and are not intended for any particular purpose or transaction. Therefore, users are advised not to rely exclusively on them in making any decisions, and to conduct further examinations prior to making a decision.

a) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") applying the going concern principle.

In the financial statements for the year ended December 31, 2023, the Bank and the Group changed the framework of financial reporting from reporting in accordance with the legal accounting regulations applicable to banks in the Republic of Croatia to reporting in accordance with IFRS.

The Bank and the Group did not publish the third balance sheet in its financial statements for the year ended December 31, 2023, in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, as it determined that the change in the financial reporting framework does not have a significant impact on the Bank's and Group’s financial statements.

Significant accounting policies applied in preparation of these financial statements are set out hereafter.

Basis of preparation

These financial reports represent the general-purpose financial reports of the Bank and Group.

The financial reports are prepared on the fair value basis for financial assets and liabilities at fair value through profit or loss, at fair value through other comprehensive income, derivative financial instruments and property and repossessed assets.

1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS (continued)

Other financial assets and liabilities, and non-financial assets and liabilities, are stated at amortized or historical cost.

In preparing the financial reports, management is required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of commitments and contingencies at the reporting date, as well as amounts of income and expense for the period. Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under current circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of applicable standards that have significant effects on financial reports and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

b) New Standards, Interpretation and Changes of Published Standards

Initial application of new amendments to the existing standards and interpretations effective for the current financial period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the period beginning 1 January 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 “Statement of Cash Flows” & IFRS 7 “Financial Instruments: Disclosures”);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 “Leases”);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 “Presentation of Financial Statements”); and
- Non-current Liabilities with Covenants (Amendments to IAS 1 “Presentation of Financial Statements”)

The adoption of these amendments to existing standards did not lead to significant changes in the Bank’s and Group’s financial statements.

Standards, amendments to existing standards and interpretations issued by the IASB and adopted in the European Union, but not yet effective

The following amendments are effective for the annual reporting period beginning 1 January 2025:

- Lack of Exchangeability (Amendment to IAS 21 “The Effects of Changes in Foreign Exchange Rates”);
- IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on (date of entry into force set out below relate to IFRSs issued by the IASB):

The following amendments are effective for the annual reporting period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”

The following standards are effective for the annual reporting period beginning 1 January 2027:

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

The Bank and Group is currently assessing the effect of these new accounting standards and amendments.

1. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS (continued)

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the unconsolidated / consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Bank and Group does not expect to be eligible to apply IFRS 19.

c) Functional and Presentation Currency

Items included in the financial statements of the Bank are presented in euro which is the currency of the primary economic environment in which the Bank and Group operates (functional currency).

d) The basis for consolidation

The financial statements are presented for the Bank and the Group. The Group's financial statements consist of the consolidated financial statements of the parent company and its subsidiaries over which it has control: HPB-nekretnine Ltd., Real Estate Company and HPB Invest Ltd., Investment Fund Management Company. All subsidiaries are 100% owned by their parent company, which are also based in Croatia.

As part of consolidation, assets, liabilities, equity, revenues and expenses between Group members are eliminated entirely.

f) Foreign Currencies

Transactions in foreign currencies are translated into EUR at the rate of exchange applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into EUR at the foreign exchange rate applicable at that date. Foreign exchange differences arising on translation are recognized in the P&L report. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated in EUR at the foreign exchange rates applicable at the dates when the fair values were determined. Non-monetary assets and items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not recalculated. The fair value of monetary assets through other comprehensive income denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

The official middle exchange rate as of December 31, 2024 was: 1 EUR = 1.044400 USD

The official middle exchange rate as of December 31, 2023 was: 1 EUR = 1.105000 USD

2. RISK MANAGEMENT

This note details the Bank's and Group risk exposures as well as the methods applied by the management to identify, measure and manage those risks for the purpose of preserving capital. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk, interest rate risk in the Bank's non-trading book, market risk and operational risk.

An integrated system of risk management is established at the Bank and Group level by introducing a set of policies, procedures, and manuals, determining the limits of risk levels acceptable to the Bank and monitoring their implementation.

The responsibility for determining the framework of the Bank's and Group risk management lies with the Bank's Management Board which has delegated the risk management tasks to the Assets and Liabilities Management Committee, Credit Committee and Operational Risk Management Committee.

2.1. Credit risk

The Bank is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties.

The risk that counterparties to financial instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank evaluates debtors' creditworthiness, and in order to minimize credit risk, obtains appropriate collateral.

At reporting date, the Bank's credit risk exposure to derivative financial instruments classified as at fair value through profit or loss is presented by the positive fair value of these instruments, as recorded in the report of financial position.

The Bank is exposed to credit risk primarily through loans and receivables from customers. The amount of credit exposure in this regard, as well as held to maturity debt securities recognized at amortized cost, is represented by the carrying amounts of the assets on the balance sheet. In addition, the Bank is exposed to the credit risk through off-balance sheet items, i.e. through commitments arising from unused facilities and guarantees issued, as disclosed in Note 38.

Credit risk management comprises assessment of placements' credit risk, subsequent monitoring, supervision, and evaluation of recoverability of placements and off-balance sheet commitments, as well as formation of required impairments and provisions for identified losses on placements and off-balance sheet commitments and reporting to the Management Board of the Bank.

Assessment of the individual credit risk exposure comprises the following:

- debtors' creditworthiness,
- debtors' timeliness in meeting their obligations,
- collateral quality.

Monitoring of credit risk includes continuous assessment whether elements exist which would indicate a deterioration of the client's financial position or an increase in risk due to the decrease of collateral value.

2. RISK MANAGEMENT (continued)
2.1. Credit risk (continued)

2.1.1. Credit risk rating

For provision calculation for credit loss losses, the Bank has established an internal model system that assigns to clients the appropriate PD and internal rating, for both segments retail and corporate. Two different models are used in corporate segment - for small clients and medium/large clients. The corresponding PD of a client is calculated according to the model and is mapped on an internally defined master scale with a specified spread of probability of default as shown in the table below:

Associated internal rating	Associated Comparable Rating of International Rating Agency S&P / Moody's	Associated PD interval (lower limit included)
1	AA+ / Aa1	0.00% – 0.09%
2	A- / A3	0.09% – 0.19%
3	BBB / Baa2	0.19% – 0.31%
4	BBB / Baa2	0.31% – 0.51%
5	BBB- / Baa3	0.51% – 0.82%
6	BB / Ba2	0.82% – 1.33%
7	BB / Ba2	1.33% – 2.14%
8	BB- / Ba3	2.14% – 3.46%
9	B / B2	3.46% – 5.59%
10	CCC+ / Caa1	5.59% – 9.04%
11	CCC+ / Caa1	9.04% – 14.60%
12	CC / Ca-C	14.60% – 100%
DEFAULT	D / D	100%

The Bank applies a "model-based" approach to the development of internal models. In this approach, credit risk scores are assigned by internally developed statistical models with limited involvement of loan officers. Statistical models include qualitative and quantitative information that provide the best prediction based on historical data on clients in default.

Directorate for Quantitative Modelling regularly monitors and validates established internal rating models, tests them on real data and updates them, if necessary. The Bank regularly checks the accuracy of the rating assessment and evaluates the predictability of the model.

Where applicable, counterparties are assigned external ratings from independent international rating agencies, such as S&P, Moody's and Fitch. The mentioned ratings are publicly available. The external credit rating and corresponding probability of default (PD) range are applied to exposures to sovereigns, banks and investments in debt securities.

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.1. Credit risk rating (continued)

Quality of the loan portfolio at amortized cost in corporate segment as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
Internal Rating				
1	-	-	-	**-**
2	88	-	-	**88**
3	332,309	5,390	-	**337,699**
4	16,364	17	-	**16,381**
5	151,566	2,206	-	**153,772**
6	212,629	9,427	-	**222,056**
7	182,131	6,520	-	**188,651**
8	138,227	36,458	-	**174,685**
9	48,595	56,835	-	**105,430**
10	10,353	19,140	-	**29,493**
11	3,072	17,315	-	**20,387**
12	-	44,543	-	**44,543**
DEFAULT	-	-	76,333	**76,333**
Gross exposure	**1,095,334**	**197,851**	**76,333**	**1,369,518**
Value adjustment	(9,083)	(12,410)	(46,816)	**(68,309)**
Net exposure	**1,086,251**	**185,441**	**29,517**	**1,301,209**

Quality of the loan portfolio at amortized cost in corporate segment as of December 31, 2023:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
Internal Rating				
1	-	-	-	**-**
2	236	-	-	**236**
3	460,233	16,983	-	**477,216**
4	22,473	111	-	**22,584**
5	124,531	2,505	-	**127,036**
6	139,518	13,211	-	**152,729**
7	160,719	38,278	-	**198,997**
8	163,526	33,104	-	**196,630**
9	62,354	67,404	-	**129,758**
10	16,759	9,217	-	**25,976**
11	2	13,047	-	**13,049**
12	-	7,183	-	**7,183**
DEFAULT	-	-	85,699	**85,699**
Gross exposure	**1,150,351**	**201,043**	**85,699**	**1,437,093**
Value adjustment	(10,829)	(9,880)	(64,017)	**(84,726)**
Net exposure	**1,139,522**	**191,163**	**21,682**	**1,352,367**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.1. Credit risk rating (continued)

Quality of the loan portfolio at amortized cost in retail segment as of December 31, 2024:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
Internal Rating				
1	35,177	2,067	-	**37,244**
2	486,653	7,612	-	**494,265**
3	222,058	8,191	-	**230,249**
4	248,135	15,422	-	**263,557**
5	138,178	17,145	-	**155,323**
6	84,436	33,151	-	**117,587**
7	16,775	21,432	-	**38,207**
8	16,633	31,623	-	**48,256**
9	12,972	27,657	-	**40,629**
10	23,400	58,355	-	**81,755**
11	7,258	26,584	-	**33,842**
12	-	24,600	-	**24,600**
DEFAULT	-	-	124,088	**124,088**
Gross exposure	**1,291,675**	**273,839**	**124,088**	**1,689,602**
Value adjustment	(5,443)	(22,242)	(94,426)	**(122,110)**
Net exposure	**1,286,232**	**251,597**	**29,662**	**1,567,492**

Quality of the loan portfolio at amortized cost in retail segment as of December 31, 2023:

EUR '000	Stage 1 (12-month credit losses)	Stage 2 (lifetime credit losses)	Stage 3 (lifetime credit losses)	Total
Internal Rating				
1	47,426	2,792	-	**50,218**
2	416,206	9,472	-	**425,678**
3	144,999	6,416	-	**151,415**
4	262,422	18,241	-	**280,663**
5	171,644	19,220	-	**190,864**
6	121,639	38,552	-	**160,191**
7	17,949	20,913	-	**38,862**
8	20,667	26,008	-	**46,675**
9	13,443	24,501	-	**37,944**
10	30,745	50,585	-	**81,330**
11	12,792	26,339	-	**39,131**
12	-	30,862	-	**30,862**
DEFAULT	-	-	180,097	**180,097**
Gross exposure	**1,259,932**	**273,901**	**180,097**	**1,713,930**
Value adjustment	(5,631)	(21,867)	(128,863)	**(156,361)**
Net exposure	**1,254,301**	**252,034**	**51,234**	**1,557,569**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.1. Credit risk rating (continued)

The following tables present the classification of exposures into risk categories and the allocation of the corresponding impairment losses as a percentage of gross principal.

GROUP %	Loans and Receivables from Customers	Impairment Allowance	Loans and Receivables from Banks	Impairment Allowance	Financial Assets measured at Amortized cost	Impairment Allowance	Balances with the CNB	Impairment Allowance	Fees Receivables	Impairment Allowance
2024										
Stage 1	78.03	7.63	100.00	100.00	100.00	100.00	99.99	9.40	78.51	6.20
Stage 2	15.42	18.20	-	-	-	-	-	-	6.06	3.94
Stage 3	6.55	74.17	-	-	-	-	0.01	90.60	15.43	89.86

GROUP %	Loans and Receivables from Customers	Impairment Allowance	Loans and Receivables from Banks	Impairment Allowance	Financial Assets measured at Amortized cost	Impairment Allowance	Balances with the CNB	Impairment Allowance	Fees Receivables	Impairment Allowance
2023										
Stage 1	76.49	6.88	100.00	100.00	99.97	98.76	99.99	9.29	70.44	5.32
Stage 2	15.07	13.17	-	-	0.03	1.24	-	-	5.79	1.13
Stage 3	8.44	79.95	-	-	-	-	0.01	90.71	23.77	93.56

BANK %	Loans and Receivables from Customers	Impairment Allowance	Loans and Receivables from Banks	Impairment Allowance	Financial Assets measured at Amortized cost	Impairment Allowance	Balances with the CNB	Impairment Allowance	Fees Receivables	Impairment Allowance
2024										
Stage 1	78.03	7.63	100.00	100.00	100.00	100.00	99.99	9.40	78.51	6.20
Stage 2	15.42	18.20	-	-	-	-	-	-	6.06	3.94
Stage 3	6.55	74.17	-	-	-	-	0.01	90.60	15.43	89.86

BANK %	Loans and Receivables from Customers	Impairment Allowance	Loans and Receivables from Banks	Impairment Allowance	Financial Assets measured at Amortized cost	Impairment Allowance	Balances with the CNB	Impairment Allowance	Fees Receivables	Impairment Allowance
2023										
Stage 1	76.49	6.88	100.00	100.00	99.97	98.76	99.99	9.29	70.44	5.32
Stage 2	15.07	13.17	-	-	0.03	1.24	-	-	5.79	1.13
Stage 3	8.44	79.95	-	-	-	-	0.01	90.71	23.77	93.56

2. RISK MANAGEMENT (continued)
2.1. Credit risk (continued)
2.1.1. Credit risk rating (continued)

Forward-looking information (FLI)

In accordance with relevant regulations and guidelines, the Bank includes forward-looking information - FLI in its own process of calculating provisions for credit losses for clients in the corporate and retail segments. The aforementioned approach is used to adjust the Bank's internally established rating models in order to assess what impact of observed and expected trends in the general macroeconomic environment may have on the Bank's provisions for credit losses in the corporate and retail segments.

Bank's sources of forward-looking information are publications and research papers published by relevant and respected institutions such as central banks, various national entities, universities, etc. The latest calculation of the mentioned approach was applied in December 2024, and its impact on the Bank's provision for loan losses was based on the official publications of Croatian National Bank, namely "Macroeconomic Trends and Forecasts" and "Financial Stability". Its impact on the financial statements compared to the previous calculation is insignificant.

Based on the aforementioned publications, the Bank created three scenarios (neutral, positive and negative), in which movements of the following variables were used:

- Administrative unemployment rate, (2023: Unemployment Rate)
- Average inflation rate, (2023: Change in the rate of imports of goods and services)
- Real rate of change in fixed capital investment (2023: Change in Investment Rate)

For each of the above three scenarios, the Bank calculated the impact of the scenarios on the PD used to calculate provisions for credit losses for the two specified customer segments, as a ratio of the average PD portfolio calculated after the application of the scenario and the average PD portfolio calculated before the application of the scenario. When this ratio is greater than 1, the mentioned scenario will result in a higher PD and consequently an increase in the calculated provisions for loan losses. Therefore, if this ratio is less than 1, the above scenario will result in a lower PD and a decrease in the calculated provisions for loan losses.

Effect of the approach, which includes forward-looking information, is calculated by the weighted average of the impact of three scenarios, with the weights assigned as follows (in coordination with the Office for Strategic Development):

- Negative scenario: 5% (2023: 5%)
- Neutral scenario: 55% (2023: 65%)
- Positive scenario: 40% (2023: 30%)

In addition, due to the macroeconomic uncertainty arising from the invasion on Ukraine, the Bank increased the final effect (the ratio of the average PD portfolio after the application of the scenario to the average PD portfolio before the application of the scenario) by establishing a Management Overlay calculated by additional analysis and projection of the portfolio movement with regard to early warning signals.

The final effect of the approach consists of a point-in-time (PIT) correction factor calculated on the basis of macroeconomic forecasts and the previously mentioned Management Overlay.

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.1. Credit risk rating (continued)

Maximum Exposure to Credit Risk before Consideration of Collateral

The table below shows the maximum exposure of the Bank and Group to credit risk at December 31, 2024 and the maximum exposure of the Group and the Bank to credit risk at December 31, 2023, not considering the collateral, if any. The exposures presented below are net of impairment losses and provisions.

Maximum Exposure	Note	GROUP 2024 EUR '000	GROUP 2023 EUR '000	BANK 2024 EUR '000	BANK 2023 EUR '000
Giro Account with CNB and Other Banks	5	3,664,900	2,967,012	3,664,895	2,967,012
Loans and Receivables from Banks	6	2,284	3,654	2,284	3,654
Investments measured at Fair Value through profit and loss account	7	39,132	39,652	39,026	39,547
Investments measured at amortized cost	9	1,032,259	855,857	1,032,259	855,857
Loans and Receivables from Customers	10	2,868,701	2,909,936	2,868,701	2,909,936
Fees Receivables		2,903	2,871	2,903	2,871
Off-Balance Sheet Exposure	38	**569,030**	**584,687**	**569,030**	**584,687**
Undisbursed Lending Commitments		329,450	406,624	329,450	406,624
Guarantees		239,380	177,987	239,380	177,987
Other Contingent Liabilities		200	76	200	76
Total Credit Exposure		**8,179,209**	**7,363,669**	**8,179,098**	**7,363,564**

Exposure to the state and the CNB is presented in Note 36.

2. RISK MANAGEMENT (continued)
2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk

GROUP 2024	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	2,387,009	2,323	1,033,579	3,664,921	2,658
Stage 2	471,690	-	-	-	205
Stage 3	200,421	-	-	203	522
Total Gross	**3,059,120**	**2,323**	**1,033,579**	**3,665,124**	**3,385**
Stage 3 Provisions	(141,245)	-	-	(203)	(433)
Stage 1 & 2 Provisions	(49,174)	(39)	(1,320)	(21)	(49)
Total expected losses	**(190,419)**	**(39)**	**(1,320)**	**(224)**	**(482)**
Total	**2,868,701**	**2,284**	**1,032,259**	**3,664,900**	**2,903**

Purchased or issued credit impaired financial assets (POCI) for the Group in 2024 for the Group amounts to EUR 17.453 thousand (2023: EUR 10,658 thousand).

GROUP 2023	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	2,410,281	3,709	856,977	2,967,032	2,626
Stage 2	474,924	-	250	-	210
Stage 3	265,818	-	-	196	860
Total Gross	**3,151,023**	**3,709**	**857,227**	**2,967,228**	**3,696**
Stage 3 Provisions	(192,758)	-	-	(196)	(772)
Stage 1 & 2 Provisions	(48,329)	(55)	(1,370)	(20)	(53)
Total expected losses	**(241,087)**	**(55)**	**(1,370)**	**(216)**	**(825)**
Total	**2,909,936**	**3,654**	**855,857**	**2,967,012**	**2,871**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

BANK 2024	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	2,387,009	2,323	1,033,579	3,664,916	2,658
Stage 2	471,690	-	-	-	205
Stage 3	200,421	-	-	203	522
Total Gross	**3,059,120**	**2,323**	**1,033,579**	**3,665,119**	**3,385**
Stage 3 Provisions	(141,245)	-	-	(203)	(433)
Stage 1 & 2 Provisions	(49,174)	(39)	(1,320)	(21)	(49)
Total expected losses	**(190,419)**	**(39)**	**(1,320)**	**(224)**	**(482)**
Total	**2,868,701**	**2,284**	**1,032,259**	**3,664,895**	**2,903**

Purchased or issued credit impaired financial assets (POCI) for the Bank in 2024 for the Bank amounts to EUR 17,453 thousand (2023: EUR 10,658 thousand).

BANK 2023	Loans and Receivables from Customers	Loans and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Stage 1	2,410,281	3,709	856,977	2,967,032	2,626
Stage 2	474,924	-	250	-	210
Stage 3	265,818	-	-	196	860
Total Gross	**3,151,023**	**3,709**	**857,227**	**2,967,228**	**3,696**
Stage 3 Provisions	(192,758)	-	-	(196)	(772)
Stage 1 & 2 Provisions	(48,329)	(55)	(1,370)	(20)	(53)
Total expected losses	**(241,087)**	**(55)**	**(1,370)**	**(216)**	**(825)**
Total	**2,909,936**	**3,654**	**855,857**	**2,967,012**	**2,871**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

In accordance with applicable acts, the Bank utilizes the following common types of collateral: bank guarantees; HAMAG (Croatian Agency for SMEs, Innovation and Investments) and other corporate guarantees; bills of exchange accepted by a bank; pledged property and equipment; insurance policies; pledged shares, bonds, commercial papers, and units in open-ended investment funds; assignment of receivables (cessions) from corporate clients and the Government; pledged concessions; pledged industrial and intellectual property; and other common financial execution instruments (bills of exchange and promissory notes).

Collateral value is reviewed along the lines of internal policies and procedures, and in accordance with good business practice, current market trends as well as the Decision on Classifying Placements and Off-Balance Sheet Liabilities of Credit Institutions. The value of residential real estate is monitored in accordance with regulations.

Collateral value in the table below relates to recorded collateral value based on valuation made by certified appraisers without adjustments for discount factors but excluding burdens listed before the Bank and limiting to the amount of exposure which it collateralizes.

		GROUP		BANK	
Asset Type	**Collateral Type**	**2024 EUR '000**	**2023 EUR '000**	**2024 EUR '000**	**2023 EUR '000**
Loans and Receivables from Customers	Deposits	13,216	14,513	13,216	14,513
	Guarantees and Warranties of the Republic of Croatia	402,328	461,931	402,328	461,931
	Real Estate –Non-Business Purposes	795,090	765,170	795,090	765,170
	Real Estate – Business Purposes	383,955	366,153	383,955	366,153
	Movable Property (equipment, supplies, vehicles, ships etc.)	48,481	42,892	48,481	42,892
	Equity Investments (Single-Stocks and Funds)	5,593	7,220	5,593	7,220
	Land	82,502	75,005	82,502	75,005
Total		**1,731,165**	**1,732,884**	**1,731,165**	**1,732,884**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

Below is presented an overview of the age structure due and not yet due receivables by gross loan principal and interest based on days-past-due:

GROUP EUR '000	Total	Undue Exposure to Credit Risk	Days Past Due 1-30	Days Past Due 31-60	Days Past Due 61-90	Days Past Due 91-180	Days Past Due 180+
31 December 2024							
Government	351,150	351,028	122	-	-	-	-
Other Corporate Clients	1,018,368	975,598	4,758	443	382	1,018	36,169
Retail	1,689,602	1,624,458	10,138	1,126	918	4,811	48,151
Total	**3,059,120**	**2,951,084**	**15,018**	**1,569**	**1,300**	**5,829**	**84,320**
31 December 2023							
Government	449,248	448,673	442	28	31	73	2
Other Corporate Clients	987,845	921,609	5,046	501	249	446	59,994
Retail	1,713,930	1,610,104	10,963	1,560	1,451	3,893	85,958
Total	**3,151,023**	**2,980,386**	**16,451**	**2,089**	**1,731**	**4,412**	**145,954**

BANK EUR '000	Total	Undue Exposure to Credit Risk	Days Past Due 1-30	Days Past Due 31-60	Days Past Due 61-90	Days Past Due 91-180	Days Past Due 180+
31 December 2024							
Government	351,150	351,028	122	-	-	-	-
Other Corporate Clients	1,018,368	975,598	4,758	443	382	1,018	36,169
Retail	1,689,602	1,624,458	10,138	1,126	918	4,811	48,151
Total	**3,059,120**	**2,951,084**	**15,018**	**1,569**	**1,300**	**5,829**	**84,320**
31 December 2023							
Government	449,248	448,673	442	28	31	73	2
Other Corporate Clients	987,845	921,609	5,046	501	249	446	59,994
Retail	1,713,930	1,610,104	10,963	1,560	1,451	3,893	85,958
Total	**3,151,023**	**2,980,386**	**16,451**	**2,089**	**1,731**	**4,412**	**145,954**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

The gross amount of fully recoverable placements, where a payment delay of more than 90 days has not been established and no impairment allowance is made on an individual basis at the date of preparation of the financial statements and the coverage of the relevant collateral at its fair value, expressed as a percentage of net loans is as follows:

(a) Stage 1 – expected credit losses in 12 months (risk category A1)

GROUP 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	**342,152**	**698,379**	**701,492**	**27,878**	**2,506**	**614,602**	**2,387,009**	**2,323**	**1,033,579**	**3,664,916**	**2,734**
Expected Portfolio Based Losses	(1,157)	(7,375)	(1,498)	(69)	(37)	(4,388)	**(14,524)**	(39)	(1,320)	(21)	(30)
Net Placements	**340,995**	**691,004**	**699,994**	**27,809**	**2,469**	**610,214**	**2,372,485**	**2,284**	**1,032,259**	**3,664,895**	**2,704**
Collateral Value	2,018	713,314	640,927	27,603	107	14,042	**1,398,011**	-	-	-	-
Collateral Coverage (%)	**0.59**	**103.23**	**91.56**	**99.26**	**4.33**	**2.30**	**58.93**	**-**	**-**	**-**	**-**

GROUP 2023 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	**444,540**	**660,474**	**696,187**	**15,083**	**1,531**	**592,466**	**2,410,281**	**3,709**	**856,978**	**2,967,032**	**2,626**
Expected Portfolio Based Losses	(1,204)	(9,263)	(1,456)	(47)	(22)	(4,593)	**(16,585)**	(55)	(1,354)	(20)	(44)
Net Placements	**443,336**	**651,211**	**694,731**	**15,036**	**1,509**	**587,873**	**2,393,696**	**3,654**	**855,624**	**2,967,012**	**2,582**
Collateral Value	6,889	719,894	635,975	14,998	54	14,885	**1,392,695**	-	-	-	-
Collateral Coverage (%)	**1.55**	**110.55**	**91.54**	**99.75**	**3.58**	**2.53**	**58.18**	**-**	**-**	**-**	**-**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

(a) Stage 1 – expected credit losses in 12 months (risk category A1)

BANK 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	**342,152**	**698,379**	**701,492**	**27,878**	**2,506**	**614,602**	**2,387,009**	**2,323**	**1,033,579**	**3,664,916**	**2,658**
Expected Portfolio Based Losses	(1,157)	(7,375)	(1,498)	(69)	(37)	(4,388)	**(14,524)**	(39)	(1,320)	(21)	(30)
Net Placements	**340,995**	**691,004**	**699,994**	**27,809**	**2,469**	**610,214**	**2,372,485**	**2,284**	**1,032,259**	**3,664,895**	**2,628**
Collateral Value	2,018	713,314	640,927	27,603	107	14,042	**1,398,011**	-	-	-	-
Collateral Coverage (%)	**0.59**	**103.23**	**91.56**	**99.26**	**4.33**	**2.30**	**58.93**	**-**	**-**	**-**	**-**

BANK 2023 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total Loans and Receivables from Customers	Loans to and Receivables from Banks	Financial Assets measured at Amortized cost	Giro Account with CNB and Other Banks	Fees Receivables
Gross Placements	**444,540**	**660,474**	**696,187**	**15,083**	**1,531**	**592,466**	**2,410,281**	**3,709**	**856,978**	**2,967,032**	**2,550**
Expected Portfolio Based Losses	(1,204)	(9,263)	(1,456)	(47)	(22)	(4,593)	**(16,585)**	(55)	(1,354)	(20)	(44)
Net Placements	**443,336**	**651,211**	**694,731**	**15,036**	**1,509**	**587,873**	**2,393,696**	**3,654**	**855,624**	**2,967,012**	**2,506**
Collateral Value	6,889	719,894	635,975	14,998	54	14,885	**1,392,695**	-	-	-	-
Collateral Coverage (%)	**1.55**	**110.55**	**91.54**	**99.75**	**3.58**	**2.53**	**58.18**	**-**	**-**	**-**	**-**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

(b) Stage 2 – lifetime expected credit losses (risk category A2)

The gross balance and the coverage of those assets with collateral at fair value, presented as a percentage of net placements is as follows:

GROUP 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Financial Assets measured at Amortized cost	Fees Receivables
Gross Placements	6,125	185,612	96,979	4,696	164	178,114	**471,690**	-	205
Expected Portfolio Based Losses	(181)	(11,710)	(7,998)	(326)	(13)	(14,422)	**(34,650)**	-	(19)
Net Placements	**5,944**	**173,902**	**88,981**	**4,370**	**151**	**163,692**	**437,040**	**-**	**186**
Collateral Value	-	158,626	91,462	4,696	20	4,175	**258,979**	-	-
Collateral Coverage (%)	**-**	**91.22**	**102.79**	**107.46**	**13.25**	**2.55**	**59.26**	**-**	**-**
2023 EUR '000									
Gross Placements	1,804	195,203	87,240	3,122	215	187,340	**474,924**	250	210
Expected Portfolio Based Losses	(32)	(9,603)	(6,870)	(171)	(18)	(15,050)	**(31,744)**	(17)	(9)
Net Placements	**1,772**	**185,600**	**80,370**	**2,951**	**197**	**172,290**	**443,180**	**233**	**201**
Collateral Value	-	161,304	81,568	3,084	1	5,940	**251,897**	-	-
Collateral Coverage (%)	**-**	**86.91**	**101.49**	**104.51**	**0.51**	**3.45**	**56.84**	**-**	**-**

BANK 2024 EUR '000	Government Units	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Financial Assets measured at Amortized cost	Fees Receivables
Gross Placements	6,125	185,612	96,979	4,696	164	178,114	**471,690**	-	205
Expected Portfolio Based Losses	(181)	(11,710)	(7,998)	(326)	(13)	(14,422)	**(34,650)**	-	(19)
Net Placements	**5,944**	**173,902**	**88,981**	**4,370**	**151**	**163,692**	**437,040**	**-**	**186**
Collateral Value	-	158,626	91,462	4,696	20	4,175	**258,979**	-	-
Collateral Coverage (%)	**-**	**91.22**	**102.79**	**107.46**	**13.25**	**2.55**	**59.26**	**-**	**-**
2023 EUR '000									
Gross Placements	1,804	195,203	87,240	3,122	215	187,340	**474,924**	250	210
Expected Portfolio Based Losses	(32)	(9,603)	(6,870)	(171)	(18)	(15,050)	**(31,744)**	(17)	(9)
Net Placements	**1,772**	**185,600**	**80,370**	**2,951**	**197**	**172,290**	**443,180**	**233**	**201**
Collateral Value	-	161,304	81,568	3,084	1	5,940	**251,897**	-	-
Collateral Coverage (%)	**-**	**86.91**	**101.49**	**104.51**	**0.51**	**3.45**	**56.84**	**-**	**-**

2. RISK MANAGEMENT (continued)
2.1. Credit risk (continued)
2.1.2. Assets Exposed to Credit Risk (continued)

(c) Stage 3 – default status (risk categories B and C)

Tables below show the amount of loans with expected credit losses, as well as coverage of these placements by corresponding collateral at fair value in percentage and in relation to net placements as following:

GROUP	Loans to Customers							
2024 EUR '000	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Loans and Receivables from Banks	Fees Receivables
Gross Placements	**54,884**	**12,087**	**402**	**638**	**132,410**	**200,421**	**203**	**522**
Total expected losses	(31,409)	(4,843)	(273)	(408)	(104,312)	**(141,245)**	(203)	(433)
Net Placements	**23,475**	**7,244**	**129**	**230**	**28,098**	**59,176**	**-**	**89**
Collateral Value	60,915	11,305	294	-	1,661	**74,175**	-	-
Collateral Coverage (%)	**259.49**	**156.06**	**227.91**	**-**	**5.91**	**125.35**	**-**	**-**

GROUP	Loans to Customers							
2023 EUR '000	Companies	Housing Loans	Mortgage Loans	Credit Cards	Other Loans	Total	Loans and Receivables from Banks	Fees Receivables
Gross Placements	**70,950**	**10,104**	**7,551**	**714**	**176,499**	**265,818**	**196**	**860**
Total expected losses	(37,529)	(4,128)	(7,023)	(480)	(143,598)	**(192,758)**	(196)	(772)
Net Placements	**33,421**	**5,976**	**528**	**234**	**32,901**	**73,060**	**-**	**88**
Collateral Value	72,117	9,467	4,610	-	2,097	**88,291**	-	-
Collateral Coverage (%)	**215.78**	**158.42**	**873.11**	**-**	**6.37**	**120.85**	**-**	**-**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.2. Assets Exposed to Credit Risk (continued)

BANK	Loans to Customers							
2024 EUR '000	**Companies**	**Housing Loans**	**Mortgage Loans**	**Credit Cards**	**Other Loans**	**Total**	**Loans and Receivables from Banks**	**Fees Receivables**
Gross Placements	**54,884**	**12,087**	**402**	**638**	**132,410**	**200,421**	**203**	**522**
Total expected losses	(31,409)	(4,843)	(273)	(408)	(104,312)	**(141,245)**	(203)	(433)
Net Placements	**23,475**	**7,244**	**129**	**230**	**28,098**	**59,176**	**-**	**89**
Collateral Value	60,915	11,305	294	-	1,661	**74,175**	-	-
Collateral Coverage (%)	**259.49**	**156.06**	**227.91**	**-**	**5.91**	**125.35**	**-**	**-**

BANK	Loans to Customers							
2023 EUR '000	**Companies**	**Housing Loans**	**Mortgage Loans**	**Credit Cards**	**Other Loans**	**Total**	**Loans and Receivables from Banks**	**Fees Receivables**
Gross Placements	**70,950**	**10,104**	**7,551**	**714**	**176,499**	**265,818**	**196**	**860**
Total expected losses	(37,529)	(4,128)	(7,023)	(480)	(143,598)	**(192,758)**	(196)	(772)
Net Placements	**33,421**	**5,976**	**528**	**234**	**32,901**	**73,060**	**-**	**88**
Collateral Value	72,117	9,467	4,610	-	2,097	**88,291**	-	-
Collateral Coverage (%)	**215.78**	**158.42**	**873.11**	**-**	**6.37**	**120.85**	**-**	**-**

2. RISK MANAGEMENT (continued)
2.1. Credit risk (continued)
2.1.2. Assets Exposed to Credit Risk (continued)

(d) Prolonged and rescheduled loans to customers

Prolongation of a loan is approved to customers because of common and current financing needs of their business activities.
Loans are most often rescheduled when borrowers' business operations are disrupted, with considerable changes made to the previously agreed lending terms and conditions.

GROUP AND BANK	2024 EUR '000	2023 EUR '000
Gross Loans to Customers		
Corporate	65,822	78,783
Retail	24,390	21,823
Total	**90,212**	**100,606**

2.1.3. Credit Risk Concentration by Industry

An analysis of the concentration of credit risk by industry is presented in the table below:

GROUP	2024 EUR '000	2023 EUR '000
Public administration, Defence and Compulsory Social Security	128,216	228,275
Manufacturing	248,100	247,420
Construction	257,054	254,040
Transportation and Storage	94,238	86,278
Wholesale and Retail Trade; Motor Vehicles and Motorcycles Repair	159,408	170,628
Professional, Scientific and Technical Activities	42,701	27,192
Accommodation and Food Service Activities	146,352	138,019
Agriculture, Forestry and Fishing	51,979	46,059
Information and Communication	13,272	15,240
Electricity and Gas Supply and Air-Conditioning	45,419	56,447
Arts, Entertainment and Recreation	8,721	9,800
Administrative and Auxiliary Services	14,493	13,511
Financial and insurance services	62,395	26,237
Real estate business	36,649	35,709
Other	56,172	74,512
Interest	4,350	7,726
Total Gross Corporate Loans	**1,369,518**	**1,437,093**
Retail Loans	1,677,249	1,693,849
Interest	12,353	20,081
Total Gross Retail Loans	**1,689,602**	**1,713,930**
Collateralized	**1,731,165**	**1,731,165**
Expected Credit Losses	(190,419)	(241,087)
Total	**2,868,701**	**2,909,936**

2. RISK MANAGEMENT (continued)

2.1. Credit risk (continued)

2.1.3. Credit Risk Concentration by Industry (continued)

BANK	2024 EUR '000	2023 EUR '000
Public administration, Defence and Compulsory Social Security	128,216	228,275
Manufacturing	248,100	247,420
Construction	257,054	254,040
Transportation and Storage	94,238	86,278
Wholesale and Retail Trade; Motor Vehicles and Motorcycles Repair	159,408	170,628
Professional, Scientific and Technical Activities	42,701	27,192
Accommodation and Food Service Activities	146,352	138,019
Agriculture, Forestry and Fishing	51,979	46,059
Information and Communication	13,272	15,240
Electricity and Gas Supply and Air-Conditioning	45,419	56,447
Arts, Entertainment and Recreation	8,721	9,800
Administrative and Auxiliary Services	14,493	13,511
Financial and insurance services	62,395	26,237
Real estate business	36,649	35,709
Other	56,172	74,512
Interest	4,350	7,726
Total Gross Corporate Loans	**1,369,518**	**1,437,093**
Retail Loans	1,677,249	1,693,849
Interest	12,353	20,081
Total Gross Retail Loans	**1,689,602**	**1,713,930**
Collateralized	**1,731,164**	**1,732,884**
Expected Credit Losses	(190,419)	(241,087)
Total	**2,868,701**	**2,909,936**

2. RISK MANAGEMENT (continued)

2.2. Liquidity Risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of its positions. The main categories of liquidity risk to which the Bank is exposed are as follows:

- liquidity funding risk (structural liquidity risk): risk that the Bank will not be able to meet efficiently its expected and unexpected present and future cash and collateral requirements without impacting its day-to-day operations or its own financial result,
- market liquidity risk, risk that the Bank will not be able to offset its positions or liquidate positions at market price due to a market disturbance or the market being insufficiently deep.

The Bank manages liquidity risk in accordance with the legal and regulatory requirements. In addition to those requirements, liquidity risk management is governed by the following internal regulations:

- Risk Management Policy,
- Liquidity Risk Management Manual,
- Risk appetite.

The system for managing liquidity risk, in line with defined polices, includes:

- risk profile, estimation and measurement of liquidity risk exposure,
- setting liquidity risk exposure limits during defined periods including intradaily,
- ensure liquidity risk management in EUR and a total of all currencies in the Bank's book,
- ensure that an adequate level of liquidity buffers is maintained,
- include appropriate allocation mechanisms.

Liquidity risk management is realized through:

- operational management of daily liquidity,
- operational management of short-term liquidity,
- structural liquidity management.

Operational management of daily and short-term liquidity is performed through:

- maintenance, planning and projecting coverage coefficient (LCR) within prescribed limit

Structural liquidity management is performed through:

- maintaining positions in accordance with liquidity risk exposure limits,
- maintaining of Net Stable Funding Ratio (NSFR) in accordance with defined limits,
- diversification of sources of funding.

Strategic Risks and Risk Control Division is reporting monthly about liquidity risk and liquidity risk exposure limits during sessions of Assets and Liabilities Management Committee.

The Bank submits to the Croatian National Bank a monthly regulatory report on liquidity coverage. The prescribed quantitative requirements include: the amount of liquid assets (C72), the amount of potential outflows (C73), the amount of potential inflows (C74) and the calculation of liquidity coverage (C76).

The Bank maintained all positions for which the prescribed regulatory limits were set within 2023 within the prescribed regulatory limits. The Financial Markets Sector prepares a monthly inflow and outflow plan for Board meetings.

Responsibility for liquidity risk management rests with the Bank's Management Board. The Bank's Asset and Liability Committee is authorized by the Management Board to manage liquidity risk. The Committee makes decisions and conclusions regarding liquidity management in its sessions. Each sector to which these decisions and conclusions made by the committee relate, is obliged to enact them.

As a part of liquidity risk management system, authority, responsibilities and procedures in conditions of liquidity crisis are determined separately.

The Bank prescribes and conducts stress tests of its liquidity. The Strategic Risk and Risk Control Division conducts stress

2. RISK MANAGEMENT (continued)
2.2. Liquidity Risk (continued)

tests taking into account Bank-specific factors (internal factors) and market factors (external factors). Stress resilience tests are conducted over the liquidity coverage ratio.

The net stable sources of financing ratio (NSFR), which is an indicator of the Bank's structural liquidity, as at 31 December 2024 is 254% (2023: 223%) At the same time, the liquidity coverage ratio (LCR) is 261% (2023: 255%)

2.2.1. Maturity Analysis

A maturity analysis of assets and liabilities, as well as equity, of the Bank and Group, based on their remaining contractual maturity, except for financial assets at fair value through profit and loss that are analysed as current based on their classification and the Bank's and Group's trading intention, as at December 31, 2024 and December 31, 2023, is presented in the tables below.

Although significant negligent maturity mismatches have been reported in the first analysed periods, the Bank does not expect the outflow of deposits in contractual terms in accordance with its own historical experience and knowledge of the customers.

Non-maturity assets that relate to investments in subsidiaries, real estate and equipment, investment property and intangible assets are presented in the maturity category over 3 years. Financial assets related to investments in stocks and mutual funds, also without maturity, are presented in the maturity category up to 30 days.

2. RISK MANAGEMENT (continued)
2.2. Liquidity Risk (continued)
2.2.1. Maturity Analysis (continued)

GROUP 2024 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	3,798,745	-	-	-	-	**3,798,745**
Loans and Receivables from Banks	2,284	-	-	-	-	**2,284**
Financial Assets at Fair Value through P&L	31,720	45	2,026	10,060	22,768	**66,619**
Financial Assets at Fair Value through OCI	5,462	-	-	-	-	**5,462**
Financial Assets at Amortized Cost	56,480	1,374	200,844	227,256	546,305	**1,032,259**
Loans to and Receivables from Customers	158,215	82,298	568,594	643,648	1,415,946	**2,868,701**
Deferred tax assets, net	-	-	4,423	-	-	**4,423**
Tax Prepayment	9	-	-	-	-	**9**
Other Assets	27,062	2,028	-	2,945	211	**32,246**
Properties, Equipment and assets with the right of use	-	-	-	-	51,301	**51,301**
Investment Properties	-	-	-	-	4,826	**4,826**
Intangible Assets	-	-	-	-	14,912	**14,912**
TOTAL ASSETS	**4,079,977**	**85,745**	**775,887**	**883,909**	**2,056,269**	**7,881,787**
LIABILITIES						
Financial Liabilities at Fair Value through P&L	542	-	-	-	-	**542**
Deposits from Banks	29,798	-	-	-	47,000	**76,798**
Customer Deposits	5,150,681	616,562	689,097	179,980	19,814	**6,656,134**
Borrowings	80,535	3,995	53,819	226,586	91,993	**456,928**
Provisions for Liabilities and Expenses	35,552	1,396	2,729	624	1,182	**41,483**
Tax Liabilities	-	6,048	-	-	-	**6,048**
Other Liabilities	31,507	52,467	367	-	-	**84,341**
Total Equity and Reserves	-	-	-	-	559,513	**559,513**
TOTAL LIABILITIES, EQUITY AND RESERVES	**5,328,615**	**680,468**	**746,012**	**407,190**	**719,502**	**7,881,787**
MATURITY GAP	**(1,248,638)**	**(594,723)**	**29,875**	**476,719**	**1,336,767**	**-**
CUMMULATIVE MATURITY GAP	**(1,248,638)**	**(1,843,361)**	**(1,813,486)**	**(1,336,767)**	**-**	**-**
OFF-BALANCE	***220,871***	***43,008***	***209,426***	***87,344***	***124,396***	***685,045***
Derivatives	*116,015*	-	-	-	-	***116,015***
Off-Balance Contingent Liabilities	*104,857*	*43,008*	*209,426*	*87,344*	*124,396*	***569,030***

2. RISK MANAGEMENT (continued)

2.2. Liquidity Risk (continued)

2.2.1. Maturity Analysis (continued)

GROUP 2023 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	3,103,821	-	-	-	-	**3,103,821**
Loans and Receivables from Banks	3,654	-	-	-	-	**3,654**
Financial Assets at Fair Value through P&L	15,797	45	1,912	8,821	28,831	**55,406**
Financial Assets at Fair Value through OCI	4,394	-	-	-	-	**4,394**
Financial Assets at Amortized Cost	2,881	1,248	163,681	76,059	611,988	**855,857**
Loans to and Receivables from Customers	169,192	147,533	483,295	683,668	1,426,248	**2,909,936**
Assets held for sale	-	-	5,317	-	-	**5,317**
Tax Prepayment	29	-	-	-	-	**29**
Other Assets	26,758	1,739	-	2,968	-	**31,465**
Properties, Equipment and assets with the right of use	-	-	-	-	55,242	**55,242**
Investment Properties	-	-	-	-	5,872	**5,872**
Intangible Assets	-	-	-	-	14,624	**14,624**
TOTAL ASSETS	**3,326,526**	**150,565**	**654,205**	**771,516**	**2,142,805**	**7,045,617**
LIABILITIES						
Financial Liabilities at Fair Value through P&L	16	-	-	-	-	**16**
Deposits from Banks	27,384	-	-	-	24,001	**51,385**
Customer Deposits	4,033,606	156,703	1,484,573	175,115	22,044	**5,872,041**
Borrowings	40,310	4,824	25,010	290,146	124,000	**484,290**
Provisions for Liabilities and Expenses	36,556	1,331	1,742	853	1,099	**41,581**
Tax Liabilities	7,508	-	-	-	-	**7,508**
Other Liabilities	55,267	-	-	-	-	**55,267**
Total Equity and Reserves	-	-	-	-	533,529	**533,529**
TOTAL LIABILITIES, EQUITY AND RESERVES	**4,200,647**	**162,858**	**1,511,325**	**466,114**	**704,673**	**7,045,617**
MATURITY GAP	**(874,121)**	**(12,293)**	**(857,120)**	**305,402**	**1,438,132**	**-**
CUMMULATIVE MATURITY GAP	**(874,121)**	**(886,414)**	**(1,743,534)**	**(1,438,132)**	**-**	**-**
OFF-BALANCE	***220,485***	***79,426***	***190,921***	***71,246***	***123,310***	***685,388***
Derivatives	*100,701*	*-*	*-*	*-*	*-*	***100,701***
Off-Balance Contingent Liabilities	*119,784*	*79,426*	*190,921*	*71,246*	*123,310*	***584,687***

2. RISK MANAGEMENT (continued)

2.2. Liquidity Risk (continued)

2.2.1. Maturity Analysis (continued)

BANK 2024 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	3,798,740	-	-	-	-	**3,798,740**
Loans and Receivables from Banks	2,284	-	-	-	-	**2,284**
Financial Assets at Fair Value through P&L	31,614	45	2,026	10,060	22,768	**66,513**
Financial Assets at Fair Value through OCI	5,462	-	-	-	-	**5,462**
Financial Assets at Amortized Cost	56,480	1,374	200,844	227,256	546,305	**1,032,259**
Loans and Receivables from Customers	158,215	82,298	568,594	643,648	1,415,946	**2,868,701**
Investments in subsidiaries	-	-	-	-	1,495	**1,495**
Deferred tax assets, net	-	-	4,423	-	-	**4,423**
Other Assets	27,030	2,028	-	2,945	211	**32,214**
Properties, Equipment and assets with the right of use	-	-	-	-	51,211	**51,211**
Investment Properties	-	-	-	-	4,386	**4,386**
Intangible Assets	-	-	-	-	14,911	**14,911**
TOTAL ASSETS	**4,079,825**	**85,745**	**775,887**	**883,909**	**2,057,233**	**7,882,599**
LIABILITIES						
Financial Liabilities at Fair Value through P&L	542	-	-	-	-	**542**
Deposits from Banks	29,798	-	-	-	47,000	**76,798**
Customer Deposits	5,151,375	616,562	689,097	179,980	19,814	**6,656,828**
Borrowings	80,535	3,995	53,819	226,586	91,993	**456,928**
Provisions for Liabilities and Expenses	35,470	1,396	2,729	624	1,182	**41,401**
Tax Liabilities	-	6,048	-	-	-	**6,048**
Other Liabilities	31,402	52,467	367	-	-	**84,236**
Total Equity and Reserves	-	-	-	-	559,818	**559,818**
TOTAL LIABILITIES, EQUITY AND RESERVES	**5,329,122**	**680,468**	**746,012**	**407,190**	**719,807**	**7,882,599**
MATURITY GAP	**(1,249,297)**	**(594,723)**	**29,875**	**476,719**	**1,337,426**	**-**
CUMMULATIVE MATURITY GAP	**(1,249,297)**	**(1,844,020)**	**(1,814,145)**	**(1,337,426)**	**-**	**-**
OFF-BALANCE	**220,871**	**43,008**	**209,426**	**87,344**	**124,396**	**685,045**
Derivatives	*116,015*	-	-	-	-	***116,015***
Off-Balance Contingent Liabilities	*104,857*	*43,008*	*209,426*	*87,344*	*124,396*	***569,030***

2. RISK MANAGEMENT (continued)
2.2. Liquidity Risk (continued)
2.2.1. Maturity Analysis (continued)

BANK 2023 EUR '000	0-30 days	31-90 days	91-360 days	1 to 3 years	over 3 years	Total
ASSETS						
Cash and Amounts Due from Banks	3,103,814	-	-	-	-	**3,103,814**
Loans and Receivables from Banks	3,654	-	-	-	-	**3,654**
Financial Assets at Fair Value through P&L	15,691	45	1,912	8,821	28,831	**55,300**
Financial Assets at Fair Value through OCI	4,394	-	-	-	-	**4,394**
Financial Assets at Amortized Cost	2,881	1,248	163,681	76,059	611,988	**855,857**
Loans and Receivables from Customers	169,192	147,533	483,295	683,668	1,426,248	**2,909,936**
Investments in subsidiaries	-	-	-	-	1,296	**1,296**
Deferred tax assets	-	-	5,317	-	-	**5,317**
Other Assets	26,605	1,739	-	2,962	-	**31,306**
Properties, Equipment and assets with the right of use	-	-	-	-	55,105	**55,105**
Investment Properties	-	-	-	-	5,468	**5,468**
Intangible Assets	-	-	-	-	14,606	**14,606**
TOTAL ASSETS	**3,326,231**	**150,565**	**654,205**	**771,510**	**2,143,542**	**7,046,053**
LIABILITIES						
Financial Liabilities at Fair Value through P&L	16	-	-	-	-	**16**
Deposits from Banks	27,384	-	-	-	24,001	**51,385**
Customer Deposits	4,034,061	156,703	1,484,573	175,115	22,044	**5,872,496**
Borrowings	40,310	4,824	25,010	290,146	124,000	**484,290**
Provisions for Liabilities and Expenses	36,548	1,331	1,742	853	1,098	**41,572**
Tax Liabilities	7,508	-	-	-	-	**7,508**
Other Liabilities	55,049	-	-	-	-	**55,049**
Total Equity and Reserves	-	-	-	-	533,737	**533,737**
TOTAL LIABILITIES, EQUITY AND RESERVES	**4,200,876**	**162,858**	**1,511,325**	**466,114**	**704,880**	**7,046,053**
MATURITY GAP	**(874,645)**	**(12,293)**	**(857,120)**	**305,396**	**1,438,662**	**-**
CUMMULATIVE MATURITY GAP	**(874,645)**	**(886,938)**	**(1,744,058)**	**(1,438,662)**	**-**	**-**
OFF-BALANCE	***220,485***	***79,426***	***190,921***	***71,246***	***123,310***	***685,388***
Derivatives	*100,701*	*-*	*-*	*-*	*-*	***100,701***
Off-Balance Contingent Liabilities	*119,784*	*79,426*	*190,921*	*71,246*	*123,310*	***584,687***

2. RISK MANAGEMENT (continued)

2.3. Market Risk

The exposure to market risk occurs in balance sheet and off-balance sheet positions recognized at market (fair) value:

- financial assets at fair value through profit and loss account,
- financial assets at fair value through other comprehensive income,
- positions denominated in foreign currency (including placements and liabilities linked to foreign currencies).

All trading instruments are subject to market risk, which is the risk that future changes in market conditions may make an instrument less valuable or more onerous (i.e. impaired). Trading financial instruments are recognized at fair value, and all changes in market conditions directly affect trading income. The Bank manages their use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed through acquisitions or disposals of financial instruments in accordance with the risk limits set in Market Risk Management Guidelines and the Management Board's Decision on the limits of exposure to market risks.

Market risk management of the Bank is conducted in accordance with regulatory requirements, as is defined by internal policies and procedures regarding market risks which are regularly revised by the Strategic Risks and Risk Control Division.

Strategic Risks and Risk Control Division daily calculates market risk exposure figures, usage of exposure to market risk limits and capital requirements for exposure to market risks.

In the measurement of the market risk exposure, the Bank relies on regulations set out by the Croatian National Bank and monitors:

- Capital requirement calculated by the standard method calculated in accordance with the Directive (EU) no. 575/2013 of European Parliament and Council,
- Value at Risk (VaR) which represents the maximum potential loss that the Bank could incur as a result of changes in market risk factors (interest rates, exchange rate, share prices and fund unit prices) for a period of retaining the same position for 10 days at statistical accuracy of 99%. VaR is calculated at the end of the day and does not include daily exposure arising from a change in position. To calculate VaR, a database containing 250 historical figures is used.

In addition, the Bank internally follows:

- measure of interest sensitivity (BPV limits), i.e. change in price with respect to change in yield by a basis point,
- measure of the limit in relation to the nominal amount.

The Strategic Risk and Risk Control Division reports daily on the utilization of market risk exposure limits to the Management Board, the Financial Markets Division, the Financial Management Division and the Assets and Liabilities Management Office, and monthly to the Assets and Liabilities Management Committee.

2. RISK MANAGEMENT (continued)
2.3. Market Risk (continued)

a) Financial assets at fair value through profit and loss account

The table below shows the movements in those measures on December 31, 2024 and December 31, 2023.

	GROUP		BANK	
2024	**Position EUR '000**	**VaR**	**Position EUR '000**	**VaR**
FX Risk	2,624	(45)	2,624	(45)
Debt Securities Position Risk	38,528	(495)	38,528	(495)
Equity Securities Position Risk	5,182	(371)	5,182	(371)
Investment Fund Position Risk	22,305	(279)	22,305	(279)
Correlation Effect	-	435	-	435
Market Risk		**(755)**		**(755)**
2023	**Position EUR '000**	**VaR**	**Position EUR '000**	**VaR**
FX Risk	1,218	(24)	1,218	(24)
Debt Securities Position Risk	39,849	(867)	39,849	(867)
Equity Securities Position Risk	3,543	(195)	3,543	(195)
Investment Fund Position Risk	10,806	(236)	10,806	(236)
Correlation Effect	-	436	-	436
Market Risk		**(886)**		**(886)**

b) Financial assets at fair value through other comprehensive income

As of December 31, 2024, the Bank had no financial assets valued at fair value through other comprehensive income in its portfolio.

2. RISK MANAGEMENT (continued)

2.4. Interest Rate Risk in the Bank's Non-Trading Book

Interest rate risk in the Bank's non-trading book is a risk which can have a negative effect on economic value of the Bank's book and earnings (net interest income), because of variation of market interest rates.

The Bank manages interest rate risk in its non-trading book in accordance with the legal and regulatory requirements. In line with the Croatian National Bank's Decision on the Management of Interest rate risk in the Bank's and Group's non-trading book, it is required to submit quarterly reports to the Croatian National Bank about the interest rate risk in the bank's non-trading book.

Apart from those regulations, managing interest rate risk in the Bank's non-trading book is regulated by:

- Risk Management Policy, and
- Manual on Managing Interest Rate Risk in the Bank's non-trading book.

The Manual defines the management process, evaluation methods and measures of exposure to interest rate risk in the Bank's non-trading book, as well as exposure limits, manner and frequency of reporting about the Bank's exposure to the interest rate risk arising from operations conducted in the non-trading book. The Bank assesses interest rate risk in the bank's non-trading book by observing this risk from two perspectives:

- Perspective of economic value: a potential market value decrease of the Bank's non-trading book because of interest rate movements in the market,
- Profit perspective: a potential decrease of net interest income because of movements in market interest rates.

Perspective of Economic Value of Capital

When assessing the exposure to interest rate risk arising from transactions in the book of positions that are not traded from the perspective of the economic value of capital, the Bank allocates interest-sensitive positions of the bank's book in time zones, distinguishing positions with fixed interest rate, variable interest rate and estimates the change in the market value of the bank's book due to the simulated change in interest rates. The bank calculates the ratio of the change in the economic value of the bank's book and Tier 1 capital and maintains it in the ratios of the regulatory requirement. The change in the economic value of banking book as at 31 December 2024 for the Bank amounted to EUR 39,339 thousand or 7.69% of Tier 1 capital (2023: EUR 17,595 thousand or 3,49% of Tier 1 capital).

In addition to the above, when assessing the exposure to interest rate risk arising from transactions that are kept in the book of non-traded positions from the perspective of the economic value of the capital, the Bank also assesses it based on the value at risk (VaR) of the portfolio.

Profit Perspective

The prospect of earnings includes a potential decrease in net interest income in case of changes in interest rates on the market. When calculating interest rate risk from a profit perspective, the Bank taking into account the potential impact of changes in interest rates from a profit perspective in a time period of up to 1 year and assuming a constant balance sheet, monitors the maximum impact on net interest income due to a sudden parallel shift of the yield curve by +/- 200 basis points. The potential change in net interest income at the end of 2024 amounts to EUR 24,063 thousand or 4.70% Tier 1 capital (2023: EUR 25,699 thousand on consolidated level).

Likewise, the Bank conducts a minimum yearly test of stress resistance based on more significant intensity of changes in interest rates. Strategic Risks and Risk Control Division reports to the Bank for the Management of Interest Rate Risk in the Bank's Book of Assets and Liabilities Management.

2. RISK MANAGEMENT (continued)

2.5. Foreign Exchange Risk

The Bank and the Group are exposed to FX risk through transactions in foreign currencies.

Foreign currency exposure arises from credit, deposit-taking, investment and trading activities. It is monitored daily in accordance with legislation and internally set limits, for each currency and for the total balance sheet denominated in or linked to foreign currency.

The Bank manages their currency risk by setting principles and limits for foreign currency exposures and monitoring exposures against these limits. The Bank directs their business activities towards trying to minimize the gap between assets and liabilities denominated in or linked to a foreign currency and maintaining daily business activities within the internal and regulatory limits.

Considering the introduction of the euro as the official currency from 1 January 2023. the Bank is not materially exposed to FX risk. Thus, the foreign exchange risk has almost completely disappeared.

The amounts of total assets and liabilities of the Bank and the Group on 31 December 2024 and 31 December 2023 in domestic and foreign currencies are presented in the tables below.

2. RISK MANAGEMENT (continued)
2.5. Foreign Exchange Risk (continued)

GROUP 2024 EUR '000	Euro	Foreign currencies	Total
ASSETS			
Cash and Amounts Due from Banks	3,784,301	14,444	**3,798,745**
Loans and Receivables from Banks	40	2,244	**2,284**
Financial Assets at Fair Value through P&L	66,619	-	**66,619**
Financial Assets at Fair Value through OCI	476	4,986	**5,462**
Financial Assets at Amortized Cost	1,032,259	-	**1,032,259**
Loans to and Receivables from Customers	2,866,796	1,905	**2,868,701**
Deferred tax assets, net	4,423	-	**4,423**
Tax Prepayment	9	-	**9**
Other Assets	32,218	28	**32,246**
Properties, Equipment and assets with the right of use	51,301	-	**51,301**
Investment Properties	4,826	-	**4,826**
Intangible Assets	14,912	-	**14,912**
TOTAL ASSETS	**7,858,180**	**23,607**	**7,881,787**
LIABILITIES			
Financial Liabilities at Fair Value through P&L	542	-	**542**
Deposits from Banks	76,509	289	**76,798**
Customer Deposits	6,530,150	125,984	**6,656,134**
Borrowings	456,928	-	**456,928**
Provisions for Liabilities and Expenses	41,475	8	**41,483**
Income tax liability	6,048	-	**6,048**
Other Liabilities	80,634	3,707	**84,341**
Total Equity and reserves	559,513	-	**559,513**
TOTAL LIABILITIES, EQUITY AND RESERVES	**7,751,799**	**129,988**	**7,881,787**
NET FOREIGN EXCHANGE POSITION	**106,381**	**(106,381)**	**-**

2. RISK MANAGEMENT (continued)

2.5. Foreign Exchange Risk (continued)

GROUP 2023 '000 EUR	Euro	Foreign currencies	Total
ASSETS			
Cash and Amounts Due from Banks	3,084,972	18,849	**3,103,821**
Mandatory Reserve with the Croatian National Bank	463	3,191	**3,654**
Loans and Receivables from Banks	55,406	-	**55,406**
Financial Assets at Fair Value through P&L	500	3,894	**4,394**
Financial Assets at Fair Value through OCI	855,857	-	**855,857**
Financial Assets at Amortized Cost	2,906,784	3,152	**2,909,936**
Loans to and Receivables from Customers	5,317	-	**5,317**
Tax Prepayment	29	-	**29**
Other Assets	31,469	(4)	**31,465**
Properties, Equipment and assets with the right of use	55,242	-	**55,242**
Investment Properties	5,872	-	**5,872**
Intangible Assets	14,619	5	**14,624**
TOTAL ASSETS	**7,016,530**	**29,087**	**7,045,617**
LIABILITIES			
Deposits from Banks	16	-	**16**
Customer Deposits	51,385	-	**51,385**
Borrowings	5,764,192	107,849	**5,872,041**
Provisions for Liabilities and Expenses	484,290	-	**484,290**
Deferred Tax Liabilities, net	41,566	15	**41,581**
Income tax liability	7,508	-	**7,508**
Other Liabilities	51,394	3,873	**55,267**
Total Equity	533,529	-	**533,529**
TOTAL LIABILITIES AND EQUITY	**6,933,880**	**111,737**	**7,045,617**
NET FOREIGN EXCHANGE POSITION	**82,650**	**(82,650)**	**-**

2. RISK MANAGEMENT (continued)

2.5. Foreign Exchange Risk (continued)

BANK 2024 EUR '000	Euro	Foreign currencies	Total
ASSETS			
Cash and Amounts Due from Banks	3,784,296	14,444	**3,798,740**
Loans and Receivables from Banks	40	2,244	**2,284**
Financial Assets at Fair Value through P&L	66,513	-	**66,513**
Financial Assets at Fair Value through OCI	476	4,986	**5,462**
Financial Assets at Amortized Cost	1,032,259	-	**1,032,259**
Loans and Receivables from Customers	2,866,796	1,905	**2,868,701**
Investments in Subsidiaries	1,495	-	**1,495**
Deferred tax assets, net	4,423	-	**4,423**
Other Assets	32,186	28	**32,214**
Property and Equipment	51,211	-	**51,211**
Investment Properties	4,386	-	**4,386**
Intangible Assets	14,911	-	**14,911**
TOTAL ASSETS	**7,858,992**	**23,607**	7,882,599
LIABILITIES			
Financial Liabilities at Fair Value through P&L	542	-	**542**
Deposits from Banks	76,509	289	**76,798**
Customer Deposits	6,530,844	125,984	**6,656,828**
Borrowings	456,928	-	**456,928**
Provisions for Liabilities and Expenses	41,393	8	**41,401**
Income tax liability	6,048	-	**6,048**
Other Liabilities	80,529	3,707	**84,236**
Total Equity and reserves	559,818	-	**559,818**
TOTAL LIABILITIES, EQUITY AND RESERVES	**7,752,611**	**129,988**	7,882,599
NET FOREIGN EXCHANGE POSITION	**106,381**	**(106,381)**	**-**

2. RISK MANAGEMENT (continued)

2.5. Foreign Exchange Risk (continued)

BANKA 2023 '000 EUR	Euro	Foreign currencies	Total
ASSETS			
Cash and Amounts Due from Banks	3,084,965	18,849	**3,103,814**
Loans and Receivables from Banks	463	3,191	**3,654**
Financial Assets at Fair Value through P&L	55,300	-	**55,300**
Financial Assets at Fair Value through OCI	500	3,894	**4,394**
Financial Assets at Amortized Cost	855,857	-	**855,857**
Loans and Receivables from Customers	2,906,784	3,152	**2,909,936**
Investments in Subsidiaries	1,295	-	**1,295**
Tax Prepayment	5,317	-	**5,317**
Other Assets	31,311	(4)	**31,307**
Property and Equipment	55,105	-	**55,105**
Investment Properties	5,468	-	**5,468**
Intangible Assets	14,601	5	**14,606**
TOTAL ASSETS	**7,016,966**	**29,087**	**7,046,053**
LIABILITIES			
Financial Liabilities at Fair Value through P&L	16	-	**16**
Deposits from Banks	51,385	-	**51,385**
Customer Deposits	5,764,647	107,849	**5,872,496**
Borrowings	484,290	-	**484,290**
Provisions for Liabilities and Expenses	41,557	15	**41,572**
Income tax liability	7,508	-	**7,508**
Other Liabilities	51,176	3,873	**55,049**
Total Equity and reserves	533,737	-	**533,737**
TOTAL LIABILITIES, EQUITY AND RESERVES	**6,934,316**	**111,737**	**7,046,053**
NET FOREIGN EXCHANGE POSITION	**82,650**	**(82,650)**	**-**

2. RISK MANAGEMENT (continued)

2.6. Operational Risk Management

Operational risk is inherent to all activities, processes, products and systems of the Bank. The Bank ensures appropriate operational risk management by applying procedures and a system of authorizations and responsibilities specified in detail in its internal by-laws, the Risk Management Policy and the Internal Operational Risk Management Manual as root documents. The operational risk management system has been established through appropriate bodies of the Bank and an efficient internal control system.

The Bank defines operational risk as a risk of an event which, therefore, exposes the Bank to financial losses, with the cause being inadequate or ineffective internal processes, systems, human resources, or external influences. This definition includes legal risk. Significant operational risk is a risk of an event resulting in significant loss because of operational risk.

In order to efficiently manage the overall exposure to operational risk, the Bank applies the following:

- Collecting and analysing internal data about operational risk events,
- Self-assessment of risks and controls,
- Assessment of information technology risk, and
- Business Impact Analysis of unavailability of key business processes.

The Bank assesses the outsourcing risk as an additional exposure to all significant risks arising from the fact that the Bank does not itself perform the outsourced activities, but rather that those activities are performed by external vendors; hence, the impact of outsourcing on the Bank's risk profile is assessed.

The Bank assesses the impact of introducing a new product on the Bank's risk profile, which includes exposure to all significant risks.

For efficient operational risk management, the Bank has set up the Operational Risk Management Committee. Based on the reports on the Bank's exposure to operational risk, the Operational Risk Management Committee draws conclusions and makes decisions about appropriate measures necessary to undertake in order to overmaster the exposure to operational risk.

The Bank applies a standardized approach to calculating the capital requirement for operational risk.

2.7. Capital Management

The Bank manages capital in line with internal capital adequacy assessment (ICAAP). It establishes significant risks to which it is exposed or estimates that it may be exposed, calculate or estimate the required capital requirements for exposure to particular risks and establish the total required (internal) capital for the current and subsequent period in accordance with the business plan. In accordance with capital requirements so expressed, capital planning is carried out whereby items of available capital are considered exclusively to items recognized for the purpose of calculating the regulatory capital.

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

Regulatory minimum rate of total capital adequacy prescribed by law on 31.12.2024 is 8 percent. The regulatory obligation to maintain the rate of protective layers of capital is prescribed for the rate of protective layer for capital preservation of 2.5 percent (2023: 2.5 percent), protective layer for structural systemic risk of 1.5 percent (2023: 1.5 percent) and a protective layer for systemically important credit institutions in the Republic of Croatia in the amount of 1.0 percent (2023: 0.5 percent) and a protective layer for the countercyclical systemic risk of the Republic of Croatia in the amount of 1.5 percent (2023: 1.0 percent). During 2024 and 2023, the Bank continuously fulfilled all regulatory capital requirements.

2. RISK MANAGEMENT (continued)
2.7. Capital Management (continued)

Below is an overview of regulatory capital movements for the Bank and the Group:

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
REGULATORY CAPITAL				
Tier-1 Capital	511,786	504,574	511,786	504,574
Common Equity Tier-1 Capital	*511,786*	*504,574*	*511,786*	*504,574*
Tier-2 Capital	-	-	-	-
Total regulatory capital	**511,786**	**504,574**	**511,786**	**504,574**
Credit Risk Exposure Using Standardized Approach	2,014,538	1,900,116	2,014,538	1,900,116
Exposure to FX and Position Risk	45,762	40,853	45,762	40,853
Exposure to Operational risk	361,570	299,591	361,570	299,591
Exposure to Credit Value Adjustment Risk	263	521	263	521
Total Risk Exposure	**2,422,133**	**2,241,081**	**2,422,133**	**2,241,081**
Total Capital Adequacy Ratio	**21.13%**	**22.51%**	**21.13%**	**22.51%**

2.8. Managing environmental, social and governance risks

The management of environmental, social and managerial risks is described in the Report on sustainable business.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Group makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in the Group's portfolio exposed to credit risk represents the major source of estimation uncertainty. This and other key sources of estimations uncertainty, that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Expected credit losses

The Group continuously monitors creditworthiness of its customers. In accordance with the requirements of the CNB, the need to reduce the value of the balance sheet and the provision for off-balance sheet exposure to credit risk is estimated quarterly for large exposures or monthly for a portfolio of exposures below EUR 150 thousand. Impairment losses are mainly recognized in relation to the net book value of loans to legal entities and households (presented in Note 10), and as provisions for liabilities and expenses arising from off-balance sheet exposures to customers, most often in the form of approved guarantees, letters of credit and approved unused loans (presented in notes 22 and 38). Impairment losses are also considered for credit exposure to banks and for other assets not carried at fair value and where the primary impairment risk is not a credit risk. Impairment policy of placements is explained in the note 2.1.1.

Following tables represent the summary of impairment losses of loans to and receivables from customers, as well as provisions for off-balance sheet exposures for Group and Bank:

GROUP AND BANK	Note	2024 EUR '000	2023 EUR '000
Expected Credit Losses of Loans to and Receivables from Customers	10	190,419	241,087
Provisions for Off-Balance Sheet Exposures	22	7,673	6,329
Total		**198,092**	**247,416**

Loans and receivables from customers - impairment losses

The Group estimates creditworthiness of its customers and, in accordance with it, estimates impairment losses per balance sheet exposures and provisions for liabilities related to off-balance potential liabilities, whether exposures with no default status or exposure with default status, whereby relevant CNB regulations are taken into account which prescribe credit losses and is based on the International Financial Reporting Standard 9.

Expected credit losses policy is presented in detail in the note 2.1.1.

At the end of the year, gross value of impaired assets placed into risk categories B and C, as well as recognized impairment of these exposures, were as follows:

GROUP AND BANK EUR '000	2024	2023
Gross Exposures	**201,146**	**266,678**
Impairment Loss	141,881	193,530
Impairment Rate	**70.54%**	**72.57%**

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Any additional increase in the impairment rate by one percentage point of gross exposure as at 31 December 2024 would result in an increase in expected credit losses for the Bank and the Group in amount of EUR 2,013 thousand (2023: EUR 2,667 thousand).

Market Value of Pledged Property and Foreclosed Asset

As disclosed above (note 2.1.2 (c)), loans and receivables from customers include exposures with a book value of EUR 200,420 thousand (2023: EUR 265,818 thousand) classified by the Group and the Bank as impaired due to the disadvantage of payment, which is secured by a pledge over real property, plant and equipment. In assessing the recoverability of pledges based on real estate in a pledge, the market value of the property in the collateral is reduced and reduced to the present value using the impairment factor and the collection deadlines in accordance with CNB regulation.

Provisions for Court Cases Initiated Against the Group

In calculating provisions for court, expenses the Group discounts expected future cash flows with respect to the liabilities using the CNB's discount rate.

The Group recognizes provisions as a result of legal proceedings started against the Group which are certain to result in an outflow of funds to settle claims against the Group and if the amounts can be reliably estimated. Provisions are recognized at the level of individual lawsuits filed against the Group and based on an internal legal assessment and consultation with law firms with which the Group cooperates. The management estimated the amount of provisions for unconverted and converted loans taking into account publicly available information, court verdicts and expert opinions of the law firm. Taking into account the current number of lawsuits filed against the Group and the time between the filing of the lawsuit and the pronouncement of the final judgment, the Group made a decision on the amount of the provision. The Group believes that the current level of provisions is sufficient to settle all claims arising from lawsuits related to CHF loans. If the number of lawsuits on CHF loans increased by 10% compared to the current number of lawsuits filed against the Group, the provision level would increase by EUR 1.9 million, taking into account the currently expected probability of losing these disputes.

Please refer to Note 22 Provisions for Liabilities and Expenses for details regarding CHF loan litigations initiated against the Group.

Impact of the War in Ukraine on Operations

The war in Ukraine remains a significant geopolitical risk. However, after three years of conflict, the likelihood of it escalating into a global crisis has decreased, as diplomatic efforts toward a resolution have gained momentum.

Regardless of future developments, the Bank continues to fully comply with EU-imposed sanctions against Russia, particularly in the financial services sector. As of December 31, 2024, the Bank's exposure to entities in Russia, Ukraine, and Belarus is negligible, representing only 0.0025% of total on-balance sheet exposure and 0.0012% of total off-balance sheet exposure (or 0.000083% of total balance sheet exposure). Furthermore, the Bank has ceased all business and financial relationships with Russian credit institutions, effectively mitigating direct risk. Given these factors, the Bank's management has not observed, nor does it anticipate, any material impact of the war on its operations, barring a significant escalation and spillover into the EU—an unlikely scenario.

Impact of Inflation on Operations

Inflation trended downward throughout most of the fiscal year but stalled in the final quarter of 2024, marking a shift in the disinflationary trajectory. This reversal was primarily driven by rising energy prices relative to the same period in the previous year, alongside increased costs of food and services. While this trend has been observed across the eurozone, its effects have been particularly pronounced in Croatia. Despite inflation remaining elevated, a return to 2023 levels is unlikely given the markedly different economic conditions. Over the past year, the impact of inflation was largely offset by wage growth, preventing any adverse effects on the Bank's operations. Going forward, persistent inflationary pressures could erode real household income, as the potential for further wage increases becomes increasingly constrained by the growing likelihood of an economic slowdown in both the domestic and interconnected economies. However, this is not expected to pose a material risk to the Bank.

4. SEGMENT REPORTING

A segment is a distinguishable component of the Bank and Group that is engaged either in providing products or services (business segment) which achieves economic benefits or costs, including the transactions with other parts of the Bank and Group. The Group did not use internal transfer prices in determining the success of the segments.

The Group identified four major segments: banking with legal entities - divided into two sub-sectors (business with large companies and the public sector, small and medium-sized businesses), banking with physical persons, financial markets (including treasury and investment banking with custody) and direct banking. The description of business segments and their financial review is presented in Note 4 to these financial statements.

Group's operations, its total assets as well as the majority of its clients are based in Croatia.

The Group's business segments represent the primary reportable segments. The primary format is based on the Group's management and internal reporting structure. As the Group does not allocate overhead expenses and equity to segments, segment profitability is not reported.

Business Segments

The Group comprises following primary reportable segments:

- **Corporate Banking**
  Includes loans, deposits and other transactions and balances with corporate customers,
  Corporate banking is divided into two sub-segments:
  - Large companies and public sector
  - Small and medium enterprises
- **Retail Banking**
  Includes loans, deposits, direct (card) business, other transactions with retail customers and uninterrupted functioning and development of all direct distribution channels of products and services of the Bank.
- **Financial Markets**
  Group financing operations and the aggregate liquidity and foreign exchange risk activities in respect of borrowings, transactions with debt securities, use of derivatives and investments in liquid assets. It also includes asset management, securities custody and brokerage services
- **Direct banking**
  Includes the smooth operation and development of all direct distribution channels of the Bank's products and services and card business.

The Group does not apply internal transfer prices in determining the financial results of segments. Internal transfer prices are a tool which the Group uses in reporting management.

Classification of individual sectors for the purposes of notes on the results and position of segments differs from other parts of the financial reports. This primarily refers to the owner of small enterprises, who are part of Corporate Banking in the report of segmentation, while in the financial reports part of positions related to the Retail Banking.

At least monthly, the Bank's Management Board reviews the management reports of each individual segment. There are no transactions between segments.

4. SEGMENT REPORTING (continued)

GROUP 2024 EUR '000	Corporate	Retail	Financial Market	Direct banking	Un-allocated	Total
Net Interest Income	34,868	28,375	125,272	-	(10,782)	**177,733**
Net Fees and Commissions Income	11,839	22,803	449	5,295	(4,493)	**35,893**
Trading and Investment Income	-	-	5,630	-	1	**5,631**
Other Income	894	57	3	1,290	3,594	**5,838**
Operating Income	**47,601**	**51,235**	**131,354**	**6,585**	**(11,680)**	**225,095**
General and Administrative Expenses	(8,828)	(31,582)	(2,101)	(8,770)	(48,270)	**(99,551)**
Depreciation	-	-	-	-	(13,371)	**(13,371)**
Impairment Losses on Loans and Other Assets	(8,170)	(6,937)	-	-	743	**(14,364)**
Provisions for Liabilities and Expenses	-	-	-	-	(7,759)	**(7,759)**
Operating Expenses	**(16,998)**	**(38,519)**	**(2,101)**	**(8,770)**	**(68,657)**	**(135,045)**
Profit Before Taxation	**30,604**	**12,717**	**129,253**	**(2,185)**	**(80,339)**	**90,050**
Income Tax	-	-	-	-	(16,515)	**(16,515)**
Profit for the Year	**30,604**	**12,717**	**129,253**	**(2,185)**	**(96,854)**	**73,535**
Segment Assets	1,393,157	1,653,666	3,885,912	20,688	-	**6,953,423**
Unallocated Assets	-	-	-	-	928,364	**928,364**
Total Assets	**1,393,157**	**1,653,666**	**3,885,912**	**20,688**	**928,364**	**7,881,787**
Segment Liabilities	3,080,087	3,277,857	359,139	-	-	**6,717,083**
Unallocated Equity and Reserves and Liabilities	-	-	-	-	1,164,704	**1,164,704**
Total Equity and Reserves and Liabilities	**3,080,087**	**3,277,857**	**359,139**	**-**	**1,164,704**	**7,881,787**

4. SEGMENT REPORTING (continued)

GROUP 2023 EUR '000	Corporate	Retail	Financial Market	Direct banking	Un-allocated	Total
Net Interest Income	38,256	61,181	70,220	-	(5,448)	**164,209**
Net Fees and Commissions Income	12,197	18,193	239	4,544	(2,262)	**32,911**
Trading and Investment Income	-	-	6,823	-	(60)	**6,763**
Other Income	258	161	-	1,900	5,593	**7,912**
Operating Income	**50,711**	**79,535**	**77,282**	**6,444**	**(2,177)**	**211,795**
General and Administrative Expenses	(10,768)	(53,492)	(3,513)	(5,246)	(25,035)	**(98,054)**
Depreciation	-	-	-	-	(14,522)	**(14,522)**
Impairment Losses on Loans and Other Assets	7,340	(13,708)	(104)	-	(2,269)	**(8,741)**
Provisions for Liabilities and Expenses	1,470	(89)	-	-	5,364	**6,745**
Operating Expenses	**(1,958)**	**(67,289)**	**(3,617)**	**(5,246)**	**(36,462)**	**(114,572)**
Profit Before Taxation	**48,753**	**12,246**	**73,665**	**1,198**	**(38,639)**	**97,223**
Income Tax	-	-	-	-	(14,136)	**(14,136)**
Profit for the Year	**48,753**	**12,246**	**73,665**	**1,198**	**(52,775)**	**83,087**
Segment Assets	1,381,276	1,646,728	3,885,912	22,418	-	**6,936,334**
Unallocated Assets	-	-	-	-	109,283	**109,283**
Total Assets	**1,381,276**	**1,646,728**	**3,885,912**	**22,418**	**109,283**	**7,045,617**
Segment Liabilities	2,938,520	3,020,433	326,152	-	-	**6,285,105**
Unallocated Equity and Reserves and Liabilities	-	-	-	-	760,512	**760,512**
Total Equity and Reserves and Liabilities	**2,938,520**	**3,020,433**	**326,152**	**-**	**760,512**	**7,045,617**

4. SEGMENT REPORTING (continued)

BANK 2024 EUR '000	Corporate	Retail	Financial Market	Direct banking	Un-allocated	Total
Net Interest Income	34,868	28,375	125,272	-	(10,791)	**177,724**
Net Fees and Commissions Income	11,839	22,803	449	5,295	(5,014)	**35,372**
Trading and Investment Income	-	-	5,630	-	-	**5,630**
Other Income	894	57	3	1,290	2,885	**5,129**
Operating Income	**47,601**	**51,235**	**131,354**	**6,585**	**(12,920)**	**223,855**
General and Administrative Expenses	(8,828)	(31,582)	(2,101)	(8,770)	(47,014)	**(98,295)**
Depreciation	-	-	-	-	(13,290)	**(13,290)**
Impairment Losses on Loans and Other Assets	(8,170)	(6,937)	-	-	743	**(14,364)**
Provisions for Liabilities and Expenses	-	-	-	-	(7,759)	**(7,759)**
Operating Expenses	**(16,998)**	**(38,519)**	**(2,101)**	**(8,770)**	**(67,320)**	**(133,708)**
Profit Before Taxation	**30,604**	**12,717**	**129,253**	**(2,185)**	**(80,242)**	**90,147**
Income Tax	-	-	-	-	(16,515)	**(16,515)**
Profit for the Year	**30,604**	**12,717**	**129,253**	**(2,185)**	**(96,757)**	**73,632**
Segment Assets	1,393,157	1,653,666	3,885,912	20,688	-	**6,953,423**
Unallocated Assets	-	-	-	-	929,176	**929,176**
Total Assets	**1,393,157**	**1,653,666**	**3,885,912**	**20,688**	**929,176**	**7,882,599**
Segment Liabilities	3,080,087	3,277,857	359,139	-	-	**6,717,083**
Unallocated Equity and Reserves and Liabilities	-	-	-	-	1,165,516	**1,165,516**
Total Equity and Reserves and Liabilities	**3,080,087**	**3,277,857**	**359,139**	**-**	**1,165,516**	**7,882,599**

4. SEGMENT REPORTING (continued)

BANK 2023 EUR '000	Corporate	Retail	Financial Market	Direct banking	Un-allocated	Total
Net Interest Income	32,295	46,659	70,478	-	(3,656)	**145,776**
Net Fees and Commissions Income	10,550	15,201	239	5,295	(1,927)	**29,358**
Trading and Investment Income	-	-	6,823	-	(20)	**6,803**
Other Income	258	161	-	1,900	5,218	**7,537**
Operating Income	**43,103**	**62,021**	**77,540**	**7,195**	**(385)**	**189,474**
General and Administrative Expenses	(9,859)	(50,494)	(3,367)	(4,840)	(15,396)	**(83,956)**
Depreciation	-	-	-	-	(11,839)	**(11,839)**
Impairment Losses on Loans and Other Assets	7,125	(10,035)	(10)	-	(2,095)	**(5,015)**
Provisions for Liabilities and Expenses	-	-	-	-	5,364	**5,364**
Operating Expenses	**(2,734)**	**(60,529)**	**(3,377)**	**(4,840)**	**(23,966)**	**(95,446)**
Profit Before Taxation	**40,369**	**1,492**	**74,163**	**2,355**	**(24,351)**	**94,028**
Income Tax	-	-	-	-	(13,413)	**(13,413)**
Profit for the Year	**40,369**	**1,492**	**74,163**	**2,355**	**(37,764)**	**80,615**
Segment Assets	1,381,276	1,646,728	3,885,912	22,418	-	**6,936,334**
Unallocated Assets	-	-	-	-	109,719	**109,719**
Total Assets	**1,381,276**	**1,646,728**	**3,885,912**	**22,418**	**109,719**	**7,046,053**
Segment Liabilities	2,938,520	3,020,433	326,152	-	-	**6,285,105**
Unallocated Equity and Reserves and Liabilities	-	-	-	-	760,948	**760,948**
Total Equity and Reserves and Liabilities	**2,938,520**	**3,020,433**	**326,152**	**-**	**760,948**	**7,046,053**

5. CASH AND RECEIVABLES FROM BANKS

Cash and bank accounts are initially recognized at fair value and are subsequently measured at amortized cost. Cash and cash equivalents include cash in hand, cash with the Croatian National Bank, placements with other banks with an original maturity of up to three months or less, and instruments in the offsetting and settlement process.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Cash in Hand				
Held by the Group/Bank	133,826	136,788	133,826	136,781
Cheques in the Course of Collection	19	21	19	21
	133,845	**136,809**	**133,845**	**136,802**
Amounts Due from Banks				
Current Accounts with Domestic Banks	431	1,239	426	1,239
Current Accounts with Foreign Banks	9,917	8,310	9,917	8,310
Transaction Account with CNB	49,252	56,496	49,252	56,496
Other deposits with CNB	3,605,300	2,900,967	3,605,300	2,900,967
	3,664,900	**2,967,012**	**3,664,895**	**2,967,012**
Total	**3,798,745**	**3,103,821**	**3,798,740**	**3,103,814**

6. LOANS TO AND RECEIVABLES FROM BANKS

Placements with banks are classified as loans and receivables and measured at amortized cost less expected credit losses.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Short-Term Placements with Domestic Banks	-	389	-	389
Short-Term Placements with Foreign Banks	2,323	3,317	2,323	3,317
Total Short-Term Placements and Loans Banks	**2,323**	**3,706**	**2,323**	**3,706**
Expected Credit Losses on loans to and receivables from banks	**(39)**	**(55)**	**(39)**	**(55)**
Accrued Interests Not Yet Due	-	3	-	3
Total Interests Receivable	**-**	**3**	**-**	**3**
Total	**2,284**	**3,654**	**2,284**	**3,654**

Movements in Expected Credit Losses

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Balance at January 1	**55**	**234**	**55**	**1,411**
Merger effect	-	-	-	(1,472)
Expected Credit Losses on Loans to and Receivables from Banks	(16)	(179)	(16)	116
Balance at December 31	**39**	**55**	**39**	**55**

All placements and loans to other banks of the Group and Bank are in stage 1 and during the year there were no transfers between stages.

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10)

ACCOUNTING POLICY

a) Classification

The Bank classifies all financial assets in terms of asset management business model, which is measured as follows:
- Amortized cost,
- Fair value through other comprehensive income (FVOCI),
- Fair value through profit and loss account (FVPL).

Financial liabilities, except liabilities based on loans with interest rates lower than market interest rates, financial guarantees and financial liabilities determined at fair value through the profit and loss account, are measured at amortized cost.

Business model assessment

The Bank and Group determine business models in a manner that best reflects management of financial assets group in order to achieve the business purpose.

Business models of the Bank and Group are not determined at individual level of each instrument, but at aggregate level of the group of the financial assets.

Business model assessment is based on reasonably expected scenarios. If cash flows after initial recognition are realized in a manner different than the initially expected, the Bank do not change the classification of the remaining financial assets held in that business model, but in the future include new information into the assessment of newly approved or purchased financial assets.

In accordance with IFRS 9, the Bank and Group classify its financial assets in accordance with the following business models:

Business model with the purpose of holding the assets in order to collect contractual cash flows
Financial assets held within this business model are managed with the intent to generate cash flows by collecting contractual payments during the instrument's lifetime. The Bank manage the assets within the portfolio to collect certain cash flows (instead of managing the entire portfolio yield that is realized by holding and also by selling the assets).

Business model with the purpose of collecting cash flows and by selling the financial assets
Within this business model the Bank hold financial assets, which purpose is to collect contracted cash flows and also to sell the financial assets. Within this business model the key management personnel makes the decision that the goal of the business model is realized by collecting cash flows and by selling the financial assets. One of the goals of the business model is managing daily needs related to liquidity to keep a certain interest yield profile or that the duration of the financial assets corresponds to duration of liabilities financed by those assets.

Other business models
Financial assets are measured at fair value through profit and loss account if they are not held within the business model with the intent of holding financial assets to collect contracted cash flows or within the business model with the intent of collecting contracted cash flows and by selling financial assets. The business model which consequently has measurement at fair value through profit and loss account is the one within the Bank manage the financial assets with the intent of generating cash flows by selling the assets. The Bank make decision based on fair value of the assets and manage it to realize the fair value.

Financial Markets Division acquires different types of financial assets, whereby the intent for their acquisition is not unambiguous. Within the context of the IFRS 9 application the model of acquisition of financial assets and its placement within business models will be allocated between Financial Markets Division and Assets and Liabilities Management Office.

Financial Markets Division when deciding the acquisition of financial assets can place the stated into one of three business models as defined by IFRS 9. Financial Markets Division more closely describes with the Internal act condi-

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)

tions and manner of acquiring financial assets and its placement into each category in accordance with the chosen business model.

Assets and Liabilities Management committee makes decisions, on recommendation of Assets and Liabilities Management Office, on financial assets acquisitions within the business model holding to collect and sale. Investments related to this business model will arise from the Bank's investments into financial assets with the intent of liquidity management – general strategy. Transactions related to the stated business model are carried out by Financial Markets Division by directive from Assets and Liabilities Management Office. The Bank places financial instruments within this business model mainly with the purpose of keeping regulatory obligations and prescribed ratios or liquidity reserves in accordance with internal and external limits.

Solely Payments of Principal and Interest test (so called SPPI test)

As the next step of the classification process the Bank and Group asses contracted conditions of financial assets in order to conclude whether the stated assets have contracted cash flows which are solely payments of principal and interest on unpaid amount of the principal. For purposes of applying this test, the 'principal'' is fair value of financial assets at initial recognition, however that amount of the principal can be changed during the financial assets' lifetime (i.e. in case of paying off the principal). The interest covers the fee for time value of cash, for credit risk related to unpaid amount of the principal during certain period and other basic risks and loan cost and also for profit margin. In order to assess the SPPI test result, the Bank and Group apply assessment and take into consideration important factors such as the currency of financial assets.

If contracted cash flows of financial assets are not solely payments of principal and interest on unpaid amount of the principal, such financial assets are subsequently measured at fair value through profit and loss account.

Financial assets at fair value through profit and loss account

This category contains two subcategories: financial instruments held for trading (including derivative financial instruments) and financial instruments that have to be recognized at fair value through profit and loss account in accordance with IFRS 9. The Bank recognizes financial assets and liabilities at fair value through profit and loss account when:

- Assets and liabilities are managed, measured or are internally presented at fair value,
- Accounting mismatch is eliminated or significantly reduced by recognition, which would otherwise arise, or
- Assets and liabilities contain certain derivative which significantly changes cash flows which would otherwise arise from the contract.

Financial assets at fair value through profit and loss account include equity securities, debt securities, shares in investment funds and derivative financial instruments held for trading.

Financial assets held for trading relate to assets purchased or issued mainly for transactions which realize profit in a short-term.

Changes in fair value of these assets are recognized through net income from trading.

Financial assets at amortized cost

The Bank and Group measure financial assets at amortized cost if both following conditions are met:

- Financial assets are held within business model with the intent of holding financial assets in order to collect contracted cash flows,
- Based on contracted terms of financial assets for certain dates, cash flows arise which are solely payments of principal and interest on unpaid amount of the principal.

Financial assets at amortized cost of the Bank and Group arise when the Bank and Group approve cash instruments to clients with no intention of trading with those receivables and include loans and receivables from banks, loans, and receivables from customers, as well as mandatory reserve at Croatian National Bank and debt securities.

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)

Financial assets at fair value through other comprehensive income
Financial assets are measured at fair value through other comprehensive income only if both following conditions are met:
- Financial assets are held within business model with the intention of collecting contracted cash flows and by selling the financial assets,
- Based on contract terms of financial assets on certain dates arise cash flows which are solely payments of principal and interest on unpaid amount of the principal.

Gains and losses from financial assets measured at fair value through other comprehensive income are recognized through other comprehensive income, except for gains or losses from impairment and gains and losses from exchange rate differences, up to derecognition of financial assets or its reclassification. If financial assets were derecognized, the cumulative gains or losses previously recognized through other comprehensive income are reclassified from equity into profit and loss account as reclassification adjustment.

Interests calculated by the effective interest rate are recognized in the profit and loss account.

Investments in an equity instrument which are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, Bank may, at initial recognition, make an irrevocable election to present subsequent changes in the fair value in other comprehensive income. The election is possible for each separate investment. Subsequent changes in the fair value will be presented in other comprehensive income without option of recycling to profit or loss statement.

For these equity instruments Bank will in profit or loss statement recognize dividends from those investments if the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Other financial liabilities
Other financial liabilities cover all financial liabilities not measured at fair value through profit and loss account.

b) Recognition and Derecognition

Purchases and sales of financial assets and financial liabilities at fair value through profit and loss, financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are recognized on the settlement date.

The Bank and Group derecognizes financial instruments (in full or part) when the rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights over financial asset.

This occurs when the Bank and Group transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realized, surrendered, or have expired. At full derecognition of financial assets, the difference between book value (determined at derecognition date) and received consideration is recognized in the profit and loss account.

The Bank derecognize financial liabilities only when the financial liability ceases to exist, i.e., when it is discharged, cancelled, or has expired. If the terms of a financial liability change, the Bank and Group will cease recognizing that liability and will instantaneously recognize a new financial liability, with new terms and conditions. Realized gains and losses from the disposal of financial instruments are calculated by using the weighted average cost method.

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)

c) Initial and Subsequent Measurement

Financial asset and liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are initially recognized at acquisition cost and are subsequently measured applying internal models of fair value estimation.

Loans and receivables, investments held within "hold to collect" business model under condition that SPPI test is passed and financial liabilities not designated at fair value through profit or loss are measured at amortized cost.

Classification in risk categories

The Bank classifies loans into risk groups in accordance with the Decision on classification of exposure into risk groups and the method of determining credit losses.

Thus, the Bank classifies loans that, in accordance with the Decision, are not in default status into risk group A. In accordance with the provisions of IFRS 9, the Bank also allocates into risk subgroup A-1 (stage 1) placements for which it has been determined that, after initial recognition, the credit risk of an individual debtor's exposure did not increase significantly, and into the risk sub-group A-2 (stage 2) placements for which it was determined that after the initial recognition the credit risk of an individual debtor's exposure increased significantly. For such exposures, the Bank carries out appropriate write-downs and exposure provisions in an amount equal to expected credit losses in the twelve-month period for risk subgroup A-1, i.e., expected credit losses during the lifetime for risk subgroup A-2. The Bank classifies loans that it assesses as partially recoverable into risk group B (stage 3), depending on the percentage of loss: into risk group B-1 (loans for which the determined loss does not exceed 30% of the principal amount of the placement), into risk group B-2 (loans for which the determined loss amounts to more than 30% to 70% of the principal amount of the placement), into risk group B-3 (loans for which the determined loss amounts to more than 70% and less than 100% of the principal amount of the loan). The Bank classifies loans that it considers to be completely irrecoverable into risk group C (stage 3).

Expected credit losses

The Bank and Group base its assessment of expected credit losses on loans on International Financial Reporting Standard 9 (IFRS 9), analysing quantitative and qualitative information.

The analysis of credit risk is comprehensive and is based on multiple indicators, for example, whether a certain indicator is important and whether its importance can be compared with other indicators depends on the type of product, characteristics of financial instruments, debtor, etc. However, some indicators cannot be determined on level of individual instruments, and in that case the Bank evaluates the indicators for the corresponding parts of the portfolio of financial instruments.

Furthermore, the credit quality analysis foresees for each reporting date a comparison of the credit quality of the financial instrument at the time of valuation and at the time of initial recognition or acquisition, all to determine whether the criteria for classification in "Level 2" are met.

The Bank differentiates the criteria in order to recognize significant increase in credit risk for different exposure portfolios. For retail and legal entities segments following criteria is in place:

- Absolute triggers such as days past due, blocked account, lowest performing rating;
- Quantitative trigger (PD deterioration since initial recognition);
- Recognized early warning signs (EWS monitoring classification);
- Approved forbearance measures;
- Upgrade from default status.

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)

Criteria for significant increase in credit risk for exposure towards sovereigns and banking financial institutions is deterioration in credit rating.

In addition, while estimating expected losses an important element is also including future factors through macroeconomic scenarios.

Key data for measuring expected credit losses are the following variables:

- Probability of default (PD),
- Loss given default (LGD),
- Exposure at default (EAD).

Expected credit losses for exposures (ECL) in ''Stage 1'' are calculated as product of 12-month PD, LGD and EAD.

Expected credit losses for exposures (ECL) in ''Stage 2'', that is lifetime expected credit losses are calculated as product of lifetime PD, LGD and EAD discounted at reporting date.

In 2023, with the merger of Nova Hrvatska banka, new central tendencies were calculated on the joint portfolio, which were used to calibrate the PD model for the retail and corporate segment (CORP S and CORP LM).

When calculating the lifelong PD for the retail and corporate segment, the Bank models the risk parameter PD based on transition matrices. The lifetime PD value is the cumulative value of the PD risk parameter limit values depending on the exposure tenor. Exposures to financial institutions and central governments use an external investment rating approach.

The LGD risk parameter is modelled based on the analysis of transactions with default status for exposures to legal entities and individuals. In 2023, a new LGD model was created for retail cash loans on a joint portfolio (HPB and NHB). The change relates to reconciliation of collection period with actual process with no material influence on financial statements. The modelling of the LGD risk parameter for exposures to central governments and financial institutions is based on historical collection rates published by credit rating agencies.

Considering the criteria, it applies when estimating the recoverable amount of placements, the Bank divides placements into placements that belong to the portfolio of small loans and placements that do not belong to the portfolio of small loans.

Small loans portfolio placements are total placements and off-balance liabilities to one customer or group of related persons for which the total balance is in the gross amount (without impairment or provision) at estimation date lower than EUR 150,000.00.

Modelling of the EAD risk parameter, that is exposure at default depends on the profile of repayment. Calculation of exposure at default is generated monthly and summed annually where necessary.

When estimating expected credit losses for off-balance liabilities, conversion factor 1 is used.

Expected credit losses on individual basis

The recoverable amount of placements that are not classified within the small loan portfolio of the Bank is estimated on an individual basis according to the following criteria:

- Debtor's creditworthiness,
- Debtor's timeliness in meeting their obligations, and
- Collateral quality.

In this respect, credit rating of the debtor and/ or other parties in the loan business (guarantors, co-debtors etc.) is taken into account, as well as days-past-due in debt settlement and type and appraised value of the available collateral. By taking this into consideration, as well as other available information, including info on significant increase in credit risk, the Bank estimates loan recoverability by evaluating future cash flows arising from the placement, which are discounted and compared with placement’s book value. Required impairments are determined in this way. Bank complies with regulations from Decision on the classification of exposures into risk categories and the method of determining credit losses with respect to procedures for restructured placements, placements whose repayment is based on collateral, placements that are not secured by adequate collateral, as well as other regulations regarding eligibility of collateral and appropriate discount factors used for impairment calculations.

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)

Expected credit losses on portfolio basis

The Bank estimates the recoverable amount of exposures that are classified on a portfolio basis by having regard principally to the debtors' timeliness in meeting their obligations. In arriving at the recoverable amount, the present value of future cash flows from the placements is estimated by reducing the principal by reference to the loan type and the number of days in default.

d) Determination of Fair Value of Financial Instruments

The fair value of quoted financial assets in an active market is based on their closing price. If there is no active market for the financial instrument, or if, due to any other reason, the fair value cannot be reliably measured by the market price, the Bank uses an internal evaluation model for fair value estimation. Such models include the use of prices achieved in recent transactions, by reference to similar financial instruments, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments at fair value through the profit and loss account and financial assets at fair value through other comprehensive income are valued at fair value. Loans and receivables and investments valued at amortized cost are reported at amortized cost less value adjustments. Financial assets at fair value through the profit and loss account and financial assets at fair value through other comprehensive income are stated at fair values derived from quoted prices of those instruments on active markets. Financial liabilities at fair value through the profit and loss account are stated at fair values calculated based on the available terms of those instruments.

In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account as they value the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these unconsolidated financial reports is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of derivative instruments that are not traded is estimated based on the amount of receipts or expenses that the Bank and Group would incur in the event of the sale of the contract on the date of financial reports preparation, taking into account current market conditions, own credit risk and the creditworthiness of other contracting parties.

FINANCIAL INSTRUMENTS (NOTE 7, 8, 9, 10) (continued)

e) Reclassification

When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. Bank does not reclassify financial liabilities. Reclassifications between categories depend on the category in which the financial instrument was initially recognized. If the Bank reclassifies financial assets in accordance, it will apply the reclassification prospectively from the reclassification date. The Bank will not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost.

This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Other financial instruments

Treasury Bills and Debt Securities
Treasury bills and debt securities that the Bank holds for the purpose of short-term profit taking are classified as at fair value through profit or loss. If the intention is to collect contractual cash flows for the purpose of long-term profit taking, financial assets are classified as assets at fair value through other comprehensive income and are valued at fair value. Treasury bills and debt securities that the Bank has the intent and ability to hold to maturity are classified as held to maturity assets.

Equity Securities and Investments in Open-End Investment Funds
Equity securities and investments in open-ended investment funds are classified as at fair value through profit or loss or as assets at fair value through other comprehensive income.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Trading Instruments				
Bonds of the Ministry of Finance	35,122	36,626	35,122	36,521
Corporate bonds and commercial bills	3,210	3,026	3,104	3,026
Listed Debt Securities	**38,332**	**39,652**	**38,226**	**39,547**
Listed Shares of Investment Funds	**22,305**	**10,806**	**22,305**	**10,806**
Listed Equity Securities	**5,182**	**3,542**	**5,182**	**3,542**
	65,819	**54,000**	**65,713**	**53,895**
Fair value of exchange contracts	**-**	**613**	**-**	**613**
Loans and receivables from customers				
- retail	498	491	498	491
	498	**491**	**498**	**491**
Accrued Interests Not Yet Due	302	302	302	301
Total	**66,619**	**55,406**	**66,513**	**55,300**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Equity securities Not Listed				
- Corporate	5,231	4,139	5,231	4,139
	5,231	**4,139**	**5,231**	**4,139**
Listed Equity Securities				
- Corporate	231	255	231	255
	231	**255**	**231**	**255**
Total	**5,462**	**4,394**	**5,462**	**4,394**

On December 31, 2024, the Bank and the Group did not have debt securities from the portfolio that is valued through other comprehensive income.dobit,

9. FINANCIAL ASSETS AT AMORTIZED COST

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Bonds of Ministry of Finance	783,468	662,991	783,468	662,991
Treasury bills of Ministry of Finance	98,574	148,284	98,574	148,284
Foreign state bonds	98,664	-	98,664	-
Bank Bonds	24,956	20,016	24,956	20,016
Foreign Bank Bonds	10,000	10,000	10,000	10,000
Corporative Bonds	10,178	10,166	10,178	10,166
Bills of Exchange	250	-	250	-
	1,026,090	**851,457**	**1,026,090**	**851,457**
Overdue interest	7,489	5,770	7,489	5,770
Provisions for stage 1 and 2	**(1,320)**	**(1,370)**	**(1,320)**	**(1,370)**
Total	**1,032,259**	**855,857**	**1,032,259**	**855,857**

Movement in Expected Credit Losses for Financial Assets at Amortized Cost

GROUP EUR '000	2024			2023		
	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total
Balance at January 1	**-**	**1,370**	**1,370**	**-**	**1,303**	**1,303**
Increase/ (Decrease) of expected credit losses	-	(50)	**(50)**	-	67	**67**
Balance at December 31	**-**	**1,320**	**1,320**	**-**	**1,370**	**1,370**

BANK EUR '000	2024			2023		
	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total
Balance at January 1	**-**	**1,371**	**1,371**	**-**	**1,220**	**1,220**
Merger effect	-	-	**-**	-	280	**280**
Increase/ (Decrease) of expected credit losses	-	(51)	**(51)**	-	(129)	**(129)**
Balance at December 31	**-**	**1,320**	**1,320**	**-**	**1,371**	**1,371**

9. FINANCIAL ASSETS AT AMORTIZED COST (continued)

GROUP EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**856,977**	**251**	**-**	**857,228**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	176,602	(251)	-	**176,351**
Balance at 31 December 2024	**1,033,579**	**-**	**-**	**1,033,579**
Expected Credit Losses at 1 January 2024	**(1,354)**	**(17)**	**-**	**(1,371)**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	34	17	-	**51**
Expected Credit Losses at 31 December 2024	**(1,320)**	**-**	**-**	**(1,320)**

GROUP EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**713,439**	**10,757**	**-**	**724,196**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	176,602	(10,506)	-	**166,096**
Balance at 31 December 2023	**890,041**	**251**	**-**	**890,292**
Expected Credit Losses at 1 January 2023	**(1,288)**	**(15)**	**-**	**(1,303)**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	(66)	(2)	-	**(68)**
Expected Credit Losses at 31 December 2023	**(1,354)**	**(17)**	**-**	**(1,371)**

9. FINANCIAL ASSETS AT AMORTIZED COST (continued)

BANK EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**856,977**	**251**	**-**	**857,228**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	176,602	(251)	-	**176,351**
Balance at 31 December 2024	**1,033,579**	**-**	**-**	**1,033,579**
Expected Credit Losses at 1 January 2024	**(1,354)**	**(17)**	**-**	**(1,371)**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	34	17	-	**51**
Expected Credit Losses at 31 December 2024	**(1,320)**	**-**	**-**	**(1,320)**

BANK EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**713,439**	**10,757**	**-**	**724,196**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	69,026	(10,506)	-	**58,520**
Merger effect	74,512	-	-	**74,512**
Balance at 31 December 2023	**856,977**	**251**	**-**	**857,228**
Expected Credit Losses at 1 January 2023	**(1,205)**	**(15)**	**-**	**(1,220)**
Arisen or purchased new assets – derecognized or paid off assets (excluding write-offs)	(234)	(2)	-	**(236)**
Merger effect	85	-	-	**85**
Expected Credit Losses at 31 December 2023	**(1,354)**	**(17)**	**-**	**(1,371)**

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS

Loans to customers are presented using the effective interest rate and net of losses for expected credit losses. Purchased loans for which the Bank intends to collect contracted cash flows are classified as assets measured at amortized cost. In accordance with the CNB requirements, amortization of discounted expected cash flows from collection is presented in impairment losses of loans and receivables from customers.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Short-Term Loans				
Corporate	165,115	145,907	165,115	145,907
Retail	65,051	99,452	65,051	99,452
Total Short-Term Loans	**230,166**	**245,359**	**230,166**	**245,359**
Long-Term Loans				
Corporate	1,200,053	1,283,460	1,200,053	1,283,460
Retail	1,612,198	1,594,397	1,612,198	1,594,397
Total Long-Term Loans	**2,812,251**	**2,877,857**	**2,812,251**	**2,877,857**
Accrued Interests Due	9,692	18,562	9,692	18,562
Accrued Interests Not Yet Due	7,011	9,245	7,011	9,245
Total Gross Loans	**3,059,120**	**3,151,023**	**3,059,120**	**3,151,023**
Expected credit losses for stage 3	**(141,245)**	**(192,757)**	**(141,245)**	**(192,757)**
Expected credit losses for stage 1 and 2	**(49,174)**	**(48,330)**	**(49,174)**	**(48,330)**
Total expected credit losses	**(190,419)**	**(241,087)**	**(190,419)**	**(241,087)**
Total Net Loans	**2,868,701**	**2,909,936**	**2,868,701**	**2,909,936**
Percentage share of provisions for expected credit losses and reserves in gross loans to customers	6.22%	7.65%	6.22%	7.65%

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

Movements in expected credit losses

Movements in the expected credit losses on loans to and receivables from customers were as follows:

GROUP EUR '000	2024			2023		
	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total
Balance at January 1	**192,757**	**48,330**	**241,087**	**214,338**	**53,260**	**267,598**
Increase/(decrease) in expected credit losses	12,704	844	**13,548**	9,141	(4,930)	**4,211**
Utilized impairment	(72,649)	-	**(72,649)**	(38,440)	-	**(38,440)**
Other	8,433	-	**8,433**	7,718	-	**7,718**
Balance at December 31	**141,245**	**49,174**	**190,419**	**192,757**	**48,330**	**241,087**

BANK EUR '000	2024			2023		
	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total	Expected Credit Losses Stage 3	Expected Credit Losses Stage 1 and 2	Total
Balance at January 1	**192,757**	**48,330**	**241,087**	**171,716**	**33,536**	**205,252**
Increase/(decrease) in expected credit losses	12,704	844	**13,548**	5,619	(4,059)	**1,560**
Merger effect	-	-	**-**	47,339	18,853	**66,192**
Write-Offs	(72,649)	-	**(72,649)**	(38,440)	-	**(38,440)**
Other	8,433	-	**8,433**	6,523	-	**6,523**
Balance at December 31	**141,245**	**49,174**	**190,419**	**192,757**	**48,330**	**241,087**

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

Expected credit losses analysis for the Group and Bank in 2024 was as follows:

GROUP EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**2,410,280**	**474,924**	**265,818**	**3,151,022**
New exposures	534,082	13,295	90,160	**637,537**
Derecognized or paid off assets (excluding write-offs)	(471,368)	(91,708)	(93,714)	**(656,790)**
Transfer into Stage 1	84,409	(83,752)	(657)	**-**
Transfer into Stage 2	(179,841)	188,702	(8,861)	**-**
Transfer into Stage 3	9,447	(29,771)	20,324	**-**
Write-offs	-	-	(72,649)	**(72,649)**
Balance at 31 December 2024	**2,387,009**	**471,690**	**200,421**	**3,059,120**
Expected credit losses at 1 January 2024	**(16,584)**	**(31,744)**	**(192,759)**	**(241,087)**
New exposures	(5,514)	(5,906)	(2,910)	**(14,330)**
Derecognized or paid off assets (excluding write-offs)	4,443	3,016	4,194	**11,653**
Transfer into Stage 1	(1,849)	479	1,370	**-**
Transfer into Stage 2	1,935	(3,650)	1,715	**-**
Transfer into Stage 3	190	3,243	(3,433)	**-**
Change in expected credit loss	2,855	(88)	(22,071)	**(19,304)**
Write-offs	-	-	72,649	**72,649**
Balance at 31 December 2024	**(14,524)**	**(34,650)**	**(141,245)**	**(190,419)**

Of which purchased or issued credit impaired financial assets (POCI) for the Group was as follows:

EUR '000	POCI
Balance at 1 January 2024, net	**10,657**
New assets	19,483
Repaid assets (excluding write-offs)	(2,260)
Collected	11,122
Write-offs	(21,549)
Balance at 31 December 2024, net	**17,453**

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

BANK EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**2,410,279**	**474,924**	**265,818**	**3,151,021**
New exposures	534,083	13,295	90,160	**637,538**
Derecognized or paid off assets (excluding write-offs)	(471,368)	(91,708)	(93,714)	**(656,790)**
Transfer into Stage 1	84,409	(83,752)	(657)	**-**
Transfer into Stage 2	(179,841)	188,702	(8,861)	**-**
Transfer into Stage 3	9,447	(29,771)	20,324	**-**
Write-offs	-	-	(72,649)	**(72,649)**
Balance at 31 December 2024	**2,387,009**	**471,690**	**200,421**	**3,059,120**
Expected credit losses at 1 January 2024	**(16,584)**	**(31,745)**	**(192,758)**	**(241,087)**
New exposures	(5,514)	(5,905)	(2,912)	**(14,331)**
Derecognized or paid off assets (excluding write-offs)	4,443	3,016	4,195	**11,654**
Transfer into Stage 1	(1,849)	479	1,370	**-**
Transfer into Stage 2	1,935	(3,650)	1,715	**-**
Transfer into Stage 3	190	3,243	(3,433)	**-**
Change in expected credit loss	2,855	(88)	(22,071)	**(19,304)**
Write-offs	-	-	72,649	**72,649**
Balance at 31 December 2024	**(14,524)**	**(34,650)**	**(141,245)**	**(190,419)**

Of which purchased or issued credit impaired financial assets (POCI) for the Bank was as follows:

EUR '000	POCI
Balance at 1 January 2024, net	**10,657**
New assets	19,483
Repaid assets (excluding write-offs)	(2,260)
Other	11,122
Write-offs	(21,549)
Balance at 31 December 2024, net	**17,453**

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

Expected credit losses analysis for the Group and Bank in 2023 was as follows:

GROUP EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**2,659,751**	**385,339**	**284,327**	**3,329,417**
New exposures	565,257	29,347	(1,481)	**593,123**
Derecognized or paid off assets (excluding write-offs)	(617,763)	(109,973)	(4,790)	**(732,526)**
Transfer into Stage 1	84,409	(83,752)	(657)	**-**
Transfer into Stage 2	(274,873)	283,734	(8,861)	**-**
Transfer into Stage 3	(6,501)	(29,771)	36,272	**-**
Write-offs	-	-	(38,992)	**(38,992)**
Balance at 31 December 2023	**2,410,280**	**474,924**	**265,818**	**3,151,022**
Expected credit losses at 1 January 2023	**(23,578)**	**(29,682)**	**(214,338)**	**(267,598)**
New exposures	(7,684)	(1,378)	(1,839)	**(10,901)**
Derecognized or paid off assets (excluding write-offs)	903	2,550	47	**3,500**
Transfer into Stage 1	(930)	883	47	**-**
Transfer into Stage 2	6,859	(7,457)	598	**-**
Transfer into Stage 3	(3,984)	11,111	(7,127)	**-**
Change in expected credit loss	11,830	(7,771)	(9,139)	**(5,080)**
Write-offs	-	-	38,992	**38,992**
Balance at 31 December 2023	**(16,584)**	**(31,744)**	**(192,759)**	**(241,087)**

Of which purchased or issued credit impaired financial assets (POCI) for the Group was as follows:

EUR '000	POCI
Balance at 1 January 2023, net	**13,311**
New assets	382
Repaid assets (excluding write-offs)	(1,813)
Collected	(1,222)
Balance at 31 December 2023, net	**10,658**

10. LOANS TO AND RECEIVABLES FROM CUSTOMERS (continued)

BANK EUR '000	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**1,826,856**	**265,348**	**219,851**	**2,312,055**
New exposures	491,759	55,568	2,652	**549,979**
Derecognized or paid off assets (excluding write-offs)	(617,763)	(26,221)	(4,133)	**(648,117)**
Transfer into Stage 1	84,409	(83,752)	(657)	-
Transfer into Stage 2	(179,841)	188,702	(8,861)	-
Transfer into Stage 3	9,447	(29,771)	20,324	-
Write-offs	-	-	(38,440)	**(38,440)**
Merger effect	795,412	105,050	75,082	**975,544**
Balance at 31 December 2023	**2,410,279**	**474,924**	**265,818**	**3,151,021**
Expected credit losses at 1 January 2023	**(15,894)**	**(17,641)**	**(171,716)**	**(205,251)**
New exposures	(4,340)	(3,045)	(1,839)	**(9,224)**
Derecognized or paid off assets (excluding write-offs)	903	1,667	-	**2,570**
Transfer into Stage 1	(930)	883	47	-
Transfer into Stage 2	5,958	(6,556)	598	-
Transfer into Stage 3	(5,781)	11,111	(5,330)	-
Change in expected credit loss	11,830	(7,771)	(5,619)	**(1,560)**
Write-offs	-	-	38,440	**38,440**
Merger effect	(8,330)	(10,393)	(47,339)	**(66,062)**
Balance at 31 December 2023	**(16,584)**	**(31,745)**	**(192,758)**	**(241,087)**

Of which purchased or issued credit impaired financial assets (POCI) for the Bank were as follows:

EUR '000	POCI
Balance at 1 January 2023, net	**4,904**
New assets	382
Repaid assets (excluding write-offs)	(1,893)
Other	(1,222)
Merger effect NHB	8,487
Balance at 31 December 2023, net	**10,658**

11. ASSETS HELD FOR SALE

The Bank and Group initially recognize (classify) non-current assets as assets held for sale if its value be through sale, rather than used for the purpose of conducting business activities through depreciation. Such assets are classified at the lower of carrying amount or fair market value less costs to sell.

Subsequent measurement of assets held for sale is carried at the lower of carrying value and the current fair market value less costs to sell.

For fixed assets to be classified as assets held for sale, the following conditions must be met:

- the property must be immediately available for sale in its current condition (with conditions that are usual and common when taking over),
- there should be a very high possibility of sale,
- there should be initiated an active programme to locate a buyer,
- the offered sale price must be acceptable in relation to its current fair market value,
- the sale should be determined as possible within one year from the date of asset classification, subject to exceptional circumstances beyond the Bank's control and where there is sufficient evidence that the Bank will act in accordance with the sale program and will not abandon the plan.

In case of events that may extend the period to perform the sale of the property does not preclude the classification of assets as held for sale if the circumstances beyond the control of the Bank and Group occur and if there is evidence that the Bank and Group will continue in line with the plans to continue selling the same.

The Bank and Group does not perform depreciation of assets held for sale. Impairment losses arising on the subsequent measurement of assets is recorded in the P&L report of the Bank and Group. Subsequent gains from increase in the fair value of previously impaired assets will be recognized in the P&L report at the time of sale. If it is determined that the non-current assets classified as held for sale do not meet the criteria for initial recognition of the Bank and Group does not recognize those assets as assets held for sale. Bank and Group does not recognize assets held for sale in the event that such property is sold. Gain or loss on sale of assets held for sale are recognized in the profit or loss account.

On December 31, 2024, the Bank and the Group did not have assets held for sale.

12. INVESTMENTS IN SUBSIDIARIES

Subsidiaries

Subsidiaries are all the companies managed by the Bank. Subsidiaries are consolidated, i.e. they cease to be consolidated from the moment the Bank acquires or loses control over them. Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date on which the Bank acquired control until the date of termination of control. In unconsolidated financial reports of the Bank, investments into subsidiaries are stated at acquisition cost less impairment, if any. Accounting policies of subsidiaries are adjusted as needed to ensure accordance with the Group’s policies.

12. INVESTMENTS IN SUBSIDIARIES (continued)

Business combinations

Acquisition method is used for posting acquisitions of companies by the Group. Acquisition date is defined as a date at which the acquirer gains control over the acquire.

The fee transferred for the acquisition of the subsidiary consists of:

- fair value of transferred assets,
- liabilities incurred towards former owners of the acquired business,
- equity shares issued by the Group,
- the fair value of any asset or liability arising from the contingent consideration agreement, and
- the fair value of any prior equity interest in the subsidiary.

Acquired identifiable assets and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, initially measured at fair values on the date of acquisition. Transaction costs related to the acquisition and arising from the issuance of equity instruments are deducted from the capital; transaction costs arising from the debt issuance as part of a business merger are deducted from the book value of the debt, and all other transaction costs related to the acquisition are recognized as an expense.

The excess of the consideration transferred, the amount of any minority (non-controlling) shares in the acquired entity, and the fair value on the date of acquisition of any previous ownership share in the acquired entity above the fair value of the acquired net identifiable assets, is reported as goodwill.

If these amounts are less than the fair value of the net identifiable assets of the acquired business, the difference is recognized directly in the income statement as a bargain purchase after the Management Board reassesses whether it has identified all acquired assets and all assumed liabilities and contingent liabilities and reviews the adequacy of their measurement.

a) The Bank's subsidiaries are as follows:

	Industry	State	Ownership on December 31, 2024	Ownership on December 31, 2023
HPB Invest Ltd	Investment Fund Management	Croatia	100%	100%
HPB-nekretnine Ltd	Real Estate Agency and Construction	Croatia	100%	100%

b) Investments in Subsidiaries that are fully consolidated in financial reports of the Group, are as follows:

	2024 EUR '000	2023 EUR '000
HPB Invest Ltd	863	664
HPB-nekretnine Ltd	632	632
Total	**1,495**	**1,296**

HPB assumed control and management of Sberbank on April 14, 2022, from which point it has operated within the HPB Group under the name Nova Hrvatska Banka p.l.c. (NHB). This acquisition further strengthened the HPB Group by expanding its client portfolio and branch network for both retail and corporate banking, reinforcing its strategic objectives of developing a domestically owned banking group and contributing to Croatia's economic growth and prosperity.

To maximize the synergistic effects and benefits for shareholders and clients, HPB and NHB adopted a resolution on December 20, 2022, to initiate the legal, formal, and operational merger of Nova Hrvatska Banka p.l.c. into HPB.

On March 1, 2023, HPB, as the acquiring entity, and NHB, as the merging entity, signed a Merger by Acquisition Agreement. The Croatian National Bank approved the merger with its Decision dated April 12, 2023, and on July 3, 2023, the Commercial Court in Zagreb issued a ruling registering the merger, thereby formally completing the legal aspects of the integration. The operational aspects of the merger were fully finalized on June 3, 2024.

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE

Property and equipment are tangible assets that are held for use in the supply of services or other administrative purposes.

Recognition and Measurement

An item of property whose fair value can be measured reliably is subsequently carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The fair value of land and buildings is determined by the independent professional valuator.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset. Depreciation is recognized in the P&L report on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

Equipment is measured at cost, less accumulated depreciation and accumulated impairment losses.

The estimated useful lives are as follows:

	2024	2023
Buildings	40 years	40 years
Computers	3 years	3 years
Furniture and Equipment	2-4 years	2-4 years
Motor Vehicles	5 years	5 years
Other Assets*	10 years	10 years
Leasehold improvements**	4-10 years	4-10 years

** Other assets refer to air conditioning and heating equipment*
*** Leasehold improvements are amortized in line with the duration of lease contract, average period of amortization is 5 to 7 years.*

Depreciation methods and useful lives are reassessed at reporting date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the Profit and Loss Statement.

Impairment of Non-Financial Assets

The recoverable amount of property and equipment, investment property and intangible assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

GROUP					Right of Use		
2024 '000 EUR	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improve-ments	Assets Under Construc-tion	Building and land	Computers, equipment and motor vehicles	Total
Gross book value							
Balance at January 1	**52,189**	**39,391**	**13,836**	**1,303**	**24,540**	**5,832**	**137,091**
Additions	-	-	-	5,697	6,381	1,061	**13,139**
Write-offs and other reductions	(3,213)	(861)	(314)	-	(6,883)	(4,068)	**(15,339)**
Transferred into Use	482	4,467	338	(5,279)	-	-	**8**
Balance at December 31	**49,458**	**42,997**	**13,860**	**1,721**	**24,038**	**2,825**	**134,899**
Accumulated Depreciation and Impairment							
Balance at January 1	**(20,707)**	**(33,344)**	**(11,297)**	**-**	**(13,111)**	**(3,390)**	**(81,849)**
Depreciation Cost	(1,010)	(2,980)	(758)	-	(2,586)	(596)	**(7,930)**
Write offs	1,147	805	263	-	1,391	2,575	**6,181**
Balance at December 31	**(20,570)**	**(35,519)**	**(11,792)**	**-**	**(14,306)**	**(1,411)**	**(83,598)**
Net Book Value							
Balance at January 1	**31,482**	**6,047**	**2,539**	**1,303**	**11,429**	**2,442**	**55,242**
Balance at December 31	**28,888**	**7,478**	**2,068**	**1,721**	**9,732**	**1,414**	**51,301**

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

GROUP					Right of Use		
2023 '000 EUR	**Land and Buildings**	**Computers, Equipment and Motor Vehicles**	**Leasehold improve-ments**	**Assets Under Construc-tion**	**Building and land**	**Computers, equipment and motor vehicles**	**Total**
Gross book value							
Balance at January 1	**49,532**	**36,990**	**16,643**	**1,113**	**22,697**	**5,082**	**132,057**
Additions	-	-	-	5,989	5,496	1,080	**12,565**
Write-offs and other reductions	-	(843)	(3,011)	-	(3,653)	(330)	**(7,837)**
Transferred into Use	2,657	3,244	204	(5,799)	-	-	**306**
Balance at December 31	**52,189**	**39,391**	**13,836**	**1,303**	**24,540**	**5,832**	**137,091**
Accumulated Depreciation and Impairment							
Balance at January 1	**(19,776)**	**(31,188)**	**(13,151)**	**-**	**(12,485)**	**(2,776)**	**(79,376)**
Depreciation Cost	(860)	(2,902)	(996)	-	(3,116)	(749)	**(8,623)**
Impairment	(71)	(31)	-	-	-	-	**(102)**
Write-offs	-	777	2,850	-	2,490	135	**6,252**
Balance at December 31	**(20,707)**	**(33,344)**	**(11,297)**	**-**	**(13,111)**	**(3,390)**	**(81,849)**
Net Book Value							
Balance at January 1	**29,756**	**5,802**	**3,490**	**1,113**	**10,212**	**2,307**	**52,680**
Balance at December 31	**31,482**	**6,047**	**2,539**	**1,303**	**11,429**	**2,442**	**55,242**

Assets under construction as of 31 December 2024 refer to investments in equipment and construction objects at purchase cost of EUR 1,721 thousand (2024: EUR 1,303 thousand). The carrying amount of the land owned by the Group as of December 31, 2024, amounts to EUR 2,289 thousand (2023: EUR 2,609 thousand). During 2023, a transfer from intangible assets in preparation to tangible assets in use for the Group and the Bank was carried out in the amount of EUR 306 thousand.

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

BANK 2024 '000 EUR	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improve-ments	Assets Under Construc-tion	Right of Use Building and land	Right of Use Computers, equipment and motor vehicles	Total
Gross book value							
Balance at January 1	**47,298**	**39,329**	**13,307**	**1,303**	**24,301**	**5,822**	**131,360**
Additions	-	-	-	5,693	6,311	1,061	**13,065**
Write-offs and other reductions	(3,213)	(857)	(314)	-	(6,687)	(3,997)	**(15,068)**
Transferred into Use	482	4,459	338	(5,279)	-	-	**-**
Balance at December 31	**44,567**	**42,931**	**13,331**	**1,717**	**23,925**	**2,886**	**129,357**
Accumulated Depreciation and Impairment							
Balance at January 1	**(15,816)**	**(33,299)**	**(10,768)**	**-**	**(12,993)**	**(3,379)**	**(76,255)**
Depreciation Cost	(1,010)	(2,967)	(758)	-	(2,561)	(567)	**(7,863)**
Write offs	1,147	801	262	-	1,287	2,475	**5,972**
Balance at December 31	**(15,679)**	**(35,465)**	**(11,264)**	**-**	**(14,267)**	**(1,471)**	**(78,146)**
Net Book Value							
Balance at January 1	**31,482**	**6,030**	**2,539**	**1,303**	**11,308**	**2,443**	**55,105**
Balance at December 31	**28,888**	**7,466**	**2,067**	**1,717**	**9,658**	**1,415**	**51,211**

13. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT TO USE (continued)

BANK 2023 '000 EUR	Land and Buildings	Computers, Equipment and Motor Vehicles	Leasehold improve-ments	Assets Under Construc-tion	Right of Use Building and land	Right of Use Computers, equipment and motor vehicles	Total
Gross book value							
Balance at January 1	**34,610**	**28,811**	**11,435**	**958**	**16,721**	**4,834**	**97,369**
Merger effect Pronam Nekretnine	7,657	291	-	-	-	-	**7,948**
Merger effect Nova hrvatska banka	2,796	8,494	5,231	27	5,346	138	**22,032**
Additions	-	-	-	4,437	4,380	984	**9,801**
Write-offs and other reductions	-	(803)	(3,011)	-	(2,146)	(134)	**(6,094)**
Transferred into Use	2,235	2,536	(348)	(4,119)	-	-	**304**
Balance at December 31	**47,298**	**39,329**	**13,307**	**1,303**	**24,301**	**5,822**	**131,360**
Accumulated Depreciation and Impairment							
Balance at January 1	**(13,613)**	**(24,118)**	**(8,570)**	**-**	**(9,408)**	**(2,642)**	**(58,351)**
Depreciation Cost	(871)	(2,434)	(820)	-	(2,384)	(720)	**(7,229)**
Impairment	2	-	-	-	-	-	**2**
Reclassification and prior year corrections	(529)	-	529	-	-	-	**-**
Merger effect Pronam Nekretnine	-	(256)	-	-	-	-	**(256)**
Merger effect Nova hrvatska banka	(805)	(7,229)	(4,756)	-	(2,529)	(52)	**(15,371)**
Write-offs	-	738	2,849	-	1,328	35	**4,950**
Balance at December 31	**(15,816)**	**(33,299)**	**(10,768)**	**-**	**(12,993)**	**(3,379)**	**(76,255)**
Net Book Value							
Balance at January 1	**20,997**	**4,693**	**2,865**	**958**	**7,313**	**2,192**	**39,018**
Balance at December 31	**31,482**	**6,030**	**2,539**	**1,303**	**11,308**	**2,443**	**55,105**

Assets under constructions as at 31 December 2024 relate to investments in equipment and buildings at a cost of EUR 1,717 thousand (2023: EUR 1,303 thousand). The carrying amount of land owned by the Bank as of December 31, 2024 was EUR 2,289 thousand (2023: EUR 2,609 thousand).

There is no mortgage or other lien on the property owned by the Bank in favor of other parties.

Right of Use Asset (RoU) as of 31 December 2024 amounted to EUR 11,073 thousand (2023: EUR 13,751 thousand). Assets with the right of use are recognized in the Bank's functional currency and depreciated on a straight-line basis over the term of the lease.

During 2024. Bank decided to use exemption from recognition of RoU asset for lease of space for installation of ATMs and equipment as lease of low value assets. Respective Right of use assets would amount to EUR 1,188 thousand as of December 31, 2024.

14. INVESTMENT PROPERTY

Investment property

Investment properties include the Bank's investments in real estate with the intention of making a profit on the increase in value and / or earning from the lease. Real estate investments are initially recognized at cost, including transaction costs. All investments in real estate are valued at fair value. The fair value of such assets is estimated annually based on an independent valuer's estimate or based on internal analysis of movement of market indicators for respective assets and any gain or impairment loss from the change in fair value is recognized in the income statement as occurred. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Repossessed asset in exchange for uncollected receivables

The Bank and Group initially recognize repossessed asset in accordance with IAS 40 “Investment Property” and account for it as described in part Investment property. In case that repossessed asset will be intended for sale and it meet the criteria of relevant IFRS 5 “Non-current Assets Held for Sale”, the asset will be recognized and accounted for as long-term tangible asset held for sale.

Only exceptionally, if repossessed asset will be used in regular business activities of the Bank and the Group, it can be decided, at acquisition, that the asset will be put in use and accounted for in accordance with IAS 16 “Property, plant and equipment”, as described in part Property and Equipment.

At initial recognition of repossessed asset in exchange for uncollected receivables, the acquisition cost will be considered the lower amount between the net book value of the financial asset, whereby the foreclosed asset or the asset received for the purpose of debt payment was considered collateral and the fair value of the acquired asset minus the costs of sale.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Balance at January 1	**5,872**	**6,322**	**5,468**	**5,887**
Additions	181	122	145	122
Sale	(1,227)	(591)	(1,227)	(591)
Change in Fair Value	-	19	-	50
Balance at December 31	**4,826**	**5,872**	**4,386**	**5,468**

14. INVESTMENT PROPERTY (continued)

Assets taken over in exchange for uncollected receivables classified as investments in real estate as at 31.12.2024 has a gross book value of EUR 15,189 thousand (2023: EUR 16,258 thousand). The value adjustment based on the assessment of value with the application of the discount factor of marketability related to real estate investment amounts to EUR 10,803 thousand (2023: EUR 10,790 thousand), so the net book value of these assets amounts to EUR 4,386 thousand (2023: EUR 5,468 thousand).

As of December 31, 2024, and December 31, 2023, all assets are in level 3 of the hierarchy of fair value measure. During the year there were no items that would be reclassified from level 3 indicator to level 1 indicator or vice versa by hierarchy of fair value measures.

Rental income amounted to EUR 181 thousand (2023: EUR 250 thousand). The maintenance costs of the acquired property in 2024 amounted to EUR 57 thousand (2023: EUR 120 thousand).

The effects of the change in fair value are shown in position investment property in Note 34.

Disclosure of the investment valuation in real estate is presented in Note 3. Property is assessed in accordance with the Real Estate Estimates Act (OG 78/2015) and the related Rulebook on real estate valuation methods (OG 105/2015), according to law prescribed and appropriate methods consideration is given to a number of factors in determining its current market value. The valuation method has not changed during the year

15. INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment. Development costs are capitalized if all the requirements specified in IAS 38 "Intangible Assets" are met.

The Bank and Group intends to capitalize internal employee project costs in the future under a condition of meeting requirements by the IAS 38. Durability of the mentioned intangible assets will correspond to the estimated useful life and its future economic benefits.

Amortization is provided on a straight-line basis over the estimated useful life of an intangible asset. Maintenance costs are recognized as an expense when they are incurred.

Amortization methods and useful lives are reassessed at reporting date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the Profit and Loss Statement.
Amortization of intangible assets is provided on a straight-line basis over the estimated useful life of an asset as follows:

	2024	2023
Software	3-10 years	3-10 years
Licences	3-10 years	3-10 years

15. INTANGIBLE ASSETS (continued)

GROUP 2024, EUR '000	Software	Licenses	Assets Under Construction	Goodwill	Total
Gross book value					
Balance as at January 1	**69,520**	**12,117**	**3,478**	**2**	**85,117**
Net increase	-	-	5,729	-	**5,729**
Transferred into Use	6,377	467	(6,844)	-	**-**
Write-offs	(38)	-	-	-	**(38)**
Balance as at December 31	**75,859**	**12,584**	**2,363**	**2**	**90,808**
Accumulated Amortization and Impairment					
Balance as at January 1	**(60,680)**	**(9,813)**	**-**	**-**	**(70,493)**
Depreciation cost	(4,494)	(947)	**-**	**-**	**(5,441)**
Write-offs	38	-	**-**	**-**	**38**
Balance as at December 31	**(65,136)**	**(10,760)**	**-**	**-**	**(75,896)**
Net Book Value					
Balance as at January 1	**8,840**	**2,304**	**3,478**	**2**	**14,624**
Balance as at December 31	**10,723**	**1,824**	**2,363**	**2**	**14,912**

15. INTANGIBLE ASSETS (continued)

GROUP 2023 EUR '000	Software	Licenses	Assets Under Construction	Goodwill	Total
Gross book value					
Balance as at January 1	**64,992**	**10,593**	**4,385**	**2**	**79,972**
Net increase	-	-	5,833	-	**5,833**
Transferred into Use	4,528	1,524	(6,358)	-	**(306)**
Write-offs	-	-	(382)	-	**(382)**
Balance as at December 31	**69,520**	**12,117**	**3,478**	**2**	**85,117**
Accumulated Amortization and Impairment					
Balance as at January 1	**(53,011)**	**(8,938)**	**-**	**-**	**(61,949)**
Depreciation cost	(4,993)	(875)	**-**	**-**	**(5,868)**
Impairment	(2,676)	-	(125)	**-**	**(2,801)**
Write-offs	-	-	125	**-**	**125**
Balance as at December 31	**(60,680)**	**(9,813)**	**-**	**-**	**(70,493)**
Net Book Value					
Balance as at January 1	**11,981**	**1,655**	**4,385**	**2**	**18,023**
Balance as at December 31	**8,840**	**2,304**	**3,478**	**2**	**14,624**

Assets under construction as of December 31, 2024, refers to investments into the application software and licenses at purchased cost in the amount of EUR 2,363 thousand (2023: EUR 3,478 thousand), which are under construction due to future use by the Group. During 2023, a transfer from intangible assets in preparation to tangible assets in use for the Group and the Bank was carried out in the amount of EUR 306 thousand.

15. INTANGIBLE ASSETS (continued)

BANK 2024 EUR '000	Software	Licenses	Assets Under Construction	Total
Gross book value				
Balance as at January 1	**68,134**	**12,117**	**3,609**	**83,860**
Net increase	-	-	5,736	**5,736**
Transferred into Use	6,511	467	(6,982)	**(4)**
Write-offs	(38)	-	-	**(38)**
Balance as at December 31	**74,607**	**12,584**	**2,363**	**89,554**
Accumulated Amortization and Impairment				
Balance as at January 1	**(59,440)**	**(9,814)**	**-**	**(69,254)**
Depreciation cost	(4,480)	(947)	-	**(5,427)**
Write-offs	38	-	-	**38**
Balance as at December 31	**(63,882)**	**(10,761)**		**(74,643)**
Net Book Value				
Balance as at January 1	**8,694**	**2,303**	**3,609**	**14,606**
Balance as at December 31	**10,725**	**1,823**	**2,363**	**14,911**

15. INTANGIBLE ASSETS (continued)

BANK 2023 EUR '000	Software	Licenses	Assets Under Construction	Total
Gross book value				
Balance as at January 1	**41,286**	**10,593**	**3,770**	**55,649**
Net increase	-	-	5,520	**5,520**
Transferred into Use	3,980	1,524	(5,810)	**(306)**
Merger effect	22,868	-	511	**23,379**
Write-offs	-	-	(382)	**(382)**
Balance as at December 31	**68,134**	**12,117**	**3,609**	**83,860**
Accumulated Amortization and Impairment				
Balance as at January 1	**(36,305)**	**(8,939)**	**-**	**(45,244)**
Depreciation cost	(3,735)	(875)	-	**(4,610)**
Impairment	(2,590)	-	(125)	**(2,715)**
Merger effect	(16,810)	-	-	**(16,810)**
Write-offs	-	-	125	**125**
Balance as at December 31	**(59,440)**	**(9,814)**	**-**	**(69,254)**
Net Book Value				
Balance as at January 1	**4,980**	**1,655**	**3,770**	**10,405**
Balance as at December 31	**8,694**	**2,303**	**3,609**	**14,606**

Assets under construction as of December 31, 2024 mainly refer to investments into the application software and licenses at purchased cost in the amount of EUR 2,363 thousand (2023: EUR 3,609 thousand), which are under construction due to future use by the Group.

16. NET DEFERRED TAX ASSETS/LIABILITIES

a) Recognized Deferred Tax Assets and Liabilities (Group)

Changes in the temporary differences and portions of deferred tax assets and deferred tax liabilities, and the related balances at the Group in 2024 and 2023 are presented below:

GROUP EUR '000	2024	Recognized in the P&L Statement	Recognized in Equity and Reserves	Recognized in Other Comprehensive Income	2023
Deferred Tax Assets					
Loans and Advances to Customers	543	(58)	-	-	601
Other Provisions	1,676	(149)	-	-	1,825
Financial Assets	1,717	(592)	-	-	2,309
Deferred tax assets - impairment of land in Jurišićeva	630	-	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,672	(3)	-	-	1,675
Deferred tax assets - IFRS 16	324	123	-	-	201
Deferred Tax Liabilities					
Borrowings	(75)	23	-	-	(98)
Actuarial profit / loss - IAS 19	33	-	-	-	33
Revaluation reserve	(1,098)	-	-	-	(1,098)
Fair Value reserve	(1,017)	-	-	(238)	(779)
Deferred Tax Assets, Net	**4,423**	**(656)**	**-**	**(238)**	**5,317**

16. NET DEFERRED TAX ASSETS/LIABILITIES (continued)

GROUP EUR '000	2023	Recognized in the P&L Statement	Recognized in Equity and Reserves	Recognized in Other Comprehensive Income	2022
Deferred Tax Assets					
Loans and Advances to Customers	601	(60)	-	-	661
Other Provisions	1,825	(594)	(1,531)	-	3,950
Financial Assets	2,309	(1,832)	-	-	4,141
Deferred tax assets - impairment of land in Jurišićeva	630	-	-	-	630
Deferred tax assets - revaluation of own assets	18	(1,177)	-	-	1,195
Deferred tax assets - impairment of tangible and intangible assets	1,675	1,675	-	-	-
Deferred tax assets - IFRS 16	201	139	-	-	62
Revaluation reserves	-	-	(312)	-	312
Deferred Tax Liabilities					
Borrowings	(98)	(33)	-	-	(65)
Actuarial profit / loss - IAS 19	33	-	-	-	33
Revaluation Reserve	(1,098)	-	-	-	(1,098)
Fair Value Reserve	(779)	-	-	(83)	(696)
Deferred Tax Assets, Net	**5,317**	**(1,882)**	**(1,843)**	**(83)**	**9,125**

16. NET DEFERRED TAX ASSETS/LIABILITIES (continued)

b) Recognized Deferred Tax Assets and Liabilities (Bank)

Changes in the temporary differences and portions of deferred tax assets and deferred tax liabilities, and the related balances at the Bank in 2024 and 2023 are presented below:

BANK '000 kn	2024	Recognized in the P&L Statement	Recognized in Equity and Reserves	Recognized in Other Comprehensive Income	2023
Deferred Tax Assets					
Loans and Advances to Customers	543	(58)	-	-	601
Other Provisions	1,675	(149)	-	-	1,824
Financial Assets	1,717	(592)	-	-	2,309
Deferred tax assets - impairment of land	630	-	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,672	(3)	-	-	1,675
Deferred tax assets - IFRS 16	325	123	-	-	202
Deferred Tax Liabilities					
Borrowings	(75)	23	-	-	(98)
Actuarial profit / loss - IAS 19	33	-	-	-	33
Revaluation reserve	(1,098)	-	-	-	(1,098)
Fair Value reserve	(1,017)	-	-	(238)	(779)
Deferred Tax Assets, Net	**4,423**	**(656)**	-	**(238)**	**5,317**

BANK EUR '000	2023	Recognized in the P&L Statement	Recognized in Equity and Reserves	Recognized in Other Comprehensive Income	2022
Deferred Tax Assets					
Loans and Advances to Customers	601	(127)	235	-	493
Other Provisions	1,824	(264)	2,088	-	-
Financial Assets	2,309	(1,324)	-	-	3,633
Deferred tax assets - impairment of land	630	-	-	-	630
Deferred tax assets - revaluation of own assets	18	-	-	-	18
Deferred tax assets - impairment of tangible and intangible assets	1,675	448	1,227	-	
Deferred tax assets - IFRS 16	202	141	17	-	44
Deferred Tax Liabilities					
Borrowings	(98)	(33)	-	-	(65)
Actuarial profit / loss - IAS 19	33	-	-	-	33
Revaluation reserve	(1,098)	-	-	-	(1,098)
Fair Value reserve	(779)	-	-	(83)	(696)
Deferred Tax Assets, Net	**5,317**	**(1,159)**	**3,567**	**(83)**	**2,992**

17. OTHER ASSETS

	GROUP		BANK	
EUR '000	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Fees Receivable	3,385	3,696	3,385	3,620
Items in Course of Collection*	9,319	7,893	9,319	7,893
Prepaid expenses	6,916	6,474	6,916	6,474
Other Receivables	15,856	16,870	15,824	16,787
Total Other Assets, Gross	**35,476**	**34,933**	**35,444**	**34,774**
Impairment Loss	(3,230)	(3,468)	(3,230)	(3,468)
Total	**32,246**	**31,465**	**32,214**	**31,306**

* The instruments used in the course of collection mostly refer to funds in the settlement, as well as other receivables in the settlement (retail, card transactions, payment transactions, effective sales etc.).

Movements in the impairment allowance on other assets were as follows:

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Balance at January 1	**3,468**	**2,734**	**3,468**	**2,717**
Increase in Impairment Losses	407	734	407	398
FX differences	-	-	-	353
Utilized impairment and other	(645)	-	(645)	-
Balance at December 31	**3,230**	**3,468**	**3,230**	**3,468**

18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Negative fair value “swap”	542	16	542	16
Balance at December 31	**542**	**16**	**542**	**16**

19. DEPOSITS FROM BANKS

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Demand Deposits	13,596	10,907	13,596	10,907
Term Deposits	63,197	40,416	63,197	40,416
Interest Payable Not Yet Due	5	62	5	62
TOTAL	**76,798**	**51,385**	**76,798**	**51,385**

20. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Demand Deposits				
Retail	1,763,489	1,457,565	1,763,489	1,457,565
Corporate	2,045,978	1,968,956	2,046,672	1,969,411
Restricted Deposits				
Retail	59,204	40,482	59,204	40,482
Corporate	313,208	280,722	313,208	280,722
	4,181,879	**3,747,725**	**4,182,573**	**3,748,180**
Term Deposits				
Retail	1,455,028	1,512,063	1,455,028	1,512,063
Corporate	1,005,232	602,052	1,005,232	602,052
	2,460,260	**2,114,115**	**2,460,260**	**2,114,115**
Interests Payable - Not Yet Due	13,995	10,201	13,995	10,201
Total current account and deposits from customers	**6,656,134**	**5,872,041**	**6,656,828**	**5,872,496**

Restricted deposits mainly relate to client deposits which are predetermined for special purposes, such as those based on court orders.

21. BORROWINGS

Borrowings

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between proceeds (net of transaction costs) and redemption value being recognized in the P&L report over the period of the borrowings as interest. The amount is subsequently reduced by not deferred portion of the fee paid at the point of loan approval.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Short-term loans	907	30,010	907	30,010
Long-term loans from HNB	72,997	72,998	72,997	72,998
Long-term loans from banks	184,841	162,439	184,841	162,439
Long-term loans HBOR	184,292	201,477	184,292	201,477
Other long-term borrowings - leasing	11,802	14,519	11,802	14,519
Accrued Interests Due	119	79	119	79
Accrued Interests not Yet Due	1,970	2,768	1,970	2,768
Total	**456,928**	**484,290**	**456,928**	**484,290**

Leases

The contract is, or contains, lease if it conveys the right to use an underlying asset for the defined period of time in exchange for consideration. For such contracts the Bank recognizes right-of-use asset and lease liability.

Leased assets where the Bank and the Group are lessors in which they retain all the risks and awards related to the ownership, is included in the tangible or intangible asset at purchase cost less accumulated depreciation or amortization. Rent income from operating lease is recognized in profit or loss statement using straight-line method during the lease period. Initial costs, directly related to the operating lease contract, the Bank recognizes over time in line with the recognition of rent income. For the duration of a lease contract, the Bank recognizes depreciation or amortization and impairment losses on the leased asset aligned with the amortization method applicable for the similar asset owned by the Bank.

For lease contracts where the Bank is a lessee, lease liability is measured at the present value of future lease payments, discounted at incremental discount rate of the lessee at the date of initial recognition. Lease liability is recognized in contracted currency.

On the other hand, the Bank as a lessee recognizes Right-of-Use Asset (RoU) at the date of initial recognition by which the right to use the underlying asset is measured at the amount of present value of future lease payments adjusted for any accruals and prepayments related to the lease contract recognized in the statement of financial position

21. BORROWINGS (continued)

immediately before the date of initial recognition. The Right-of-Use Asset is recognized in Bank's functional currency and is depreciated on a straight-line bases over lease term.

Subsequent measurement of the lease liability includes an increase in book value to reflect interest on the lease obligation and a decrease in value that reflects the lease payments.

Bank opted for the practical exemptions in terms of IFRS 16 "Leases" (i.e. exemption from Lease Liability and Right-of-Use Asset recognition) in the following cases:

- Short-term leases and
- Leases of low-value items.

In these cases, lease payments are recognized as an expense over the lease term.

The Bank decided to opt for the low-value items expedient and identified, based on the IASB opinion presented in the Basis of conclusion, that the order of magnitude would be USD 5,000 (value of underlying asset).

Bank has opted for the expedient for the intangible asset as well.

VAT is excluded from the calculation of the Right-of-Use Asset and the Lease Liability.

Lease liability is measured at the present value of future lease payments (not paid at that date), discounted at the interest rate implicit in the lease if it can be readily determined. Otherwise, the Bank uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow:

- the funds to obtain asset of a similar value to the right-of-use asset;
- over a similar term;
- with a similar security;
- in similar economic environment.

The Bank discloses the information about lease contracts in which it acts as a lessee, separately in the financial statements which comprise the following:

a) Depreciation charge for the right-of-use asset
b) The interest expense on the lease liability
c) Expenses related to the short-term leases (these expenses do not have to include expenses related to contracts with lease period shorter or equal to one month)
d) Expenses related to the leases of low-value items.

In accordance with IFRS 16 and accounting policies, Bank as the lessee use exceptional recognition for the lease of "low value" assets (EFTPOS devices) and short-term leases, i.e. leases with a 12-month or shorter period. During the lease period in 2024, the Bank recognized EUR 716 thousand (2023: EUR 161 thousand) as an expense on a proportional basis for low-value asset leases, or EUR 70 thousand (2023: EUR 1,022 thousand) for short-term leases.VAT is excluded from the calculation of the Right-of-Use Asset and the Lease Liability.

The average weighted incremental borrowing rate on December 31, 2024, is 4.55 percent (December 31, 2023, 4.53 percent).

In 2024, the Bank recognized income in the amount of EUR 136 thousand (2023: EUR 18 thousand).

Interest expenses in accordance with IFRS 16 amount to EUR 573 thousand (2023: EUR 537 thousand), of which EUR 438 thousand refers to corporate (2023: EUR 446 thousand), while the rest of EUR 135 thousand (2023: EUR 91 thousand) refers to retail.

The Bank used in 2024 exemption for low value leases for ATMs and equipment in accordance with IFRS 16. If that exemption was not used respective lease liability on December 31, 2024. would amount EUR 1,222 thousand.

21. BORROWINGS (continued)

Changes in Lease Liabilities

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Balance as of January 1	**14,348**	**12,986**	**14,520**	**9,910**
Merger effect	-	-	-	3,002
New contracts	4,333	5,907	4,161	4,966
Modifications	(1,468)	382	(1,468)	382
Lease payments	(3,608)	(3,579)	(3,608)	(2,808)
Cessation	(2,374)	(1,422)	(2,374)	(967)
Exchange rate fluctuations and interest	571	74	571	35
Balance at December 31	**11,802**	**14,348**	**11,802**	**14,520**

Future minimal Lease Payments

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
up to one year	3,136	3,382	3,136	3,382
from one to five years	7,099	8,845	7,099	8,845
over five years	1,567	2,293	1,567	2,293
Total	**11,802**	**14,520**	**11,802**	**14,520**

21. BORROWINGS (continued)

Liabilities arising from financing activities

GROUP EUR '000	Short-term loans	Long-term loans	Leases	Other
Liabilities from financing activities as of January 1, 2023	**94,403**	**227,428**	**13,181**	**450**
Cash flows	(64,393)	209,486	(3,579)	-
Other non-cash movement	-	-	4,917	2,397
Liabilities from financing activities as of December 31, 2023	**30,010**	**436,914**	**14,519**	**2,847**
Cash flows	(29,103)	5,216	(3,608)	-
Other non-cash movement	-	-	891	(758)
Liabilities from financing activities as of December 31, 2024	**907**	**442,130**	**11,802**	**2,089**

BANK EUR '000	Short-term loans	Long-term loans	Leases	Other
Liabilities from financing activities as of January 1, 2023	**-**	**227,428**	**10,106**	**-**
Cash flows	30,010	56,883	(2,808)	-
Acquisition of subsidiaries	-	152,603	3,002	-
Other non-cash movement	-	-	4,219	2,847
Liabilities from financing activities as of December 31, 2023	**30,010**	**436,914**	**14,519**	**2,847**
Cash flows	(29,103)	5,216	(3,608)	-
Other non-cash movement	-	-	891	(758)
Liabilities from financing activities as of December 31, 2024	**907**	**442,130**	**11,802**	**2,089**

22. PROVISIONS FOR COMMITMENTS AND CONTINGENCIES

The Bank and Group recognize a provision when it has a present obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made of the obligation. Provisions are also made for off-balance sheet credit risk exposures .

Provision for liabilities and charges represent the best estimate of the expenditures needed to settle the present obligation at the reporting date. The management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

Provisions are used only for such expenditure in respect of which provision are recognized at initial recognition. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Litigation Provisions	26,748	29,492	26,748	29,492
Provisions for Other Liabilities	5,909	4,599	5,827	4,590
Provisions for Off-Balance Sheet Exposures	7,673	6,329	7,673	6,329
Provisions for employees	1,153	1,161	1,153	1,161
Total	**41,483**	**41,581**	**41,401**	**41,572**

The Bank was sued in a large number of court cases, and provisions were made for them in the financial statements. The majority of active lawsuits against the Bank relate to CHF loan disputes arising from the "Potrošač" case. In 2012, the "Potrošač" association sued a total of eight Croatian banks (among them legal ancestor of the Bank), claiming that consumers who in the period 2004-2008 borrowed loans related to CHF were not adequately informed by the banks about all the risks related to such loans, as well as that the variable interest rates applied in those contracts were illegal.

After a long-term procedure in which both the Constitutional and Supreme Courts were involved, the High Commercial Court of the Republic of Croatia issued a verdict that the Bank received on July 20, 2018, which is in favor of the Croatian association "Potrošač", and which essentially confirmed the first-instance decision of the Commercial Court in Zagreb (first-instance decision from 2013) against 8 banks. This procedure had a favorable outcome for the defendant, and the decision was received on September 24, 2019.

As a consequence of the said unfavorable ruling, the number of new lawsuits by clients - consumers against the Bank related to CHF loans increased from year to year.

In individual disputes related to non-converted CHF loans, the positions of the courts and judicial practice were unambiguously profiled in favor of the plaintiff. During 2023, compared to previous years, the number of lawsuits against the Bank related to CHF loans increased, as well as the number of final decisions against the Bank. The increased number of litigations resulted in a higher amount of provisions for court cases. The Bank specifically formed portfolio reservations for potential disputes related to non-converted CHF loans.

Regarding converted loans, on March 10, 2020, the Supreme Court issued a Decision in the so-called trial procedure, which was initiated due to the question of the validity of the agreement on the conversion of loans in Swiss francs. The Supreme Court declared the conversion of loans in Swiss francs valid and considers that the conversion agreements (including all their supplements) have valid legal effects regardless of the invalidity of the provisions on the interest rate or the currency clause in

22. PROVISIONS FOR COMMITMENTS AND CONTINGENCIES (continued)

the basic loan agreements in Swiss francs. This judgment of the Supreme Court can reduce the pressure and significantly ease the position of the Bank in the individual lawsuits that are pending regarding the converted loans.

During 2022, the decision of the Court of the EU in case C-567/20 was also made - the Court found that the controversial case of conversion is a legal intervention in relation to which assumes that the contractual balance has been established, and that as such it is not subject to the application of Directive 93/13. The EU Court instructed our national courts to check whether the contractual balance has indeed been established, considering all the legal and factual circumstances that preceded the conversion.

In October 2024, the Supreme Court of the Republic of Croatia (VSRH) issued three rulings reflecting two divergent legal positions regarding the plaintiffs' rights. In decisions Rev-1359/2019 and Rev-586/2019, the Supreme Court took the stance that plaintiffs are entitled to claim only default interest on amounts reimbursed through currency conversion. Conversely, in decision Rev-1096/2022, the Supreme Court concluded that plaintiffs have the right to recover the difference in overpaid amounts arising from unfair and null provisions of the original loan agreement, provided such a difference exists following the conversion.

Given these conflicting positions of the Supreme Court, it remains uncertain how lower courts will rule in similar cases and whether the Supreme Court will ultimately adopt a unified legal position or allow individual judicial panels to decide independently. Even if the Supreme Court establishes a uniform stance, the position of the Constitutional Court of the Republic of Croatia and the potential stance of the Court of Justice of the European Union remain open questions—particularly if any court seeks an interpretation of European Union law, despite the existence of prior rulings. In light of this judicial practice, the Bank has established provisions for converted CHF loan.

Furthermore, in 2024, compared to previous years, there has been an increase in the number of lawsuits filed against the Bank related to the nullity of upfront and exit fees, as well as in the number of final judgments rendered against the Bank.

With respect to cases in which the claim pertains to the nullity of upfront and exit fees, the Supreme Court of the Republic of Croatia (VSRH) has taken the position that, during the proceedings, the Bank must demonstrate the objectively incurred, fair costs it directly sustained when concluding the loan agreement or due to early loan repayment. Additionally, the Bank must provide precise evidence regarding the amount of these costs. The Bank is also required to consider its transparency obligations as stipulated by the Consumer Protection Act. Otherwise, the provisions in question would be deemed null and void. Notably, lower courts generally adhere to the Supreme Court's legal interpretations.

In view of these developments, the Bank has increased provisions for cases in which the claim pertains to the nullity of upfront and exit fees.

Movements in Provisions for commitments and contingencies

The movements in provisions for commitments and contingencies were as follows:

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Balance at January 1	**41,581**	**52,856**	**41,572**	**19,071**
Increase/ (Decrease) in Provisions in the P&L Report	7,832	(6,745)	7,759	(5,364)
Merger effect	-	-	-	29,698
Provisions used during the year	(7,930)	(4,874)	(7,930)	(2,177)
Other	-	344	-	344
Balance at December 31	**41,483**	**41,581**	**41,401**	**41,572**

23. OTHER LIABILITIES

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Trade Accounts Payable	2,211	3,284	2,211	3,248
Salaries Amounts to Be Withheld from Salaries, Taxes and Contributions	4,356	3,980	4,356	3,931
Fees Payable	1,337	1,328	1,337	1,328
Items in Course of settlement	10,508	14,563	10,508	14,563
Prepaid Deferred Income	4,889	3,501	4,889	3,501
Declared dividend liabilities	48,389	5,284	48,389	5,284
Liabilities for prepaid cards	3,618	3,567	3,618	3,567
Other Liabilities	9,033	19,760	8,928	19,627
Total	**84,341**	**55,267**	**84,236**	**55,049**

24. EQUITY AND RESERVES

Share Capital and Reserves

Share capital is denominated in Croatian Kuna and stated at nominal value. The amount of fees paid on repurchase of share capital, including directly attributable costs, is recognized as a deduction from equity and classified as treasury shares.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Retained Earnings/ Accumulated Losses

Profit for the year, retained after appropriations, is transferred to reserves, in accordance with the decision of the General Assembly.

Loss for the period is charged on the accumulated retained earnings. Any remaining loss is allocated in accordance with the regulations applicable to trading companies in the Republic of Croatia.

24. EQUITY AND RESERVES (continued)

a) Share Capital and treasury shares reserve

As at 31 December 2024, the authorized, registered and fully paid-up share capital of the Bank amounted to EUR 161,970 thousand (2023: 161,970 thousand) and included 2,024,625 (2023: 2,024,625) of the approved ordinary the nominal value of EUR 80 (2023: eur 80). Based on the Decision of the General Assembly from August 30, 2023, in September 2023, the adjustment of the share capital due to the introduction of the euro was entered in the court register of the Commercial Court in Zagreb by an increase of EUR 741,650.41 that charges legal reserves and changes to the provisions of the Statute.

In February 2024, in accordance with the Program for the purchase of its own shares, the Bank bought a total of 49 own shares, on the regulated market of the Zagreb Stock Exchange d.d. Considering that before the acquisition, the Bank did not have its own (treasury) shares, after the mentioned acquisition - on 13 February 2024, the Bank had a total of 49 own shares without voting rights, i.e. 0.00242% of the Bank's share capital. For the aforementioned acquisition of its own shares, the Bank provided a consideration in the amount of EUR 9,898.00.

On December 12, 2024, the bank sold all 49 of its own shares outside the regulated market of the Zagreb Stock Exchange d.d. on the basis of the concluded Agreement on the transfer of shares and after the completed transfer, i.e. on December 31, 2024, the Bank no longer has its own shares in the treasury account.

Reserve for treasury shares as of 31.12.2024 amounts to EUR 594 thousand (2023: EUR 594 thousand).

The ownership structure is as follows:

	2024		2023	
	Paid-In Capital EUR '000	Ownership	Paid-In Capital EUR '000	Ownership
Republic of Croatia	72,723	44.90%	72,723	44.90%
Hrvatska Pošta p.l.c.	19,329	11.93%	19,329	11.93%
Croatian Deposit Insurance Agency (CDIA)	14,545	8.98%	14,545	8.98%
Croatian State Pension Insurance Fund	14,185	8.76%	14,185	8.76%
PBZ Croatia insurance mandatory pension fund - category B	9,722	6.00%	3,866	2.39%
Others	31,466	19.43%	37,322	23.04%
Total	**161,970**	**100.00%**	**161,970**	**100.00%**

24. EQUITY AND RESERVES (continued)

b) Fair Value Reserve

The fair value reserve includes unrealized gains and losses on changes in the fair value of financial assets at fair value through other comprehensive income, net of tax.

The movements of fair value reserve during 2024 and 2023, for the Bank and the Group were as follows:

GROUP AND BANK	2024 EUR '000	2023 EUR '000
Balance at January 1	**3,641**	**3,017**
Equity instruments in assets at other comprehensive income - net change in fair value	1,076	707
Deferred tax relating to the change in the revaluation of financial assets at fair value through OCI	(238)	(83)
Balance at December 31	**4,479**	**3,641**

c) Revaluation Reserve

The revaluation reserve in the amount of EUR 5,004 thousand (2023: EUR 5,004 thousand), net of taxes, arises from the revaluation of the Bank's land and buildings.

24. EQUITY AND RESERVES (continued)

d) Proposed Dividends

In line with the Decision on the amount, manner and time limits for the payment of funds from state-owned companies to the state budget of the Republic of Croatia for 2023, adopted on November 2, 2023, the General Assembly of the Bank passed a resolution on December 21, 2023, approving a dividend distribution of EUR 5,284,271.25 (EUR 2.61 gross per share) from retained earnings for 2022. The dividend was paid on June 24, 2024.

Pursuant to the Government's Decision on the transfer of funds from state-owned companies to the state budget for 2024, adopted on October 31, 2024, the General Assembly of the Bank approved, on December 19, 2024, a dividend payment of EUR 48,388,537.50 (EUR 23.90 gross per share) from retained earnings for 2023. Of this amount, EUR 24,194,268.75 (EUR 11.95 gross per share) was paid on January 7, 2025, while the remaining EUR 24,194,268.75 (EUR 11.95 gross per share) is scheduled for payment on June 26, 2025.

No dividend payments were made in 2023.

e) Legal and other reserves

The Bank is obliged to form a legal reserve by allocating 5% of net profit for the year, until the reserves reach 5% of the share capital.

Legal reserves amount to EUR 8,099 thousand for the Group and the Bank (2023: EUR 6,790 thousand for the Group and the Bank), prior to the distribution of result achieved in 2023, which is reported in the retained earnings position.

Other reserves for the Bank and the Group as at December 31, 2024 amount to EUR 80,614 thousand (2023: EUR 80,614 thousand).

f) Retained earnings

In August 2024, the General Assembly of the Bank passed a Decision to transfer part of the profit from 2023 in the amount of EUR 79,306 thousand to retained earnings within capital and reserves (2023: EUR 125,976 thousand). Retained earnings as of December 31, 2024 amounts to EUR 299,058 thousands (2023: 275,124).

g) Financial Leverage Ratio

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

Financial leverage ratio for the Bank is as follows:

	2024	2023
Financial Leverage Ratio (%)	6.31	6.95

25. EARNINGS PER SHARE

The Bank presents earnings or loss per share data for its ordinary shares. Earnings/loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

To calculate earnings per share, earnings are accounted for as the profit / loss for the current period intended for the shareholders of the Bank. The number of ordinary shares is the weighted average number of ordinary shares in circulation during the year after the decrease of the number of regular treasury shares. The weighted average number of ordinary shares used to calculate the basic / diluted earnings per share would be the same as the number used to calculate the basic and diluted earnings per share, or 2,024,625 (2023: 2,024,625), as shown below:

	2024 EUR '000	2023 EUR '000
Current Year Profit/ Distributable to the Bank's Owners	73,632	80,615
Profit Used to Calculate Basic and Diluted Earnings Per Share	**73,632**	**80,615**
Weighted Average Ordinary Shares Outstanding Used to Calculate Basic and Diluted Earnings Per Share	2,024,625	2,024,625
Basic and Diluted Earnings Per Share	**36.37 €**	**39.82 €**

INTEREST AND SIMILAR INCOME AND EXPENSE (NOTE 26 AND 27)

Interest income and expense are recognized in the Profit and loss ("P&L") report as they accrue for all interest-bearing financial instruments, using the effective interest rate method.

Such income and expense are presented as interest and similar income or interest expense and similar charges in the P&L report. Interest income and expense also includes fee and commission income and expense in respect of loans provided to customers or borrowings from other banks, premium or discount amortization, and other differences between the initial carrying amount of an interest-bearing financial instrument and its value at maturity, recognized on a basis of effective interest rate. Interest income and expense on all trading assets and liabilities are presented as interest income or expense.

For financial assets measured at amortized cost, calculation the effective interest rate is based on gross book value, with the exemption of the following:

(a) purchased or originated credit impaired financial assets. For such financial assets the Bank applies to the amortized cost of financial assets on initial recognition the effective credit impaired interest rate adjusted for credit risk;

(b) financial assets that is neither purchased nor originated credit impaired financial assets, but afterwards became credit impaired financial assets. For such financial assets the Bank in the following reporting periods to the amortized cost of financial assets applies the effective interest rate.

INTEREST AND SIMILAR INCOME AND EXPENSE (NOTE 26 AND 27) (continued)

Modification of contracted cash flows

If contracted cash flows from financial assets were to be renegotiated or modified in some other manner, whereby such new deal or modification do not lead to derecognition of the financial assets, the Bank and the Group recalculate gross book value of the financial assets and in the profit and loss recognize the gain or loss. Gross book value of financial assets is recalculated as present value of renegotiated or modified contracted cash flows discounted by initial effective interest rate of the financial assets (for purchased or originated credit impaired financial assets discounted by effective credit impaired interest rate) or if necessary, by credit impaired effective interest rate. Book value of modified financial assets is impaired by arisen costs or fees, which are depreciated during the remaining period of the modified financial assets. When the modification of conditions or modification of contracted future cash flows leads to derecognition of existing financial assets and at the same time there are impairment indicators of new financial assets, it represents the purchased or originated credit impaired financial assets (so called POCI). Once classified into the POCI category, the assets remain in it for its remaining lifetime.

26. INTEREST INCOME

a) Income Analysis by Product:

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Loans to Customers				
- Corporate	52,627	47,956	52,629	40,882
- Individuals	67,887	69,590	67,887	54,078
	120,514	**117,546**	**120,516**	**94,960**
Loans to Banks	113,343	58,425	113,337	60,854
Debt Securities	24,742	15,383	24,742	14,836
Bills of Exchange	9	18	9	5
Total	**258,608**	**191,372**	**258,604**	**170,655**

b) Income Analysis by Source:

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Corporate	39,281	33,997	39,283	27,192
Retail	67,887	69,589	67,887	54,078
Government and Public Sector	35,578	29,245	35,578	28,428
Banks and Other Financial Institutions	115,711	58,425	115,705	60,854
Others	151	116	151	103
Total	**258,608**	**191,372**	**258,604**	**170,655**

27. INTEREST EXPENSE

a) Expense Analysis by Product

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Borrowings	15,205	10,010	15,205	8,181
Customer Deposits				
- Corporate	16,387	7,634	16,387	6,870
- Retail	39,902	8,152	39,902	7,336
	56,289	**15,786**	**56,289**	**14,206**
Deposits from Banks	3,272	(1,313)	3,278	451
Other	8,398	4,171	8,397	3,344
Total	**83,164**	**28,654**	**83,169**	**26,182**

b) Expense Analysis by Recipient

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Corporate	16,819	8,077	16,819	7,290
Retail	40,020	8,255	40,020	7,427
Government and Public Sector	7,209	3,363	7,209	2,621
Banks and other Financial Institutions	18,489	8,714	18,494	8,646
Others	627	245	627	198
Total	**83,164**	**28,654**	**83,169**	**26,182**

FEES AND COMMISSIONS INCOME AND EXPENSE (NOTE 28 AND 29)

Fee and commission income and expense arise on financial services provided by the Bank and received by the Bank, and mainly comprise fees related to domestic and foreign payments, the issue of guarantees and letters of credit, credit card business and other services provided by and to the Bank and the Group. Fee and commission income and expense are recognized in the P&L report when the related service is performed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commitment fees in relation to facilities where draw down is not probable are recognized over the term of the commitment. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank and Group has retained no part for itself, or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts.

Asset management fees related to investment fund management are recognized on an accrual basis over the period in which the service is provided. The same principle is applied for custody services that are continuously provided over an extended period.

28. FEES AND COMMISSIONS INCOME

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Cash Payment Operations	32,323	29,682	32,323	29,589
Non-Cash Payment Operations	9,879	8,700	9,879	8,345
Retail and Credit Card Operations	25,958	29,833	25,958	26,862
Letters of Credit, Guarantees and Foreign-Exchange Payment Operations	3,094	2,912	3,094	2,472
Other Fees and Commissions Income	6,049	5,179	5,535	3,876
Total	**77,303**	**76,306**	**76,789**	**71,144**

29. FEES AND COMMISSIONS EXPENSE

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Cash Payment Operations	26,875	26,797	26,875	26,781
Non-Cash Payment Operations	1,438	2,372	1,438	1,840
Card Operations	8,439	10,196	8,439	9,655
Other Fees and Commission Expense	4,658	4,030	4,665	3,510
Total	**41,410**	**43,395**	**41,417**	**41,786**

30. NET (LOSESS) / GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Gains less losses from financial instruments at fair value through profit or loss include unrealized and realized gains and losses arising from derivative financial instruments, trading debt securities and other financial instruments designated at fair value through profit or loss.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Realized Gains/(Losses)				
Debt securities	268	(123)	268	35
Equity Securities	1	(47)	1	(47)
Investment Funds	87	-	87	-
Forward Contracts, OTC	424	414	424	414
	780	**244**	**780**	**402**
Unrealized Gains/(Losses)				
Debt securities	963	1,196	963	1,196
Equity Securities	1,412	1,608	1,412	1,608
Investment Funds	1,663	490	1,663	490
Forward Contracts, OTC	(1,138)	536	(1,138)	536
	2,900	**3,830**	**2,900**	**3,830**
Profit and loss from FX trading	1,670	2,346	1,669	2,228
Income from dividends on equity securities held for trading	197	142	197	142
Gains/losses on non-trading financial assets measured at fair value through profit or loss, net	56	201	56	201
Total	**5,603**	**6,763**	**5,602**	**6,803**

31. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Gains less losses from financial instruments at fair value through other comprehensive income include realized gains and losses from financial instruments measured at fair value through other comprehensive income.

Assets measured at fair value through other comprehensive income include equity securities.

Profit or loss on financial assets that are measured at fair value through other comprehensive income are recognized in other comprehensive income, with the exception of gains or losses from impairment and gains and losses from exchange differences, until the financial asset is derecognized or reclassified. If a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

In the case of equity shares from the portfolio that are valued at fair value through other comprehensive income, a significant or longer-term decline in the fair value of the security below its purchase value is considered objective evidence of impairment.

Objective impairment evidence may include:

- Significant financial difficulties for issuer or other contract party, or
- Contract breach, for example late payments or non-payment of principal and interest, or
- Likely bankruptcy start or financial restructuring of the debtor, or
- Disappearance of active market for concerned financial assets due to financial difficulties.

If a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Dividend income on equity securities held at fair value through other comprehensive income	28	20	28	20
Total	**28**	**20**	**28**	**20**

32. OTHER OPERATING INCOME

Dividend income on equity investments is recognized in the P&L report when the right to receive dividends is established.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Dividend Income	-	822	-	822
Derecognition effect for non financial assets	1,395	90	1,395	67
Net profit/loss on exchange rate differences from the revaluation of monetary assets and liabilities	607	(1,058)	607	(1,044)
Other income	3,836	8,038	3,127	7,672
Total	**5,838**	**7,892**	**5,129**	**7,517**

33. GENERAL AND ADMINISTRATIVE EXPENSES

Provisions for Severance Payments and Jubilee Awards

In calculating provisions for severance payments and jubilee awards, the Bank and Group discounts expected future cash flows in respect of the liabilities, using discount rates that, in opinion of the Bank's management, best represent the time value of money. Actuarial gains or losses for long-term benefits are recognized in profit and loss statement, whereas interest expense and current period employee expenses are recognized in profit or loss statement.

Defined Pension Contributions

The Bank and Group pays contributions to pension-insurance funds on a mandatory, contractual basis. The Bank and Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

33. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Materials and Services	29,575	29,680	29,195	24,458
Administration and Marketing	2,407	3,091	2,406	2,485
Postage and Telecommunications	5,075	3,631	5,063	3,620
Employee Expenses	56,470	51,886	55,672	44,256
Deposit Insurance	-	1,640	-	1,615
Other General and Administrative Expenses	5,951	8,126	5,959	7,522
Total	**99,478**	**98,054**	**98,295**	**83,956**

Employee Expenses

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Net Salaries and Other Employee Expenses	29,713	27,636	29,267	23,462
Taxes and Contributions (including contributions payable by employers)	19,897	18,847	19,590	15,966
Net provisions for severance pay, jubilee awards, employee vacations	233	361	233	361
Other Fees to Employees	6,598	5,001	6,567	4,453
Fees to Supervisory Board Members	29	41	15	14
Total	**56,470**	**51,886**	**55,672**	**44,256**

As of December 31, 2024, the Bank had 1,695 employees (2023: 1,727) and the Group had 1,720 employees (2023: 1,752).

The costs of mandatory contributions for pension insurance in the second pillar in 2024 amount to EUR 2,111 thousand (2023: EUR 1,708 thousand).

34. IMPAIRMENT LOSSES ON LOANS TO AND RECEIVABLES FROM CUSTOMERS AND OTHER ASSETS

		GROUP		BANK	
	Notes	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Expected credit losses Stage 3					
Loans to and Receivables from Customers	10	(12,704)	(12,158)	(12,704)	(5,549)
Other Assets	17	(427)	(673)	(427)	(494)
Net (loss)/gains from (write-off)/collection of Placements Written-Off in Previous Years		99	30	99	27
Total (expense)/income Stage 3		**(13,032)**	**(12,801)**	**(13,032)**	**(6,016)**
Expected credit losses Stage 1&2					
Loans to and Receivables from Customers	10	(845)	7,164	(845)	3,917
Financial assets at amortized cost	9	52	133	52	148
Other Assets	17	20	24	20	24
Total (expense)/income Stage 1 and 2		**(773)**	**6,897**	**(773)**	**3,665**
Total expected losses					
Loans to and Receivables from Customers	10	(13,549)	(4,994)	(13,549)	(1,632)
Financial Assets at Amortized Cost	9	52	133	52	148
Other Assets	17	(407)	(649)	(407)	(470)
Gains from Recovery of Placements Written-Off in Previous Years		99	30	99	27
Total expected losses from financial assets		**(13,805)**	**(5,480)**	**(13,805)**	**(1,927)**
Modification gains/(losses)		**(559)**	**(424)**	**(559)**	**(424)**
Non-financial assets losses					
investment property	14	-	19	-	50
Tangible and intangible assets	13	-	(2,887)	-	(2,714)
Total (expense)/income		**(14,364)**	**(8,772)**	**(14,364)**	**(5,015)**

Identified losses on an individual basis related to financial assets at fair value through profit or loss relate to loans and receivables from customers who failed the SPPI test.

35. INCOME TAX

Current tax payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the P&L report and report of other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in financial reports and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Measurement of deferred tax liabilities and assets reflects the amount that the Bank and Group expects, at the end of the financial reports date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified in the report of financial position as non-current assets and/ or non-current liabilities. Deferred tax assets are recognized only to the extent that it is probable that the related tax benefit will be realized. At each reporting date, the Bank and Group reviews the unrecognized potential tax assets and the carrying amount of the recognized tax assets.

35. INCOME TAX (continued)

Total recognized corporate tax expense, calculated at the corporate tax rate of 18%, comprises corporate tax expense recognized in the P&L report and movements in deferred tax assets and liabilities as follows:

Income Tax Expense Recognized in the P&L Statement

	GROUP		BANK	
	2024 EUR '000	**2023 EUR '000**	**2024 EUR '000**	**2023 EUR '000**
Income tax	(15,859)	(17,250)	(15,859)	(16,527)
Recognized net deferred tax assets	-	4,990	-	4,274
Deferred tax income/(expense) related to the generation and reversal of temporary differences	(656)	(1,876)	(656)	(1,160)
Total income tax	**(16,515)**	**(14,136)**	**(16,515)**	**(13,413)**

The movement of deferred tax assets and liabilities with recognition effects in other comprehensive income and the income statement is set out in Note 16 Net deferred tax assets / liabilities.

Reconciliation of Income Tax Expense

The reconciliation between income tax expense and profit before tax is shown as follows:

	GROUP		BANK	
	2024 EUR '000	**2023 EUR '000**	**2024 EUR '000**	**2023 EUR '000**
Profit Before Taxation	*90,050*	*97,223*	*90,147*	*94,028*
Income Tax at the Rate of 18%	(16,209)	(17,500)	(16,226)	(16,925)
Tax Non-Deductible Expenses	(2,479)	(2,502)	(2,479)	(2,480)
Non-Taxable Income	2,846	2,734	2,846	2,879
Recognized tax losses	-	4,358	-	4,273
Recognized Deferred Tax Asset	(656)	(1,160)	(656)	(1,160)
Unrecognized Deferred Tax Asset	(17)	(66)	-	-
	(16,515)	**(14,136)**	**(16,515)**	**(13,413)**
Effective Income Tax Rate	*18.34%*	*14.54%*	*18.32%*	*14.26%*

Recognized Deferred Tax in Respect of Tax Losses Disposable in Prospective Periods

At the end of 2024, the Bank has no deferred tax assets based on previous losses.

36. CONCENTRATION OF ASSETS AND LIABILITIES

The assets and liabilities of the Bank are significantly concentrated on amounts directly due from and to the Republic of Croatia. The amounts at year end, including accrued interest, are as follows:

		GROUP		BANK	
	Notes	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Bonds of the Republic of Croatia	5	824,875	703,939	824,875	703,939
Treasury Bills of the Croatian Ministry of Finance		98,461	148,082	98,461	148,082
Loans to the Republic of Croatia		69,597	170,682	69,597	170,682
Other receivables		5,351	6,320	5,351	6,320
Deposits from the Republic of Croatia		(17,035)	(38,714)	(17,035)	(38,714)
Other liabilities		(7,470)	(7,576)	(7,470)	(7,576)
Total		**973,779**	**982,733**	**973,779**	**982,733**

The Bank's exposure towards local government and other subjects of public government (excluding government of Republic of Croatia, subjects of state management and state owned companies) is presented below:

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Loans	76,726	80,714	76,726	80,714
Deposits	(234,990)	(172,161)	(234,990)	(172,161)
Total	**(158,264)**	**(91,447)**	**(158,264)**	**(91,447)**

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognized at fair value and subsequently measured at amortized cost. Cash and cash equivalents comprise cash balances on hand, cash deposited with CNB, placements with other banks with original maturities of three months or less, and items in course of settlement with other banks.

		GROUP		BANK	
	Notes	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Cash and Amounts Due from Banks	5	3,798,745	3,103,821	3,798,740	3,103,814
Deposits with Banks with Original Maturities of Up to 90 Days		2,284	3,656	2,284	3,656
Items in Course of Collection	17	9,319	7,893	9,319	7,893
Total		**3,810,348**	**3,115,370**	**3,810,343**	**3,115,363**

38. CONTINGENT LIABILITIES

In the ordinary course of business, the Bank and Group enters into credit related commitments which are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments. Such financial commitments are recorded in the Bank's and Group's report of financial position if and when they become payable.

	GROUP		BANK	
	2024 EUR '000	2023 EUR '000	2024 EUR '000	2023 EUR '000
Guarantees	239,380	177,987	239,380	177,987
Letters of Credit	200	76	200	76
Undrawn Lending Commitments	329,450	406,624	329,450	406,624
Total	**569,030**	**584,687**	**569,030**	**584,687**

As of December 31, 2024, the Bank and Group recognized the provision based on off-balance sheet risks arising from the issuance of guarantees, letters of credit and unused loans in the amount of EUR 7,637 thousand (2023: EUR 6,329 thousand) included in Provisions for commitments and contingencies (Note 22).

39. DERIVATIVE INSTRUMENTS AND DEALINGS IN FOREIGN CURRENCIES

The Bank and Group uses derivative financial instruments to hedge economically its exposure to currency risk and interest rate risk arising from operating, financing and investing activities. In accordance with its investment policies, the Bank and Group does not hold or issue derivative financial instruments for the purpose of speculative trading. Hedge accounting has not been applied and consequently, all derivative agreements are classified as financial instruments at fair value through profit or loss.

Derivative financial instruments include foreign currency agreements, forward agreements, futures and other financial derivatives and are initially recognized at fair value which is the value of consideration paid to acquire the instrument less transaction costs. Subsequent to initial recognition, derivatives are measured at fair value. The fair value is determined based on the quoted market price or, if more appropriate, based on the discounted cash flow. All derivative instruments are presented as assets if their fair value is positive and as liabilities if their fair value is negative.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed as an embedded derivative. Except as required to the contrary by the CNB, when the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and when the hybrid contract is not itself carried at fair value through profit or loss, the embedded derivative is treated as a separate derivative and classified at fair value through profit or loss with all unrealized gains and losses recognized in the P&L report, unless there is no reliable measure of their fair value.

At year end 2024 the Bank and Group had the following derivative contracts, accounted for as trading instruments, open at year-end:

GROUP AND BANK 2024 EUR '000	Contracted Amount, Remaining Life					Fair Value	
	Up to 3 months	3 to 12 months	1-5 years	over 5 years	Total	Assets	Liabilities
Cross Currency Swap Contracts – OTC	116,015	-	-	-	**116,015**	-	542
Total	**116,015**	**-**	**-**	**-**	**116,015**	**-**	**542**

40 RELATED PARTY TRANSACTIONS

The Bank is the parent of the Hrvatska Poštanska Bank Group.

Key shareholders of the Bank are the Republic of Croatia as the largest shareholder with an ownership stake of 44.90 percent, and Hrvatska Pošta p.l.c. (“HP”) with a stake of 11.93 percent.

Other significant state-owned shareholders include: State agency for deposits insurance and bank resolution (“HAOD”), the Croatian Pension Insurance Institute (“HZMO”) and PBZ Croatia insurance mandatory pension fund (B category). Republic of Croatia and companies under control of Republic of Croatia together own 76.81% of the Bank's shares (2023: 77.04%). The remaining 23.09% (2023: 22.96%) are publicly traded.

a) Key Transactions with Related Parties

Hrvatska Pošta p.l.c. ("HP") performs domestic payment transactions for and on behalf of the Bank. Exposure to Hrvatska Pošta p.l.c. mainly comprises fees receivable based on domestic payment transactions performed for and on behalf of the Bank. Liabilities towards Hrvatska Pošta p.l.c. mainly relate to demand and term deposits. Income and expenses mostly relate to commissions for services provided.

Most significant transactions with the state is shown in Note 36, Concentration of assets and liabilities.

40 RELATED PARTY TRANSACTIONS (continued)
a) Key Transactions with Related Parties (continued)

The exposure to members of HPB Group mainly consists of investment into share capital. The Bank performs payment transactions on behalf of its subsidiaries and, accordingly, recognizes income. Expenses payable to HPB-nekretnine relate to the services performed by the subsidiary in respect of estimation of collateral.

Key management did not have regular shares at the end of the reporting period (2023: -).

b) Amounts arising from transactions with related parties

Assets and liabilities and off-balance sheet exposure and income and expense as at and for the years ended December 31, 2024, and December 31, 2023 of the Group and Bank, arising from transactions with related parties were as follows:

GROUP 2024	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	37,456	24,838	29,857	33,307
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	97	1,404	1	4,081
Long-Term Benefits (loans and deposits)	2,125	-	53	-
Total	**39,678**	**26,242**	**29,911**	**37,388**

GROUP 2023	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	19,653	27,635	29,638	31,939
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	119	540	2	3,722
Long-Term Benefits (loans and deposits)	1,821	609	42	75
Total	**21,593**	**28,784**	**29,681**	**35,735**

*The exposure includes advances in cash and in kind, contingent liabilities and commitments, interest and other receivables and includes EUR 6,653 thousand (2023: EUR 3,810 thousand) of off-balance sheet exposures. Expenses do not include value adjustments, unrealized gains / losses on securities or provisions for losses.

40 RELATED PARTY TRANSACTIONS (continued)
b) Amounts arising from transactions with related parties (continued)

BANK 2024	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	37,456	24,838	29,857	33,307
Subsidiaries				
HPB Invest	889	270	247	4
HPB-nekretnine	668	486	34	95
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	77	1,378	1	3,850
Long-Term Benefits (loans and deposits)	1,901	-	46	-
Total	**40,991**	**26,972**	**30,185**	**37,256**

BANK 2023	Exposure* EUR '000	Liabilities EUR '000	Income EUR '000	Expenses EUR '000
Key Shareholders				
Hrvatska Pošta p.l.c.	19,653	27,635	29,638	31,939
Subsidiaries				
HPB Invest	674	98	239	-
HPB-nekretnine	648	445	97	-
Nova hrvatska banka	-	-	4,432	3
Key Management				
Short-Term Benefits (bonuses, salaries and fees)	99	517	1	3,245
Long-Term Benefits (loans and deposits)	1,612	609	38	3
Total	**22,686**	**29.304**	**34,445**	**35,190**

* The exposure includes advances in cash and in kind, contingent liabilities and commitments, interest and other receivables and includes EUR 6,648 thousand (2023: EUR 3,804 thousand) of off-balance sheet exposures. Expenses do not include value adjustments, unrealized gains / losses on securities or provisions for losses.
Loans to key management are in Stage 1 and Stage 2.

40 RELATED PARTY TRANSACTIONS (continued)

c) State owned companies

Major shareholders of the Bank, which together own 76.81% of its shares, are state agencies or state-owned companies, all mainly funded from the State Budget. Accordingly, transactions and balances with other state-owned companies, including credit risk exposures guaranteed by the state, also represent related party relationships. The Bank has a significant exposure to these parties, which is disclosed in Note 36.

41. REPURCHASE AND RESALE AGREEMENTS

The Bank and Group enters into purchases (sales) of investments under agreements to resell (repurchase) essentially identical investments, or in a series of linked sales and buy-back transactions at a certain future date at a fixed price. The amounts paid are recognized in loans and advances to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the report of financial position and are measured in accordance with the accounting policy for the relevant financial asset at amortized cost or at fair value, as appropriate. The proceeds from the sale of the investments are presented as liabilities to either banks or customers.

The difference between the sale and repurchase amount is recognized on an accrual basis over the period of the transaction and is included in interest income or expense.

The Bank and Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate.

Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. The financial instruments sold are not derecognized and the proceeds are accounted for as interest-bearing borrowings. At the end of the year the Bank and Group had assets sold under repurchase agreements as follows:

GROUP	Book Value of Liability EUR '000	Fair Value of Collaterals EUR '000
Loans to Customers – Repo Agreements		
2024	73,884	98,586
2023	103,699	121,750
BANK	**Book Value of Liability EUR '000**	**Fair Value of Collaterals EUR '000**
Loans to Customers – Repo Agreements		
2024	73,884	98,586
2023	103,699	121,750

Transactions above are recognized as repurchase agreements, in accordance with IFRS 9: Financial Instruments.

The Bank and Group also purchases financial instruments provided that they are re-sold at a contracted future date ("resale agreement"). The seller agrees to buy the same or similar instruments on the agreed future date. Re-sale is contracted as a client financing instrument and is recorded as loans and advances to customers and the purchased financial instrument is not recognized. At the year end the Bank and Group did not have reverse-repo agreement.

42. FUNDS MANAGED FOR AND ON BEHALF OF CORPORATE AND RETAIL CUSTOMERS

The Bank and Group manages funds for and on behalf of corporate and retail customers. These amounts do not represent the Bank's and Group's assets and are excluded from the report of financial position. For the services rendered, the Bank and Group charges a fee which is recognized in the P&L report on an accrued basis

Subsidiaries

The Bank's subsidiary also manages six open-end funds with public offering:

HPB Shares fund, HPB Global fund, HPB Short-term bond fund, HPB bond fund, HPB Focus 2026 fund, HPB Bond plus fund.

Investment funds assets that are managed by the Bank is not part of consolidated reports of the Group.

The investment of the parent company in the investment funds of the parent company are stated at fair value through profit and loss.

Investment company

The fund has multiple unrelated investors and owns multiple investments. Ownership shares in the Fund are in the form of shares with limited liability that are classified as liabilities in accordance with IFRS 9 provisions. It is considered that the Fund meets the definition of an investment company according to IFRS 10, given that the following conditions exist:

1. The Fund acquired funds for the purpose of providing professional investment management services to its investors,
2. The business purpose of the Fund, which was transferred directly to investors, is investment for capital appreciation and investment income, and
3. Investments are measured and evaluated on the basis of fair value.

Investments held as part of investment portfolios are reported in funds assets at fair value. This treatment is allowed under IFRS 10, "Consolidation", which allows funds not to prepare consolidated financial statements but to recognize and measure the investments held in their portfolios at fair value through the profit and loss account and report them in accordance with IFRS 9, whereby changes in fair value are recognized in the statement of comprehensive income in the period of the change.

Although the Bank has a significant share in one of the funds, the key definition of control is not met. The management fee is in line with the average of similar funds on the market, i.e. it does not differ significantly or at all compared to the competition and mainly changes depending on market trends (there is no correlation of the increase in the fee in relation to the amount of shares) and there is no variable fee that the Group would realized based on the results of the Fund. The investment structure does not depend entirely on the fund manager or the Bank/Group, as it is mainly defined by law, and thus through the fund's prospectus itself. Over the years, the structure of the fund has not changed significantly and is in line with the structure of the main competitors' funds.

Custody

The Group manages funds on behalf of and for the account of legal entities, households, and investment funds (including investment funds of the Group), which holds and manages assets or invests funds in various financial instruments at the client's request. For services provided, the Bank receives a fee income. This asset is not the Group's assets and is not recognized in the statement of financial position. The Group is not exposed to credit risks from such placements or guarantees for investments.

As of 31 December 2024, total net assets under the custody of the Bank, including HPB Group funds, amounted to EUR 2.24 billion (2023: EUR 1.85 billion).

Furthermore, as of 31 December 2024, the total assets of investment and pension funds, for which the Bank operates as depositories, amounted to EUR 1.22 billion (2023: EUR 945.6 million).

42. FUNDS MANAGED FOR AND ON BEHALF OF CORPORATE AND RETAIL CUSTOMERS (continued)

Other funds managed for and on behalf of other entities

The Bank also manages credit exposure for and on behalf of other entities , as follows:

	2024 EUR '000	2023 EUR '000
Assets		
Corporate	5,925	6,842
Retail	48,924	53,579
Giro Accounts	101,780	98,638
Total Assets	**156,629**	**159,059**
Liabilities		
Croatian Employment Office	10,025	9,097
Counties	974	1,357
Government of the Republic of Croatia	144,417	147,408
Croatian bank for reconstruction and development	999	938
Other Liabilities	214	259
Total Liabilities	**156,629**	**159,059**

43. AVERAGE INTEREST RATES

Average interest rates calculated as the weighted average of each category of interest-earning asset and interest-bearing liability, are presented below:

GROUP	Average interest rates 2024	Average interest rates 2023
Assets		
Cash and Amounts Due from Banks	3.29%	(0.01%)
Loans to and Receivables from Banks	4.29%	5.33%
Financial Assets at FV Through P&L	2.28%	2.21%
Financial Assets at Amortized Cost	2.53%	2.01%
Loans and Receivables from Customers	4.20%	3.82%
Liabilities		
Deposits from Banks	(5.12%)	(1.13%)
Customer Deposits	(1.03%)	(0.36%)
Borrowings	(3.25%)	(2.28%)

43. AVERAGE INTEREST RATES (continued)

BANK	Average interest rates 2024	Average interest rates 2023
Assets		
Cash and Amounts Due from Banks	3.29%	(0.01%)
Loans to and Receivables from Banks	4.29%	5.33%
Financial Assets at FV Through P&L	2.28%	2.21%
Financial Assets at Amortized Cost	2.53%	2.01%
Loans and Receivables from Customers	4.20%	3.82%
Liabilities		
Deposits from Banks	(5.12%)	(1.13%)
Customer Deposits	(1.03%)	(0.36%)
Borrowings	(3.25%)	(2.28%)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments at fair value through profit or loss or financial assets at fair value through other comprehensive income are measured at fair value. Loans and advances, as well as other financial assets valued at amortized cost, are measured at amortized cost less impairment. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are disclosed at their fair value that arises from price quotes of these instruments on active markets or at fair value calculated from observable inputs related to respective instruments. Financial liabilities at fair value through profit or loss are disclosed at fair values calculated on the basis of available conditions of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these consolidated financial reports is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Loans

The fair value of loans and advances is calculated based on discounted expected future cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. Expected future cash flows are estimated considering credit risk and any indication of impairment including portfolio-based provisions for performing (i.e. A-risk rated) loans calculated at prescribed rates. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans. The Bank has a limited portfolio of loans with fixed rates, where there is a difference between the fair value and the carrying amount.

Investments carried at cost

For equity investments for which a quoted market price is not available, fair value is, where possible, estimated using discounted cash flow techniques. Estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date.

Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not considered in estimating fair values.

Borrowings

Most of the Bank's long-term debt has no quoted market price and fair value is estimated as the present value of future cash flows, discounted at interest rates available at the reporting date to the Bank for new debt of similar type and remaining maturity.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table represents the Group's and Bank's estimate of the fair value hierarchy of financial instruments as of December 31, 2024, and December 31, 2023.

GROUP 31.12.2024	Fair Value EUR '000	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value EUR '000	Unrecognized Gains/ (Losses)
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	**3,798,745**	**Level 1**	**Cash and cash equivalents**	**3,798,745**	**-**
Loans to and Receivables from Banks	**2,284**	**Level 3**	**Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows**	**2,284**	**-**
Financial assets at amortized cost	**1,032,259**	**Level 1**	**Mark-to-Market According to the Prices Quoted in an Active Market**	**1,032,259**	**-**
Loans and Receivables from Customers	**2,864,108**	**Level 3**	**Present Value of Future Discounted Cash Flows**	**2,868,701**	**(4,593)**
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	**66,619**			**66,619**	**-**
- Ministry of Finance Bonds	35,122	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	35,122	-
- Corporate bonds and commercial bills	3,210	Level 1	- Corporative bonds and commercial bills	3,210	-
- Open-End Investment Fund Investments	22,305	Level 1	Value of an Individual Share on Given Date	22,305	-
- Equity Securities	5,182	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	5,182	-
- fair value of forward contracts	-	Level 3	Iinternal model for valuing a currency swap contract by discounting future cash flows	-	-
- Loans and Receivables from customers	498	Level 3	Present Value of Discounted Future Cash Flows	498	-
- Interest Receivables, not due	302	Not Applicable	Not Applicable	302	-
Financial Assets at Fair Value through Other Comprehensive income	**5,462**			**5,462**	**-**
- Equity Securities – Not Listed	5,232	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	5,232	-
- Equity Securities – Listed	230	Level 1	- Equity Securities – Listed	230	-
- Interest Receivables, not due	-	Not Applicable	Not Applicable	-	-
Total Financial Assets	**7,769,477**			**7,774,070**	**(4,593)**
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	**76,798**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**76,798**	**-**
Customer Deposits	**6,747,423**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**6,656,134**	**(91,290)**
Borrowings	**475,146**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**456,928**	**(18,218)**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	**542**	**Level 3**	**Internal model for valuing a currency swap contract by discounting future cash flows**	**542**	**-**
Total Financial Liabilities	**7,299,909**			**7,190,402**	**(109,508)**
				-	**-**
TOTAL				**-**	**(114,101)**

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

GROUP 31.12.2023	Fair Value EUR '000	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value EUR '000	Unrecognized Gains/ (Losses)
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	**3,103,821**	**Level 1**	**Cash and cash equivalents**	**3,103,821**	**-**
Loans to and Receivables from Banks	**3,649**	**Level 3**	**Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows**	**3,654**	**(5)**
Financial assets at amortized cost	**855,857**	**Level 3**	**Mark-to-Market According to the Prices Quoted in an Active Market**	**855,857**	**-**
Loans and Receivables from Customers	**2,905,880**	**Level 3**	**Prices Quoted in an Active Market**	**2,909,936**	**(4,056)**
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	**55,406**			**55,406**	**-**
- Ministry of Finance Bonds	36,626	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	36,626	-
- Corporate bonds and commercial bills	3,026	Level 1	- Corporative bonds and commercial bills	3,026	-
- Open-End Investment Fund Investments	10,806	Level 1	Value of an Individual Share on Given Date	10,806	-
- Equity Securities	3,542	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	3,542	-
- fair value of forward contracts	613	Level 3	Internal model for valuing a currency swap contract by discounting future cash flows	613	-
- Loans and Receivables from customers	491	Level 3	Present Value of Discounted Future Cash Flows	491	-
- Interest Receivables, not due	302	Not Applicable	Not Applicable	302	-
Financial Assets at Fair Value through Other Comprehensive income	**4,394**			**4,394**	**-**
- Equity Securities – Not Listed	4,140	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	4,140	-
- Equity Securities – Listed	254	Level 1	- Equity Securities – Listed	254	-
- Interest Receivables, not due	-	Not Applicable	Not Applicable	-	-
Total Financial Assets	**6,929,007**			**6,933,068**	**(4,061)**
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	**51,385**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**51,385**	**-**
Customer Deposits	**5,876,209**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**5,872,041**	**(4,168)**
Borrowings	**487,684**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**484,290**	**(3,394)**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	**16**	**Level 3**	**Internal valuation Model for FX Contracts Using Future Cash Flows**	**16**	**-**
Total Financial Liabilities	**6,415,294**			**6,407,732**	**(7,562)**
				-	**-**
TOTAL				**-**	**(11,623)**

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

BANK 31.12.2024	Fair Value EUR '000	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value EUR '000	Unrecognized Gains/ (Losses)
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	**3,798,740**	**Level 1**	**Cash and cash equivalents**	**3,798,740**	**-**
Loans to and Receivables from Banks	**2,284**	**Level 3**	**Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows**	**2,284**	**-**
Financial assets at amortized cost	**1,032,259**	**Level 1**	**Present Value of Future Discounted Cash Flows**	**1,032,259**	**-**
Loans and Receivables from Customers	**2,864,108**	**Level 3**	**Present Value of Future Discounted Cash Flows**	**2,868,701**	**(4,593)**
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	**66,513**		Financial Assets at Fair Value through P&L	**66,513**	**-**
- Ministry of Finance Bonds	35,122	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	35,122	-
- Corporate bonds and commercial bills	3,104	Level 1	- Corporative bonds and commercial bills	3,104	-
- Open-End Investment Fund Investments	22,305	Level 1	Value of an Individual Share on Given Date	22,305	-
- Equity Securities	5,182	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	5,182	-
- fair value of forward contracts	-	Level 3	Internal model for valuing a currency swap contract by discounting future cash flows	-	-
- Loans and Receivables from customers	498	Level 3	Present Value of Discounted Future Cash Flows	498	-
- Interest Receivables, not due	302	Not Applicable	Not Applicable	302	-
Financial Assets at Fair Value through Other Comprehensive income	**5,462**			**5,462**	**-**
- Equity Securities – Not Listed	5,232	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	5,232	-
- Equity Securities – Listed	230	Level 1	mark-to-market according to prices quoted in an active market	230	-
Total Financial Assets	**7,769,366**			**7,773,959**	**(4,593)**
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	**76,798**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**76,798**	**-**
Customer Deposits	**6,748,118**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**6,656,828**	**(91,290)**
Borrowings	**475,146**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**456,928**	**(18,218)**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	**542**	**Level 3**	**Internal valuation Model for FX Contracts Using Future Cash Flows**	**542**	**-**
Total Financial Liabilities	**7,300,604**			**7,191,096**	**(109,508)**
				-	**-**
TOTAL				**-**	**(114,101)**

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

BANK 31.12.2023	Fair Value EUR '000	Fair Value Level	Valuation Technique(s) and Key input(s)	Book Value EUR '000	Unrecognized Gains/ (Losses)
FINANCIAL ASSETS MEASURED AT COST					
Cash and accounts with Banks	**3,103,814**	**Level 1**	**Cash and cash equivalents**	**3,103,814**	**-**
Loans to and Receivables from Banks	**3,649**	**Level 3**	**Cash Equivalent other than Assets with a Defined Maturity > 30 days at a Fixed Rate, Where the Fair Value is the Present Value of Discounted Cash Flows**	**3,654**	**(5)**
Financial assets at amortized cost	**855,857**	**Level 3**	**Present Value of Future Discounted Cash Flows**	**855,857**	**-**
Loans and Receivables from Customers	**2,905,880**	**Level 3**	**Present Value of Future Discounted Cash Flows**	**2,909,936**	**(4,056)**
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Financial Assets at Fair Value through P&L	**55,301**			**55,301**	**-**
- Ministry of Finance Bonds	36,521	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	36,521	-
- Corporate bonds and commercial bills	3,026	Level 1	- Corporative bonds and commercial bills	3,026	-
- Open-End Investment Fund Investments	10,806	Level 1	Value of an Individual Share on Given Date	10,806	-
- Equity Securities	3,542	Level 1	Mark-to-Market According to the Prices Quoted in an Active Market	3,542	-
- fair value of forward contracts	613	Level 3	Internal model for valuing a currency swap contract by discounting future cash flows	613	-
- Loans and Receivables from customers	491	Level 3	Present Value of Discounted Future Cash Flows	491	-
- Interest Receivables, not due	302	Not applicable	Not Applicable	302	-
Financial Assets at Fair Value through Other Comprehensive income	**4,394**			**4,394**	**-**
- Equity Securities – Not Listed	4,140	Level 3	Method of Comparable Companies, Average of standard multiples EV/ EBITDA, P/ E, P/ S, P/ B,	4,140	-
- Equity Securities – Listed	254	Level 1	mark-to-market according to prices quoted in an active market	254	-
Total Financial Assets	**6,928,895**			**6,932,956**	**(4,061)**
FINANCIAL LIABILITIES MEASURED AT COST					
Deposits from Banks	**51,385**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**51,385**	**-**
Customer Deposits	**5,876,664**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**5,872,496**	**(4,168)**
Borrowings	**487,684**	**Level 3**	**Present Value of Discounted Cash Flows Under Currently Effective Interest Rates**	**484,290**	**(3,394)**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Financial Liabilities at Fair Value Through P&L	**16**	**Level 3**	**Internal valuation Model for FX Contracts Using Future Cash Flows**	**16**	**-**
Total Financial Liabilities	**6,415,749**			**6,408,187**	**(7,562)**
				-	**-**
TOTAL				**-**	**(11,623)**

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Input data not visible for Level 3 measurement

In the case when the fair value of a financial asset is obtained from input parameters that are not visible in the market, then these parameters can be obtained with other alternative parameters. To compile the Statement of financial position, parameters are used that reflect the market situation on the day of the report.

The range of invisible valuation parameters used to measure Level 3 are shown in the following table:

GROUP AND BANK					31.12.2024
Financial asset	Instrument type	Fair value EUR '000	Valuation Technique(s)	Key input(s) not visible	Input ranges that are not visible
Financial Assets at Fair Value through P&L	Loans and Receivables from Customers	498	Present Value of Discounted Future Cash Flows	Discount rate	4.40%-5.75%
Financial Assets at Fair Value through OCI	Equity Securities – Not Listed	4,987	calculation based on the conversion factor and share price on the primary market	Conversion factor	3,625 - 1,783

GROUP AND BANK					31.12.2023
Financial asset	Instrument type	Fair value EUR '000	Valuation Technique(s)	Key input(s) not visible	Input ranges that are not visible
Financial Assets at Fair Value through P&L	Loans and Receivables from Customers	491	Present Value of Discounted Future Cash Flows	Discount rate	4.70 % - 6.25%
Financial Assets at Fair Value through OCI	Equity Securities – Not Listed	3,895	calculation based on the conversion factor and share price on the primary market	Conversion factor	3,625 – 3,645

45. ENCUMBERED ASSETS OF THE CREDIT INSTITUTION

HPB Group and the Bank under the term encumbered assets implies the pledged assets, given as collateral,subject to some form of pledge or serves to improve the credit position from which it cannot be withdrawn freely. Also, the assets for which the withdrawal must be previously approved are considered to be encumbered assets.

In the structure of assets, the Bank has recorded encumbered assets in the amount of EUR 163,757 thousand (2023: EUR 183,567 thousand). The carrying amount of the Bank's encumbered assets in relation to the Bank's balance sheet total is 2.08 percent of the Bank's assets (2023: 2.61 percent).

The encumbered assets is represented by a pledge of debt securities of the Republic of Croatia based on pledged loan from CNB in the total amount of EUR 102,135 thousand (2023: EUR 121,750 thousand).

The remaining amount of encumbered assets refers to a pledged loan in the amount of EUR 59,226 thousand as a pledge for a foreign currency loan received from the European Investment Bank (2023: EUR 59,522 thousand) and guarantee deposits in the amount of EUR 2,396 thousand (2023: EUR 2,295 thousand).

Table form of encumbered assets of the Group and Bank are presented as at December 31, 2024 and December 31, 2023:

GROUP EUR '000	31.12.2024		31.12.2023	
	Book Value	Fair Value	Book Value	Fair Value
Debt Securities	102,135	98,586	121,750	121,750
Loans to Customers and Other Assets	61,622	61,622	61,817	61,817
Total	**163,757**	**160,208**	**183,567**	**183,567**

BANK EUR '000	31.12.2024		31.12.2023	
	Book Value	Fair Value	Book Value	Fair Value
Debt Securities	102,135	98,586	121,750	121,750
Loans to Customers and Other Assets	61,622	61,622	61,817	61,817
Total	**163,757**	**160,208**	**183,567**	**183,567**

46. EVENTS AFTER THE REPORTING DATE

There were no significant events after the balance sheet date until the publication of these financial statements.

Regulatory Financial Statements for the Croatian National Bank

Statement of Financial Position as at 31 December 2024

Item	ADP code	Last day of the preceding business year	Current period
1	2		
Assets			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	**001**	**3,103,793,849**	**3,798,721,069**
Cash in hand	**002**	136,782,367	133,826,421
Cash balances at central banks	**003**	2,957,462,257	3,654,552,643
Other demand deposits	**004**	9,549,225	10,342,005
Financial assets held for trading (from 6 to 9)	**005**	**54,809,698**	**66,015,020**
Derivatives	**006**	612,632	-
Equity instruments	**007**	14,348,314	27,486,733
Debt securities	**008**	39,848,752	38,528,287
Loans and advances	**009**	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	**010**	**490,500**	**498,236**
Equity instruments	**011**	-	-
Debt securities	**012**	-	-
Loans and advances	**013**	490,500	498,236
Financial assets at fair value through profit or loss (15 + 16)	**014**	**-**	**-**
Debt securities	**015**	-	-
Loans and advances	**016**	-	-
Financial assets at fair value through other comprehensive income (from 18 to 20)	**017**	**4,394,287**	**5,462,269**
Equity instruments	**018**	4,394,287	5,462,269
Debt securities	**019**	-	-
Loans and advances	**020**	-	-
Financial assets at amortised cost (22 + 23)	**021**	**3,786,154,629**	**3,918,998,979**
Debt securities	**022**	855,856,956	1,032,259,212
Loans and advances	**023**	2,930,297,673	2,886,739,767
Derivatives - hedge accounting	**024**	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**025**	-	-
Investments in subsidiaries, joint ventures and associates	**026**	**1,295,487**	**1,495,487**
Tangible assets	**027**	**60,791,774**	**55,596,992**
Intangible assets	**028**	**14,601,447**	**14,910,720**
Tax assets	**029**	**5,316,953**	**4,422,971**
Other assets	**030**	**14,404,364**	**16,477,617**
Fixed assets and disposal groups classified as held for sale	**031**	**-**	**-**
Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)	**032**	**7,046,052,988**	**7,882,599,360**

Statement of Financial Position as at 31 December 2024 (continued)

Item	ADP code	Last day of the preceding business year	Current period
1	2	3	4
Liabilities			
Financial liabilities held for trading (from 34 to 38)	**033**	**16,165**	**541,807**
Derivatives	**034**	16,165	**541,807**
Short positions	**035**	-	-
Deposits	**036**	-	-
Debt securities issued	**037**	-	-
Other financial liabilities	**038**	-	-
Financial liabilities at fair value through profit or loss (from 40 to 42)	**039**	**-**	**-**
Deposits	**040**	-	-
Debt securities issued	**041**	-	-
Other financial liabilities	**042**	-	-
Financial liabilities measured at amortised cost (from 44 to 46)	**043**	**6,418,350,046**	**7,243,897,851**
Deposits	**044**	6,397,218,638	7,182,370,233
Debt securities issued	**045**	-	-
Other financial liabilities	**046**	21,131,408	61,527,618
Derivatives - hedge accounting	**047**	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**048**	**-**	**-**
Provisions	**049**	**41,571,561**	**41,400,648**
Tax liabilities	**050**	**7,508,138**	**6,048,067**
Share capital repayable on demand	**051**	**-**	**-**
Other liabilities	**052**	**44,870,183**	**30,893,121**
Liabilities included in disposal groups classified as held for sale	**053**	**-**	**-**
Total liabilities (33 + 39 + 43 + from 47 to 53)	**054**	**6,512,316,093**	**7,322,781,494**
Equity			
Capital	**055**	161,970,000	161,970,000
Share premium	**056**	-	-
Equity instruments issued other than capital	**057**	-	-
Other equity	**058**	-	-
Accumulated other comprehensive income	**059**	8,645,102	9,482,965
Retained profit	**060**	194,508,595	225,426,381
Revaluation reserves	**061**	-	-
Other reserves	**062**	87,998,143	89,306,875
(–) Treasury shares	**063**	-	-
Profit or loss attributable to owners of the parent	**064**	80,615,055	73,631,645
(-–) Interim dividends	**065**	-	-
Minority interests [non-controlling interests]	**066**	-	-
Total equity (from 55 to 66)	**067**	**533,736,895**	**559,817,866**
Total equity and liabilities (54 + 67)	**068**	**7,046,052,988**	**7,882,599,360**

Statement of Profit or Loss for 2024

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Interest income	001	172,024,623	261,111,178
(Interest expenses)	002	26,248,803	83,387,065
(Expenses on share capital repayable on demand)	003	-	-
Dividend income	004	983,998	224,832
Fees and commissions income	005	71,144,260	76,788,658
(Fees and commissions expenses)	006	41,786,385	41,416,559
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	48,460	-
Gains or (-) losses on financial assets and liabilities held for trading, net	008	6,458,100	5,348,492
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	202,518	56,309
Gains or (-) losses on derecognition of financial assets and liabilities at fair value through profit or loss, net	010	-	-
Gains or (-) losses from hedge accounting, net	011	-	-
Exchange rate differences [gain or (-) loss], net	012	(1,044,303)	606,745
Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	013	-	-
Gains or (-) losses on derecognition of non-financial assets, net	014	18,970	1,394,753
Other operating income	015	7,671,345	3,127,217
(Other operating expenses)	016	4,441,421	2,711,646
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 15 – 16)	017	**185,031,362**	**221,142,914**
(Administrative expenses)	018	77,899,213	95,583,659
(Cash contributions to resolution boards and deposit guarantee schemes)	019	1,614,947	-
(Depreciation)	020	11,838,680	13,289,523
Modification gains or (-) losses, net	021	(423,864)	(557,819)
(Provisions or (-) reversal of provisions)	022	(5,364,485)	7,759,334
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	023	1,926,399	13,806,018
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	024	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	025	2,664,464	-
Negative goodwill recognised in profit or loss	026	-	-
Share of the profit or (-) losses of investments in subsidiaries, joint ventures and associates accounted for using the equity method	027	-	-
Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	028	-	-
Profit or (-) loss before tax from continuing operations (17 – 18 to 20 + 21 - from 22 to 25 + from 26 to 28)	029	**94,028,280**	**90,146,561**
(Tax expense or (-) income related to profit or loss from continuing operations)	030	13,413,225	16,514,916
Profit or (-) loss after tax from continuing operations (29 – 30)	031	**80,615,055**	**73,631,645**
Profit or (-) loss after tax from discontinued operations (33 – 34)	032	**-**	-
Profit or (-) loss before tax from discontinued operations	033	-	-
(Tax expense or (-) income related to discontinued operations)	034	-	-
Profit or (–) loss for the year (31 + 32; 36 + 37)	035	**80,615,055**	**73,631,645**
Attributable to minority interest [non-controlling interests]	036	-	-
Attributable to owners of the parent	037	80,615,055	73,631,645

Statement of Other Comprehensive income for 2024

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
STATEMENT OF OTHER COMPREHENSIVE INCOME			
Income or (-) loss for the current year	**038**	**80,615,055**	**73,631,645**
Other comprehensive income (40+ 52)	**039**	**624,407**	**837,863**
Items that will not be reclassified to profit or loss (from 41 to 47 + 50 + 51)	**040**	**624,407**	**837,863**
Tangible assets	**041**	-	-
Intangible assets	**042**	-	-
Actuarial gains or (-) losses on defined benefit pension plans	**043**	-	-
Fixed assets and disposal groups classified as held for sale	**044**	-	-
Share of other recognised income and expense of entities accounted for using the equity method	**045**	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	**046**	707,640	1,075,616
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	**047**	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	**048**	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	**049**	-	-
Fair value changes of financial liabilities measured at fair value through profit or loss attributable to changes in their credit risk	**050**	-	-
Income tax relating to items that will not be reclassified	**051**	(83,233)	(237,753)
Items that may be reclassified to profit or loss (from 53 to 60)	**052**	**-**	**-**
Hedge of net investments in foreign operations [effective portion]	**053**	-	-
Foreign currency translation	**054**	-	-
Cash flow hedges [effective portion]	**055**	-	-
Hedging instruments [not designated elements]	**056**	-	-
Debt instruments at fair value through other comprehensive income	**057**	-	-
Fixed assets and disposal groups classified as held for sale	**058**	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	**059**	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	**060**	-	-
Total comprehensive income for the current year (38 + 39; 62 + 63)	**061**	**81,239,462**	**74,469,508**
Attributable to minority interest [non-controlling interest]	**062**	**-**	**-**
Attributable to owners of the parent	**063**	**81,239,462**	**74,469,508**

Statement of Changes in Equity for 2024

		Attributable to owners of the parent											Non-controlling interest		
Sources of equity changes	ADP code	Equity	Share premium	Equity instruments issued other than capital	Other equity	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	( ) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Other items	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Opening balance [before restatement]	**001**	**161,970,000**	**-**	**-**	**-**	**8,645,102**	**194,508,594**	**-**	**87,998,144**	**-**	**80,615,055**	**-**	**-**	**-**	**533,736,895**
Effects of error corrections	**002**	-	-	-	-	-	1	-	-	-	-	-	-	-	**1**
Effects of changes in accounting policies	**003**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening balance [current period] (1 + 2 + 3)	**004**	161,970,00	-	-	-	8,645,102	194,508,595	-	87,998,144	-	80,615,055	-	-	-	**533,736,896**
Ordinary shares issue	**005**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Preference shares issue	**006**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Issue of other equity instruments	**007**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Exercise or expiration of other equity instruments issued	**008**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Conversion of receivables to equity instruments	**009**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Capital reduction	**010**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Dividends	**011**	-	-	-	-	-	(48,388,538)	-	-	-	-	-	-	-	**(48,388,538)**
Purchase of treasury shares	**012**	-	-	-	-	-	-	-	-	(3,920)	-	-	-	-	**(3,920)**
Sale or cancellation of treasury shares	**013**	-	-	-	-	-	-	-	-	3,920	-	-	-	-	**3,920**
Reclassification of financial instruments from equity to liability	**014**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Reclassification of financial instruments from liability to equity	**015**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfers among components of equity	**016**	**-**	**-**	**-**	**-**	**-**	**79,306,324**	**-**	**-**	**-**	**(79,306,324)**	**-**	**-**	**-**	**-**
Equity increase or (-) decrease resulting from business combinations	**017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share based payments	**018**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other increase or (-) decrease in equity	**019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,308,731**	**-**	**(1,308,731)**	**-**	**-**	**-**	**-**
Total comprehensive income for the current year	**020**	**-**	**-**	**-**	**-**	**837,863**	**-**	**-**	**-**	**-**	**73,631,645**	**-**	**-**	**-**	**74,469,508**
Closing balance [current period] (from 4 to 20)	**021**	**161,970,000**	**-**	**-**	**-**	**9,482,965**	**225,426,381**	**-**	**89,306,875**	**-**	**73,631,645**	**-**	**-**	**-**	**559,817,866**

Cash Flow Statement for 2024

	2023	2024
Operating activities - indirect method		
Profit/(loss) before tax	94,028,280	90,146,561
Adjustments:	-	-
Impairment and provisions	(349,758)	22,123,171
Depreciation	11,838,680	13,289,523
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	(4,433,078)	(5,404,801)
(Profit)/loss from the sale of tangible assets	-	(1,394,753)
Other non-cash items	(145,715,515)	(178,555,690)
Changes in assets and liabilities from operating activities		
Deposits with the Croatian National Bank	-	-
Deposits with financial institutions and loans to financial institutions	-	-
Loans and advances to other clients	425,370,983	43,557,906
Securities and other financial instruments at fair value through other comprehensive income	-	(1,067,982)
Securities and other financial instruments held for trading	(95,420)	(11,205,322)
Securities and other financial instruments at fair value through statement of profit or loss, not traded	-	-
Securities and other financial instruments mandatorily at fair value through statement of profit or loss	417,693	(7,736)
Securities and other financial instruments at amortised cost	(57,295,990)	(176,402,256)
Other assets from operating activities	(1,460,850)	(2,073,253)
Deposits from financial institutions	60,383,971	209,716,508
Transaction accounts of other clients	894,102,619	399,294,389
Savings deposits of other clients	(385,324,934)	(18,777,473)
Time deposits of other clients	469,743,840	219,561,983
Derivative financial liabilities and other liabilities held for trading	(70,801)	525,642
Other liabilities from operating activities	(10,216,511)	(28,033,263)
Interest received from operating activities [indirect method]	172,024,623	261,111,178
Dividends received from operating activities [indirect method]	983,998	224,832
Interest paid from operating activities [indirect method]	(26,248,803)	(83,387,065)
(Income tax paid)	-	(17,081,005)
Net cash flow from operating activities (from 1 to 33)	**1,497,683,027**	**736,161,094**
Investing activities		
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	(9,359,869)	(11,112,070)
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	-	(200,000)
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	-	-
Dividends received from investing activities	-	-
Other receipts/payments from investing activities	147,986,942	-
Net cash flow from investing activities (from 35 to 39)	**138,627,073**	**(11,312,070)**
Financing activities		
Net increase/(decrease) in loans received from financing activities	151,100,976	(24,643,812)
Net increase/(decrease) in debt securities issued	-	-
Net increase/(decrease) in Tier 2 capital instruments	-	-
Increase in share capital	-	-
(Dividends paid)	-	(5,284,271)
Other receipts/(payments) from financing activities	-	-
Net cash flow from financing activities (from 41 to 46)	**151,100,976**	**(29,928,083)**
Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)	**1,787,411,076**	**694,920,941**
Cash and cash equivalents at the beginning of period	**1,316,506,298**	**3,103,793,849**
Effect of exchange rate fluctuations on cash and cash equivalents	(123,525)	6,279
Cash and cash equivalents at the end of period (48 + 49 + 50)	**3,103,793,849**	**3,798,721,069**

Statement of Financial Position Reconciliation as of December 31, 2024

ASSETS

Statutory reporting

Regulatory reporting

EUR '000	Regulatory reporting	Cash and amounts due from banks	Loans and receivables from banks	Financial assets at fair value through profit and loss	Financial assets at fair value through other compre-hensive income	Financial assets at amortized cost	Loans and receivables from customers	Assets held for sale	Investments in subsidiaries	Property, plant and equipment	Investment property	Intangible assets	Net deferred tax assets/ liabilities	Tax prepayment	Other assets	Reconciliation between statutory and regulatory reporting
Cash in register	133,826	(133,826)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits with the central banks	3,654,553	(3,654,553)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other a vista deposits	10,342	(10,342)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets held for trading	66,015	-	-	(66,015)	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets non for trading, mandatory measured at fair value through profit and loss	498	-	-	(498)	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	5,462	-	-	-	(5,462)	-	-	-	-	-	-	-	-	-	-	-
Financial assets measured at amortized cost - debt securities	1,032,259	-	-	-	-	(1,032,259)	-	-	-	-	-	-	-	-	-	-
Financial assets measured at amortized cost - loans	2,886,740	-	(2,284)	-	-	-	(2,884,456)	-	-	-	-	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	1,495	-	-	-	-	-	-	-	(1,495)	-	-	-	-	-	-	-
Tangible assets (less depreciation	55,597	-	-	-	-	-	-	-	-	(51,211)	(4,386)	-	-	-	-	-
Intangible assets	14,911	-	-	-	-	-	-	-	-	-	-	(14,911)	-	-	-	-
Tax assets	4,423	-	-	-	-	-	-	-	-	-	-	-	(4,423)	-	-	-
Other assets	16,478	(19)	-	-	-	-	15,755	-	-	-	-	-	-	-	(32,214)	-
Non current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**7,882,599**	**(3,798,740)**	**(2,284)**	**(66,513)**	**(5,462)**	**(1,032,259)**	**(2,868,701)**	**-**	**(1,495)**	**(51,211)**	**(4,386)**	**(14,911)**	**(4,423)**	**-**	**(32,214)**	**-**

Differences in reporting treatment of different items of assets in the Statement of Financial Position for the year 2024, between the regulatory financial reports and statutory financial reports are presented in table above. Amount of total assets is the same.

Statement of Financial Position Reconciliation as of December 31, 2024 (continued)

LIABILITIES

Statutory reporting

Regulatory reporting

EUR '000	Regulatory reporting	Financial liabilities at fair value through profit and loss	Deposits from banks	Customer deposits	Borrowing	Provision for liabilities and expenses	Current tax liability	Other liabilities	Reconciliation between statutory and regulatory reporting
Financial liabilities held for trading	542	(542)	-	-	-	-	-	-	-
Financial liabilities at amortized cost	7,243,898	-	(76,798)	(6,656,828)	(456,928)	-	-	(53,344)	-
Provisions	41,401	-	-	-	-	(41,401)	-	-	-
Tax liabilities	6,048	-	-	-	-	-	(6,048)		-
Other liabilities	30,893	-	-	-	-	-	-	(30,893)	-
TOTAL LIABILITIES	**7,322,782**	**(542)**	**(76,798)**	**(6,656,828)**	**(456,928)**	**(41,401)**	**(6,048)**	**(84,237)**	**-**

Statement of Financial Position Reconciliation as of December 31, 2024 (continued)

EQUITY

Statutory reporting

Regulatory reporting		EUR '000	Regulatory reporting	Share Capital	Capital gain	Treasury shares	Reserves for treasury shares	Statutory reserves	Other reserves	Fair value reserve	Revaluation reserve	Retained earning/ (recovered loss)	Reconciliation between statutory and regulatory reporting
	Distributable to capital owners	Share capital	161,970	(161,970)	-	-	-	-	-	-	-	-	-
		Premium on equity	-	-	-	-	-	-	-	-	-	-	-
		Issued equity instruments	-	-	-	-	-	-	-	-	-	-	-
		Other equity instruments	-	-	-	-	-	-	-	-	-	-	-
		Accumulated other comprehensive income	9,483	-	-	-	-	-	-	(4,479)	(5,004)	-	-
		Retained earnings	225,426	-	-	-	-	-	-	-	-	(225,426)	-
		Revaluation reserves	-	-	-	-	-	-	-	-	-	-	-
		Other reserves	89,307	-	-	-	(594)	(8,099)	(80,614)	-	-	-	-
		Treasury equities	-	-	-	-	-	-	-	-	-	-	-
		Profit or loss belonging to mother company owners	73,632	-	-	-	-	-	-	-	-	(73,632)	-
		Dividends during business year	-	-	-	-	-	-	-	-	-	-	-
	Minority instruments	Accumulated other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
		Other	-	-	-	-	-	-	-	-	-	-	-
		TOTAL CAPITAL	**559,818**	**-**	**-**	**-**	**(594)**	**(8,099)**	**(80,614)**	**(4,479)**	**(5,004)**	**(299,058)**	-

Statement of Changes in Equity reconciliation for 2024

Except for differences in terminology between regulatory and statutory financial reports, the reconciliation refers to:

- Other reserves in regulatory financial report are contained in the item's treasury shares reserves, statutory reserves and other reserves the statutory financial reports,
- Accumulated other comprehensive income in the regulatory financial reports is within items fair value reserve and revaluation reserve in the statutory financial reports,
- Profit / loss attributable to the owners of the parent company in regulatory financial reports is within the item retained earnings / (uncovered loss) in the statutory financial reports

Statement of Profit or Loss reconciliation for 2024

Statutory reporting

Regulatory reporting

'EUR '000	Total regulatory reporting	Interests and similar income	Interests and similar expense	Fees and commission income	Rashod od naknada i provizija	Gains less losses arising from financial instruments at fair value through profit and loss	Gains less losses arising from financial instruments available from sale	Gains less losses arising from dealing in foreign currencies	Other operating income	General administrative expenses	Depreciation and amortization	Impairment losses on loans and receivables from customers and other assets	Provisions for liabilities and expenses	Profit before tax	Deferred income tax (expense)/ income	Profit for the year	Total statutory reporting	Reconciliation between statutory and regulatory reporting
Interest income	261,111	261,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261,111	-
Interest expense	(83,387)	-	(83,387)	-	-	-	-	-	-	-	-	-	-	-	-	-	(83,387)	-
Expenses from share capital that is returned on demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	225	-	-	-	-	197	28	-	-	-	-	-	-	-	-	-	225	-
Fee and commission income	76,789	-	-	76,789	-	-	-	-	-	-	-	-	-	-	-	-	76,789	-
Fee and commission expense	(41,417)	-	-	-	(41,417)	-	-	-	-	-	-	-	-	-	-	-	(41,417)	-
Gains of losses from recognition of financial assets and liabilities not measured at fair value through profit and loss account, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses from financial assets and liabilities held for trading, net	5,348	-	-	-	-	5,348	-	-	-	-	-	-	-	-	-	-	5,348	-
Gains or losses on non-trading financial assets measured at fair value through profit or loss, net	56	-	-	-	-	56	-	-	-	-	-	-	-	-	-	-	56	-
Gains or losses on financial assets and financial liabilities at fair value through profit or loss, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses from hedge accounting, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences (gain or loss), net	607	-	-	-	-	-	-	-	607	-	-	-	-	-	-	-	607	-
Gains or (–) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains or (–) losses on derecognition of non-financial assets, net	1,395	-	-	-	-	-	-	-	1,395	-	-	-	-	-	-	-	1,395	-
Other operating income	3,127	-	-	-	-	-	-	-	3,127	-	-	-	-	-	-	-	3,127	-
Other operating expense	(2,712)	-	-	-	-	-	-	-	-	(2,712)	-	-	-	-	-	-	(2,712)	-
Administrative expense	(95,584)	-	-	-	-	-	-	-	-	(95,584)	-	-	-	-	-	-	(95,584)	-
Cash contributions to resolution committees and deposit insurance system	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	(13,290)	-	-	-	-	-	-	-	-	-	(13,290)	-	-	-	-	-	(13,290)	-
Gains or losses from changes, net	(558)	-	-	-	-	-	-	-	-	-	-	(558)	-	-	-	-	(558)	-
Provisions or reversal of provisions	(7,759)	-	-	-	-	-	-	-	-	-	-		(7,759)	-	-	-	(7,759)	-
Impairment or reversal of an impairment loss on a financial asset not measured at fair value through profit or loss	(13,806)	-	-	-	-	-	-	-	-	-	-	(13,806)	-	-	-	-	(13,806)	-
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment or reversal of impairment of non-financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Negative goodwill recognized in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Part of profits or (–) losses from investments in subsidiaries, joint ventures and associated companies calculated using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain or (–) loss on non-current assets and disposal groups classified as held for sale that do not qualify as continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROFIT OR LOSS BEFORE TAX FROM CONTINUING BUSINESS (AOP 084 - 085 - 086 + 087 - 088 to 091+ 092 to 094)	90,147	-	-	-	-	-	-	-	-	-	-	-	-	90,147	-	-	90,147	-
Tax expense or income related to operating profit or loss from continuing business	(16,515)	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,515)	-	(16,515)	-
PROFIT OR LOSS AFTER TAX FROM CONTINUING BUSINESS (AOP 095 - 096)	73,632	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,632	73,632	-
Profit or loss after tax from continuing operations (AOP 099 - 100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Profit or loss before tax from non-continuing business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tax expenses or income related to non-continuing business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 097 + 098; 102 + 103)	**73,632**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**73,632**	**73,632**	-

Differences in reporting treatment of different items of profit or loss in the Statement of Profit or Loss for the year 2024, between the regulatory financial reports and statutory financial reports are presented in table above and there is no mismatch between the profit and loss account for 2024, between the regulatory financial reports and statutory financial reports.

Cash Flow Statement reconciliation for 2024

EUR '000	Regulatory Financial Reports	Statutory reporting	Difference
Operating activities and adjustments			
Profit/ (Loss) Before Tax	90,147	90,147	-
Adjustments:			
Impairment Losses and Provisions	22,123	22,123	-
Depreciation and Amortization	13,290	13,290	-
Net Unrealized (Gains)/Losses on Financial Assets and Liabilities at Fair Value through P&L	(5,405)	(5,405)	-
(Gains)/Losses on Sale of Tangible Assets	(1,395)	-	(1,395)
Other Non-monetary Items	(178,556)	(178,556)	-
Changes in Operating Assets and Liabilities			
Loans and Advances to Other Customers	43,558	41,235	2,323
Securities and Other Financial Instruments at Fair Value through OCI	(1,068)	(1,068)	-
Securities and Other Financial Instruments Held for Trading	(11,205)	(11,213)	8
Securities and Other Financial Instruments Mandatory at Fair Value through P&L	(8)	-	(8)
Securities and Other Financial Instruments Measured at Amortized Cost	(176,402)	(176,402)	-
Other Operating Assets	(2,073)	(902)	(1,171)
Deposits from Financial Institutions	209,717	-	209,717
Deposits from banks	-	25,413	(25,413)
Transaction Accounts of Other Customers	399,294	-	399,294
Saving Deposits of Other Customers	(18,777)	-	(18,777)
Term Deposits of Other Customers	219,562	-	219,562
Deposits from clients	-	784,332	(784,332)
Derivative Financial Liabilities and Other Liabilities Not for Trading	526	-	526
Other Liabilities from Operating Activities	(28,035)	(24,800)	(3,235)
Collected Interest from Operating Activities [indirect method]	261,111	261,111	-
Received Dividend from Operating Activities [indirect method]	225	225	-
Paid Interest from Operating Activities [indirect method]	(83,387)	(83,387)	-
(Income Tax Paid)	(17,081)	(17,081)	-
A) Net Cash Flows from Operating Activities	**736,161**	**739,062**	

Cash Flow Statement reconciliation for 2024 (continued)

EUR '000	Regulatory Financial Reports	Statutory reporting	Difference
Investing Activities			
Proceeds from Sale/ (Payments for Purchases) of Tangible and Intangible Assets	(11,112)	(10,352)	(760)
Proceeds from Sale of/ Payments for Investments in Subsidiaries, Associates and Joint Ventures	(200)	(200)	-
B) Net Cash Flows from Investing Activities	**(11,312)**	**(10,552)**	
Financing Activities			
Net Increase/ (Decrease) in Borrowings from Financing Activities	(24,644)	(28,252)	3,608
(Dividend Paid)	(5,284)	(5,284)	-
C) Net Cash Flows from Financing Activities	**(29,928)**	**(33,536)**	
Net Increase in Cash and Cash Equivalents	**694,921**	**694,974**	**(53)**
Cash and Cash Equivalents at the Beginning of the Year	**3,103,794**	**3,115,363**	**(11,569)**
Effect of Changes in Foreign Exchange Rates on Cash and Cash equivalents	6	6	-
Cash and Cash Equivalents at the End of the Year	**3,798,721**	**3,810,343**	**(11,622)**

1. The amount of EUR (1,395) thousand difference on the item (Gains)/Losses on sale of Tangible Assets arises due to the fact that same effect in opposite direction is presented on position Other Operating Assets and Proceeds from Sale / (Payment for Purchases) of Tangible and intangible assets
2. The amount of EUR 2,323 thousand differences on the item Loans and advances to other customers is due to the different treatment of receivables from banks up to 90 days and other receivables in the Regulatory Financial Statements and in the Statutory Financial Statements.
3. The amount of EUR 8 thousands of differences on the item Securities and other financial instruments held for trading arises because the corresponding effect in the opposite direction is shown on the item Securities and other financial instruments at fair value through profit and loss account
4. The amount of EUR (1,171) thousand differences on the item Other assets from operating activities arises due to the different treatment of other receivables in the Regulatory Financial Statements and in the Statutory Financial Statements
5. The amount of EUR 209,717 thousand of differences on Deposits from financial institutions and EUR 399,294 thousand of differences on the Transaction Accounts of other customers and EUR (18,777) thousand of differences on the position Savings deposits of other customers, EUR 219,562 thousand on the position Term deposits of other customers and EUR (3,235) thousands in the position Other liabilities from operating activities arise due to the different treatment of the relevant liability items in the Regulatory Financial Statements and in the Statutory Financial Statements
6. The amount of EUR 526 thousand difference in the position Derivative financial liabilities and other liavbilities not for trading arises due to different treatment of relevant liability in the Regulatory Financial Statements and in the Statutory Financial Statements.
7. The amount of EUR 3,608 thousands of differences in the position Net increase/(decrease) in borrowings from financing activities arises due to a different treatment of IFRS 16 liabilities in the Regulatory Financial Statements and in the Statutory Financial Statements.

Other legal and regulatory requirements

In accordance with the requirements of Article 164 of the Credit Institutions Act, the Bank discloses the following information:

The Bank provides the following banking and financial services:

- Acceptance of deposits or other repayable funds from the public and granting loans from those funds on its own account
- Acceptance of deposits or other repayable funds
- Granting of loans and credits, including consumer and mortgage loans where permitted by specific legislation, as well as financing commercial transactions, including export financing through the purchase of receivables with or without recourse (forfeiting)
- Purchase of receivables with or without recourse (factoring)
- Financial leasing
- Issuance of guarantees or other commitments
- Trading for its own account or on behalf of clients in money market instruments, transferable securities, foreign currencies including foreign exchange transactions, financial futures and options, as well as currency and interest rate instruments
- Payment services in accordance with specific laws
- Services related to lending, such as data collection, credit analysis, and creditworthiness assessments of legal entities and self-employed individuals
- Issuance and management of other payment instruments if such services are not considered payment services under specific laws
- Safe deposit box rentals
- Mediation in money market transactions
- Advisory services for legal entities regarding capital structure, business strategy, and related matters, as well as mergers and acquisitions*
- Issuance of electronic money
- Investment and ancillary services and activities as prescribed by capital markets regulations, including: - Reception and transmission of orders in relation to one or more financial instruments, - Execution of orders on behalf of clients, - Trading on own account, - Portfolio management, - Investment advice, - Underwriting and placing of financial instruments with or without a firm commitment, - Custody and administration of financial instruments for clients, including safekeeping services and related cash and collateral management services, - Granting credit or loans to investors for the execution of transactions involving one or more financial instruments, where the institution granting the credit or loan is involved in the transaction,
- Advisory services regarding capital structure, business strategies, and related matters, as well as services related to mergers and acquisitions, - Foreign exchange services where they are related to the provision of investment services, - Investment research and financial analysis, along with other recommendations related to financial instrument transactions , - Services related to underwriting and placing of financial instruments with a firm commitment , - Investment services, activities, and ancillary services relating to the underlying assets of derivatives as defined in Article 3, Paragraph 1, Point 2, Subpoint (d), Indents 2, 3, 4, and 7 of the Capital Markets Act, where these investment services and activities are linked to investment or ancillary services,
- Conducting activities related to the sale of insurance policies in accordance with insurance regulations

The Bank provides these services within the Republic of Croatia and in 2024 achieved:

Net operating income: EUR 221.1 million
Number of employees (full-time equivalent): 1,713
Profit before tax: EUR 90.1 million
Tax expense: EUR 16.5 million
Amount of public subsidies received: Not applicable

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HPB

HRVATSKA POŠTANSKA BANKA

Hrvatska poštanska banka, p.l.c.
10000 Zagreb, Jurišićeva ulica 4

SUPERVISORY BOARD
Zagreb, March 28, 2025

In accordance with the provision of article 21 of the Articles of Association of HPB p.l.c. (hereinafter: Bank), and in line with Articles 300.c and 300.d of the Companies Act, Supervisory Board of the Bank has on 42. meeting held on March 28, 2025, made the following:

RESOLUTION
on giving consent
to Annual report of Hrvatska poštanska banka p.l.c.
and HPB Group for year 2024

I.

Consent is given to Annual report of Hrvatska poštanska banka p.l.c. and HPB Group for the business year ended December 31, 2024, comprising of:

- Unconsolidated financial statements of Hrvatska poštanska banka p.l.c. and consolidated financial statements of HPB Group for the year ended 31 December 2024
- Statement of the Management Board on the Condition of Hrvatska poštanska banka p.l.c. and its subsidiaries for the business year 2024
- Audit report of the separate and consolidated financial statements by the independent auditor BDO Croatia d.o.o.
- Sustainability report of Hrvatska poštanska banka p.l.c. and HPB Group for the year ended 31 December 2024
- Independent auditor's report on limited assurance on the consolidated Sustainability Report of the Hrvatska poštanska banka Group by the independent auditor BDO Croatia d.o.o.

II.

By giving consent to statements outlined in paragraph I of this Resolution, Annual report of the Bank and HPB Group for the year ended December 31, 2024, are considered to be confirmed by the Supervisory Board and the Management Board.

III.

This resolution comes into force on the day of its adoption.

President of the Supervisory Board

Marijana Miličević

HRVATSKA POŠTANSKA BANKA, p.l.c.
Zagreb, Jurišićeva ulica 4

Classification level:

HPB-PUBLIC

Management Board

Zagreb, March 28, 2025

Number: UB-250328-2

Pursuant to the provision of Article 13 of the Articles of Association of HPB p.l.c. (hereinafter: Bank), and in line with Article 300.b, paragraph 2 and Article 275, paragraph 1, point 2 of the Companies Act, Management Board proposes to the Supervisory Board and the General Assembly of the Bank on March 28, 2025, made the following:

RESOLUTION

on allocation of profit earned in 2024

I.

It is determined that Hrvatska poštanska banka, p.l.c. made a net profit of EUR 73,631,644.58 in the business year ended December 31, 2024.

II.

Pursuant to Article 220 paragraph 3 of the Companies Act and Article 33 of the Bank's Articles of Association, amount of EUR 370,825.20 is allocated to other reserves, whereby the level of other reserves reached the maximum amount regulated by Companies Act.

III.

The remaining amount of determined net profit in the amount of EUR 73,260,819.38 after its distribution to other reserves, is allocated to retained earnings.

IV.

This resolution comes into force on the day of its adoption.

Explanation:

The proposed distribution of net profit is in accordance with Articles 220, paragraph 3 and 300 b of the Companies Act and the Articles of Association of Hrvatska poštanska banka, p.l.c.

In accordance with strategic guidelines, the Bank will continue to distribute part of the realized net profit of the period to retained earnings so that the successful operation of the Bank, profitability, and growth within the limits of possibilities can be continued. Considering that the amount of the binding MREL requirement is prescribed for the Bank from January 1, 2024, the Bank must additionally strengthen its regulatory capital in the following periods.

Based on the above, it is considered appropriate:

1) allocation of EUR 370,825.20 to other reserves is determined by the Companies Act. After mentioned allocation other reserves of the Bank will reach maximum amount of half of the share capital according to Article 220, paragraph 3 of the Companies Act, and will no longer be obliged to allocate the realized profit to other reserves with a given level of share capital in future periods,
2) remaining amount of realized net profit earned in 2024 in the amount of EUR 73,260,819.38 is allocated to retained earnings. At the same time, it is emphasized:
   1. that the **amount of EUR 44,197,563.75 will not be included in the calculation of the common equity tier 1 capital**, taking into consideration Article 61 of the Act on the Execution of the State Budget of the Republic of Croatia for the year 2025, that - if it is determined by a special decision of the Government of the Republic of Croatia and a decision of the General Assembly - is available for the dividend payment without restrictions from Article 312a of the Credit Institutions Act.
   2. that the remaining amount of retained earnings in the **amount of EUR 29,063,255.63 will be included in the calculation of the Common equity tier 1 capital**, whereby in the case of a decision to pay a dividend in the above amount or its parts, it is subject to the restrictions from Article 312a of the Credit Institutions Act.

President of the Management Board
Marko Badurina

Distribute to:
1. Finance Management Department
2. Management Board
3. Supervisory Board
4. Archive of the Management Office

Hrvatska poštanska banka, p.l.c.
10000 Zagreb, Jurišićeva ulica 4

Classification level:

HPB-PUBLIC

SUPERVISORY BOARD

Zagreb, March 28, 2025

Pursuant to the provision of Article 21 of the Articles of Association of HPB p.l.c. (hereinafter: Bank), and in line with Articles 220, paragraph 3, 300.b and Article 275, paragraph 1, point 2 of the Companies Act, Supervisory Board of the Bank has on 42. meeting held on March 28, 2025, made the following:

RESOLUTION
on allocation of Bank's profit earned in 2024

I.

Bank's Supervisory Board gives its consent and accepts Management Board's proposal on allocation of profit earned in 2024, which is a consistent part of this resolution.

II.

By providing its consent outlined in paragraph I of this Resolution, Management Board's proposal on allocation of profit earned in 2024 is considered to be confirmed.

III.

Supervisory Board proposes to General Assembly to vote in favor of allocation of profit earned in 2024 as outlined in Management Board's proposal.

IV.

This resolution comes into force on the day of its adoption and is submitted to General Assembly for adoption.

President of the Supervisory Board

Marijana Miličević