PODRAVSKA BANKA

ANNUAL REPORT 2024

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PODRAVSKA BANKA

ANNUAL REPORT 2024

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LETTER FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND REPORT OF THE MANAGEMENT BOARD

LETTER FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Sir/Madam,

On behalf of the Supervisory Board of Podravska Banka and in my personal capacity, I am pleased to present the Bank's business results for the year 2024.

Despite a highly challenging economic and geopolitical environment, Podravska Banka has achieved excellent results, reaffirming its position as the leading small bank in the Croatian financial market. Ongoing challenges, driven by political uncertainty and global tensions, have impacted macroeconomic conditions in the eurozone and the European Union. Increased prices of energy, food, and services have further burdened the economic system, although 2024 saw a slight decline in inflationary pressures and a reduction in key interest rates by the European Central Bank, leading to lower deposit rates. Despite more favorable lending conditions, economic growth in the eurozone remained weak.

During 2024, Croatia recorded the second-highest economic growth in the eurozone, standing out as a positive exception in an otherwise underwhelming economic performance across most eurozone member states. A decrease in the unemployment rate and real wage growth supported strong domestic demand, while a successful tourist season further contributed to GDP growth. The continued withdrawal of funds from the European Union, with a focus on investments and energy, also had a positive impact on the Croatian economy.

Podravska Banka has maintained stable operations, successfully responding to global challenges and exceeding its set objectives. By timely recognizing and actively managing risks, as well as adopting a proactive approach to clients sensitive to inflation and rising costs, the Bank has achieved excellent business and operational results, alongside a high level of client satisfaction. With its flexible and individualized approach, the Bank has distinguished itself in the market, further expanding its client base.

At the end of 2024, Podravska Banka ranked ninth among Croatian banks in terms of total capital size. Over the course of the year, total assets grew by 6.2%, while client deposits increased by 6.9%. Digitalization processes continued with the goal of enhancing the customer experience, and a series of initiatives for employee training and cost optimization were implemented. With increased revenues in the credit, deposit, and investment banking segments, the Bank concluded the year with a positive financial result and a strong market position.

In the coming period, a strong focus on customer needs will remain a key strategy for developing products and services, with the goal of strengthening long-term relationships. The Bank continues to enhance commercial activities, carefully manage risks, and continuously improve service quality. In addition to the digitalization of business processes, additional emphasis will be placed on sustainable banking strategies through innovative approaches and initiatives. Maintaining a stable market position remains a priority, ensuring that Podravska Banka continues to be a reliable financial partner for its clients and business associates.

We look to the future with optimism, relying on positive macroeconomic indicators confirming that Croatia is moving in a stable economic direction. Increased domestic production and consumption, wage growth, and a lower unemployment rate, alongside financial sector stability, create a favorable environment for continued growth and investment, which is of key importance to the Bank and its shareholders.

Finally, I would like to extend my gratitude to all our clients for their trust and cooperation. I also express my sincere appreciation to the management and all employees of Podravska Banka for their dedication and contribution to achieving outstanding results. Special thanks go to the members of the Supervisory Board for their ongoing support in the Bank's development.

Sincerely,

Miljan Todorović
Chairman of the Supervisory Board

THE MANAGEMENT BOARD OF PODRAVSKA BANKA D.D. PRESENTS 2024 BUSINESS RESULTS

In 2024, Podravska banka generated a profit after tax of EUR 7.5 million, which represents an increase of 85.7% compared to 2023.

The Bank recorded operating income of EUR 27.9 million, representing a growth of 9%. The Bank's net interest income increased by 5.9%, reaching EUR 22.5 million, while net fee income increased by 8.1% to EUR 4.6 million. In the structure of operating income, the share of net interest income is 80.6%, net fee and commission income is 16.6%, and other net operating income is 2.8%. On the expense side, depreciation increased by 0.3% to EUR 1.9 million, while impairment losses decreased by 33.5% to EUR 3.9 million.

ENVIRONMENT

Past year was marked by the gradual easing of inflationary pressures, the reduction of key interest rates, and growing political uncertainty and geopolitical tensions. According to the International Monetary Fund (IMF), global economic growth for 2024 is estimated at 3.2%, slightly below the historical average of 3.7%, while the annual rate of global inflation has fallen from 5.9% in 2023 to 5.7% in 2024. Although inflation decreased, services and energy prices remained the main source of pressure, especially in the euro area and the US area.

The euro area stagnated in 2024, with GDP growth of 0.8%, amid weak industrial production and reduced demand for goods. The European Central Bank (ECB) continued to gradually ease its restrictive monetary policy, cutting the deposit rate from 4.0% to 2.75% by February 2025, which prompted a slight decline in financing costs for businesses. However, interest rates on housing and non-purpose loans to households remained at elevated levels, reflecting the delay in the transmission of monetary measures to existing loans.

Croatia achieved real GDP growth of 3.7% in 2024, mainly due to strong domestic demand, the tourist season and employment growth. The number of employed people increased by 3.6% compared to 2023, and the unemployment rate decreased to 4.9% at the end of the year. Despite the global slowdown, the Croatian economy benefited from the inflow of EU funds, which supported investments in infrastructure and energy.

Croatian financial system remains stable, with high capitalization (21.5%) and liquidity. Interest rates on new corporate loans have decreased by 129 basis points compared to the peak in 2023, while household deposits have grown at a moderate pace. Wage and employment trends reveal positive trends in the labor market, such as wage and employment growth despite challenging economic conditions. Further use of EU funds and integration into European flows is expected to remain key growth drivers in 2025, despite global risks related to the conflicts in Ukraine and the Middle East, trade conflicts and volatile energy prices.

BANK'S BUSINESS RESULT

Podravska banka achieved a net profit of EUR 7.5 million in 2024, which represents an increase of 86% compared to the previous year, with net interest income growing at a rate of 5.9% and net fee income growing by 8.1%.

In terms of total capital at the end of 2024, the Bank ranks 9th among twenty banks in Croatia. The Bank's total assets at the end of 2024 amounted to EUR 723 million, which represents an increase of 6.2% compared to the previous year.

Compared to the previous year, total customer deposits grew by 6.9% and amounted to EUR 561.2 million. Total net loans to customers decreased by 0.3% and amounted to EUR 316.3 million during the past year, with retail loans decreasing by 1.4%, while corporate loans decreased by 0.6%.

The Bank remains strongly capitalized, with a regulatory capital ratio of 20.6% at the end of 2024. Regulatory capital at the end of 2024 amounts to EUR 77.4 million and consists of EUR 62.5 million of core capital and EUR 14.9 million of supplementary capital.

During 2024, the Bank actively worked on further improving its digital channels. In line with its business strategy, the Bank continued the process of digitizing its processes and services, which will continue in 2025. Furthermore, employee training and new recruitment were carried out, while at the same time measures were taken to optimize operating costs.

In its operations, the Bank is exposed to credit, currency, market and other risks that arise in its operations. Given its significance, exposure to credit risk is monitored continuously. In accordance with internal risk assessment procedures, appropriate reserves are created for all placements where there is uncertainty of collection in the amount of the estimated irrecoverable amount of the placement. The Bank continuously monitors all risks to which it is exposed in its operations and strives to minimize their impact on business results.

A LOOK INTO THE FUTURE

In the coming period, the Bank's operations will be influenced by economic growth and risks arising from potential geopolitical escalations, inflation rate fluctuations and energy instability. The Bank will continue to focus its attention on the needs of its clients and, accordingly, will continue to develop products and services with the aim of improving and maintaining long-term relationships.

The Bank's strategy for 2025 is based on the assumption of a moderately positive general economic and financial situation in Croatia, with a slight growth in economic activity and a decrease in the inflation rate and reference interest rates. In the coming year, the Bank will focus most of its efforts on commercial activities, with the entire structure of the Bank being geared towards this goal.

Finally, I would like to take this opportunity to express my sincere gratitude to all our clients and business partners for their trust and cooperation. Your support obliges us to continuously improve our business relationship and provide the best possible services.

I would also like to express my deep gratitude to our shareholders and members of the Supervisory Board for their exceptional cooperation and support, and to all employees of the Bank for their efforts and dedication.

Daniel Unger
President of the Management Board

DESCRIPTION OF OPERATIONS

BUSINESS ENVIRONMENT IN 2024.

OVERVIEW OF THE GLOBAL ECONOMY IN 2024

The global economy continued to recover moderately in 2024, but growth remained uneven and marked by deep disparities across regions. According to the International Monetary Fund (IMF), global GDP grew by 3.2%, a slight increase from 3.0% in 2023, but still significantly below the historical average of 3.7% (2000–2019). Global inflation fell from 5.9% to 5.7%, but the decline was slower than expected, especially in advanced economies where service prices and dynamic labor markets kept inflation pressure up.

The most important world economies showed divergent trends. The United States remained the main driver of global growth, up 2.8%, due to strong consumer demand, a stable labor market and a mild easing of monetary policy. The Eurozone, however, recorded only 0.8% growth, with Germany in recession (-0.2%) due to weakness in industry and exports, while countries such as Spain (3.1%) benefited from tourism and stronger domestic consumption. China slowed to 4.8% due to lingering problems in the real estate market and low consumer confidence, although exports somewhat mitigated the negative effects. India maintained its status as the fastest growing large economy (6.5%), relying on investments in infrastructure and digital transformation.

Inflation and monetary policy remained key themes. Although global inflation fell, its decline slowed in the second half of the year, partly due to a resurgence in energy and services prices. Central banks mostly kept rates tight, but the Federal Reserve began to cut rates slightly. In the first half of the year, the European Central Bank remained cautious about changing course due to high wages in the service sectors, but towards the end of the year it too began to gradually cut interest rates. The divergence in monetary policy approaches caused volatility in foreign exchange markets, with the US dollar strengthening and emerging market currencies depreciating, particularly in Latin America.

Global trade has felt the effects of escalating trade tensions, particularly due to the imposition of new tariffs by the US and responses from other countries. Trade flows increased by only 3.4%, while investments in production remained restrained due to political uncertainty. Energy prices have stabilized after the 2023 shock, but conflicts in the Middle East and extended OPEC+ oil production cuts continue to weigh on energy markets.

Key challenges included slow progress in fiscal consolidation, particularly in the US where expansionary measures boosted short-term growth but at the same time increased long-term risks to public finances. The lack of coordination in multilateral trade and growing protectionism have further threatened the prospects for global stability. Structural reforms, such as digitization and labor market flexibilization, have progressed slowly, limiting the potential for long-term growth.

The most significant risks for 2025 include escalation of trade wars, especially if the announced wave of tariffs leads to chain reactions that would disrupt global supply chains and fuel inflation. A shrinking U.S. labor force due to more restrictive migration policies could permanently reduce productivity and push up prices. Geopolitical risks, such as the deepening of the conflict in the Middle East or in Ukraine, threaten energy price jumps and interruptions of trade routes. In addition, overreliance on expansionary fiscal policy in the US could lead to a loss of confidence in government bonds, which would raise interest rates globally and destabilize capital markets. Finally, slow progress on structural reforms, especially in the euro area and China, could deepen the divergence between countries and reduce resilience to future crises.

OVERVIEW OF THE CROATIAN ECONOMY IN 2024

The Croatian economy continued to grow in the last quarter of 2024, albeit at a moderate pace compared to previous quarter. In the fourth quarter, economic activity slowed to a quarterly growth of 0.6%, mainly due to a decline in industrial production (-0.6%) and a weaker tourist season in the middle of the year. The key drivers of growth remained strong domestic demand, especially in retail trade (up 2.1% compared to the third quarter) and the construction sector (up 3.0% in November and October). Tourism showed surprising dynamics in the last quarter of 2024, with an increase in arrivals of 11% and overnight stays of 10% year-on-year, which compensated for the weaker season in the summer months.

The labor market recorded a further decline in the unemployment rate, which in December 2024 amounted to less than 5% (seasonally adjusted), which represents a decrease of 1.3 percentage points compared to the end of 2023. The total number of employees exceeded 1.7 million, with an increase of 3.6% compared to December 2023. The largest contribution to growth was made by the public administration, health and education sectors (+0.8%). Nominal gross wages increased by 13.8% annually, with a significant growth in the public sector (+20.5%), while real wages, after a short-term stagnation, increased by 0.9% on a quarterly basis.

Inflation in Croatia accelerated in January 2025 to 5.0% (according to the Harmonized Index of Consumer Prices), up from 4.5% in December 2023. The main drivers include higher energy prices (+5.3%) due to administrative changes and fluctuations in the global oil market, and high services inflation (+8.2%), which contributed 2.6 percentage points to overall inflation. Food inflation increased slightly to 5.4%, while industrial product prices remained stable (+0.6%). Core inflation (excluding energy and food) reached 4.7%, indicating ongoing pressures in the services sector.

In the area of monetary policy, the European Central Bank (ECB) continued to gradually reduce key interest rates, leading to a decline in corporate lending rates to 4.14% in December 2024 (the lowest level in two years). Household loans continued to grow (+12.1% year-on-year), but with stable interest rates for housing loans (~3.8%). Deposits decreased, with the average interest rate on household term deposits at 2.07%, indicating a decrease in savings.

The balance of payments remained stable thanks to strong tourism exports and a reduction in the trade deficit. Yields on Croatian government bonds with 10-year maturity were 3.0% at the beginning of 2025, which is close to the eurozone average. Public debt continued to decrease, supported by GDP growth and a moderate fiscal policy.

Although the outlook for 2025 is generally positive, there are certain risks that may threaten the economic recovery. Global economic instability, particularly changes in US trade policy towards the European Union, may affect exports and investment. High dependence on tourism remains a vulnerability, given possible changes in consumer habits or geopolitical tensions. Despite the reduction, inflationary pressures remain pronounced, especially in the services sector, where wage growth and labor shortages may delay target price stabilization levels. Additionally, the weakness of the industrial sector (down 0.6% in the fourth quarter of 2024) points to the need for greater diversification of the economy. Finally, further reduction of incentives from EU funds, after record use in 2023, could slow down investments in infrastructure and innovation.

TABLE 1. MACROECONOMIC INDICATORS FOR CROATIA

MACROECONOMIC INDICATORS FOR CROATIA	2024	2023	2022	2021
GROSS DOMESTIC PRODUCT, MILLION-EURO SIN CURRENT PRICES	84,000	78,048	67,615	58,347
GROSS DOMESTIC PRODUCT („GDP ", % CHANGE	3.7	3.3	7.3	12.6
GDP PER CAPITA, EUROS	21,763	20,257	17,535	15,042
PERSONAL CONSUMPTION, % CHANGE	6.0	3.2	6.9	10.7
PUBLIC SPENDING % CHANGE	4.3	7.1	2.2	3.0
INVESTMENTS, % CHANGE	11.9	10.1	10.4	6.6
EXPORTS OF GOODS AND SERVICES, % CHANGE	-1.2	-2.9	27.0	32.7
IMPORT OF GOODS AND SERVICES % CHANGE	4.6	-5.3	26.5	17.3
INDUSTRIAL PRODUCTION, % CHANGE2	-2.4	0.6	1.6	6.7
UNEMPLOYMENT RATE (ILO) (% OF ACTIVE POPULATION)	4.9	6.1	6.8	7.6
AVERAGE ANNUAL INFLATION RATE (HIPC)	4.0	8.4	10.7	2.7
GENERAL GOVERNMENT BALANCE (% GDP) 2	-2.6	-0.9	0.1	-2.6
CURRENT ACCOUNT BALANCE (% GDP)	-0.4	0.4	-3.5	0.5
EXTERNAL DEBT (% GDP)	75.2	78	73.8	81.1

Source: HNB, DZS

Republic of Croatia currently holds the following credit ratings:
A- with positive outlook assigned by S&P agency,
A- with stable outlook assigned by Fitch Ratings agency,
A3 with stable outlook assigned by Moody's agency.

DESCRIPTION OF BANK'S OPERATIONS

PRODUCT AND SERVICES

In 2024, the Bank responded to the demands and needs of retail clients as its targeted clients by improving its services and investing in the development of new technologies.

Guided by the "satisfied client" postulate, competitiveness and adaptability were fundamental determinants in providing financial support to clients, to which the Bank responded through greater investments in IT support in order to improve products and services intended for retail clients.

Product and service management activities over the past year were largely characterized by adaptation to changes in the environment, as well as client expectations.

Despite the increased supply on the market, including new investment opportunities in government securities, compared to the previous year, client deposits recorded a significant increase, while lending activity in 2024 had similar indicators as in the previous year, with non-purpose cash loans dominating the structure of disbursed loans.

Digital strategy continues to be a key part of Podravska banka's business strategy precisely because today's consumers are looking for a simple and modern interaction with the bank, the goal is to improve their user experience (through the fluid use of all distribution channels), as well as to optimize business processes. With a competitive offer, a recognizable brand and a stable client base, business development continues in the direction of improving the portfolio of products and services and business processes, as well as the development and integration of all the Bank's digital channels.

Technological advances are increasingly shaping the way the business world functions, and digital channels are a key element in the operations of various sectors. In this context, card transactions are the primary means of payment that enables fast, secure and convenient commerce. The new era of digital banking brings with it innovative approaches to financial management, providing users with a wide range of services and tools to manage their funds via online and mobile applications. Also, in order to improve the system and optimize the user experience, continuous investment in technological innovations and the development of software solutions that support efficient card transactions is essential.

The constant expansion and strengthening of the singlePOS terminal network enable greater availability of card payments in installments, which contributes to an increase in the volume of transactions and user satisfaction. Acquisition of new users for singlePOS solutions is an important goal in order to expand the impact and market coverage, providing more opportunities for business growth and development. Dynamic trends in digital channels and card business represent an important foundation that shapes the future of the financial sector and the way the Bank operates in the digital age.

In 2024, the Bank continued to organize a large number of internal and external training courses, which provided employees, primarily in the Bank's business network, with new knowledge and skills so that they could serve clients with better overall experience.

During the past year, we continued to strengthen standard products and services for entrepreneurs. Cooperation also continued under programs available to commercial banks, to which the Republic of Croatia, through implementing institutions (HBOR and HAMAG-BICRO), issues guarantees to cover their exposures to the Bank.

Over the past year, the focus has been on new client acquisitions, as well as expanding cooperation with the Bank's existing clients. Given the specific situation in 2024 related to the continued rise in energy and raw material prices, as well as the reduction in interest rates on the financial market, great attention has been paid to the impact of these moments on the business operations of existing and new clients, all with the aim of timely response and real understanding of the needs of business entities.

Cooperation with local administration and self-government continued with respect to the implementation of credit programs in which local administration and self-government subsidized interest on business loans. The Bank has contracted business cooperation with municipalities that support entrepreneurs with subsidies and strengthen their development in the county area.

Through the aforementioned cooperation, the Bank is dispersive in entering the markets of new entrepreneurs – clients throughout the Republic of Croatia and supporting the development of entrepreneurs with good, profitable and safe projects, which are also supported by the local government.

A significant part of the products and services in 2024 were placed with clients engaged in agricultural activities using grants from EU funds. Given the general increase in the energy price on the market, the Bank also directed significant loans to financing renewable energy sources. The Bank recognizes the need for more intensive care for the environment and accordingly supports the financing of clients who are oriented towards environmentally friendly activities.

Additionally, the business cooperation agreement with the Croatian Bank for Reconstruction and Development (HBOR) for guarantee programs for large entrepreneurs and with the Croatian Agency for Small Business, Innovation and Investment (HAMAG-BICRO) for micro, small and medium-sized entrepreneurs remains in force, allowing the Bank to cover new loans to business entities with state guarantees of up to 100%, depending on the industry in which the entrepreneur operates.

In 2025, the goal is to maintain positive growth trends in business with corporate clients. The plan is to further strengthen the status of a quality banking partner on the market through the expansion of cooperation with existing clients and quality acquisitions of new clients.

DEPOSIT OPERATIONS

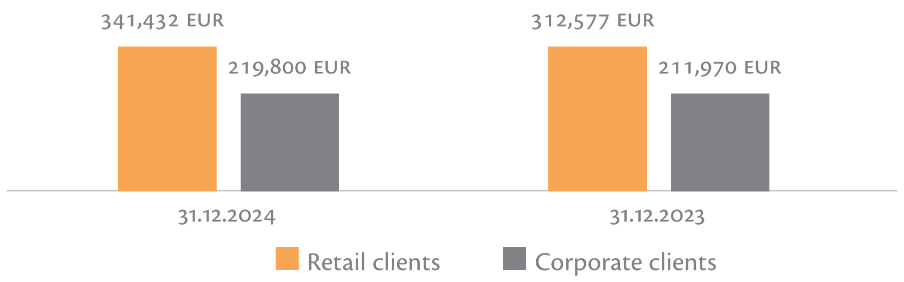
Total customer deposits as of December 31, 2024, amounted to EUR 561.2 million, an increase of 7.0% compared to the previous year. According to the sectoral structure of customer deposits, as of December 31, 2024, corporate deposits amounted to EUR 219.8 million, an increase of 3.7%, while retail deposits amounted to EUR 341.4 million, an increase of 9.2%.

The value of client assets in custody as of December 31, 2024, is EUR 139.4 million.

TABLE 2. OVERVIEW OF CLIENT DEPOSITS

CLIENT DEPOSITS (IN EUR 000)	31 DEC 2024	31 DEC 2023	CHANGE 2024/2023
RETAIL	341,432	312,577	9.23%
CORPORATE	219,800	211,970	3.69%
TOTAL DEPOSITS	**561,232**	**524,547**	**6.99%**

PICTURE 1. OVERVIEW OF CLIENT DEPOSIT MOVEMENTS



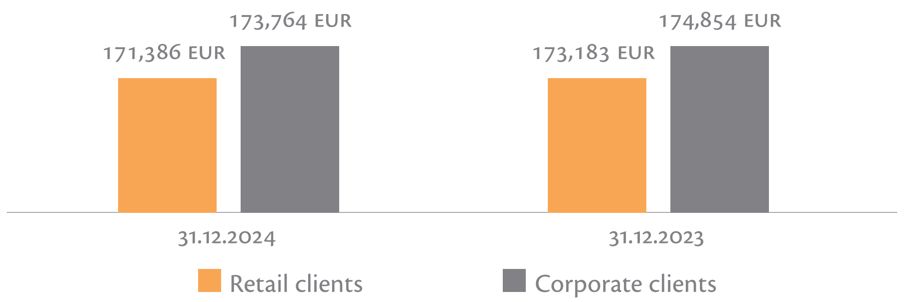
CREDIT OPERATIONS

Total gross customer loans as of 31 December 2024 amounted to EUR 345.1 million, 0.8% less than the previous year. If we look at the sectoral structure, as of 31 December 2024, corporate loans amounted to EUR 173.8 million, recording a decrease of 0.6%, while retail loans amounted to EUR 171.4 million, recording a decrease of 1.0%.

TABLE 3. OVERVIEW OF CLIENT PLACEMENTS

TOTAL LOANS TO CUSTOMERS (IN EUR 000)	31 DEC 2024	31 DEC 2023	CHANGE 2024/2023
TOTAL GROSS LOANS	**345,150**	**348,037**	**-0.83%**
RETAIL	171,386	173,183	-1.04%
CORPORATE	173,764	174,854	-0.62%
TOTAL RESERVES ON LOANS	-28,846	-30,952	-6.80%
TOTAL NET LOANS	**316,304**	**317,085**	**-0.25%**

PICTURE 2. TRENDS IN CUSTOMER PLACEMENTS



TREASURY OPERATIONS

During 2024, the Bank operated in an environment characterized by moderately high inflation and restrictive monetary policy. The gradual easing of inflationary pressures prompted central banks to begin the process of lowering interest rates. In September 2024, the US FED reduced interest rates by 50 basis points, from 5.25% - 5.50% to 4.75% - 5.25%. In parallel, due to the decrease in inflationary pressures, the European Central Bank gradually eased its monetary policy and reduced key interest rates by 25 basis points on four occasions. As a result, the interest rate for overnight deposits was reduced from 4.0% to 3%, the interest rate for main refinancing operations from 4.50% to 3.15%, and the interest rate for the end-of-day lending facility from 4.75% to 3.40%.

Most of the excess euro liquidity was placed in overnight deposits with the central bank, while the remaining surplus was directed to debt securities with an investment rating, primarily government bonds and bonds issued by financial institutions. The Treasury, to a lesser extent, invested in domestic and foreign equity securities. The Bank was active on both the primary and secondary market of government bonds of the Republic of Croatia, whereby all purchased debt securities were allocated to a portfolio valued at amortized cost with the aim of ensuring stable cash flows.

Surplus dollar liquidity was mainly focused on the purchase of US treasury bills, while a part was also placed in short-term time deposits with domestic banks on the interbank money market. In addition, liquidity was directed to the purchase of debt securities, primarily government bonds of the USA and the Republic of Croatia, while excess liquidity in CHF currency was placed in the form of short-term deposits on the domestic interbank market.

At the end of 2024, the value of the total portfolio of debt securities, valued at amortized cost, was EUR 138.1 million. The dominant role in the portfolio belonged to issues from the Republic of Croatia - government bonds and corporate issues - whose total share was 63.2%. According to the currency structure, the EUR segment accounted for 92.5%, USD 6.6%, CHF 0.4% and CAD 0.5%.

In the asset structure of the equity portfolio, the share of foreign shares was 39%, while, according to the currency structure, the USD segment represented 20% and the EUR segment 80%. As of 31 December 2024, the value of the equity portfolio amounted to EUR 5.07 million, which represents less than 1% of the Bank's total assets.

During 2024, the Bank moderately increased its exposure to equity securities, with dividend income increasing by 5.14% compared to the previous year.

Regarding the surplus of euro liquidity, further increase of the portfolio of debt securities is foreseen, primarily through investments in government bonds of the Republic of Croatia on the primary and secondary market, with continuous placement of the remaining surplus liquidity in an overnight deposit with the central bank. Foreign currency liquidity will be directed to interbank time deposits and to the purchase of treasury bills and foreign government debt securities with short maturities in the domestic currency.

PAYMENT TRANSACTIONS

We have witnessed a wave of major changes in the payment market infrastructure in the European payment system in the last few years with the migration of payments to ISO20022. The ever-advancing development of digital payment technology has led to the need for better harmonization of standards in the financial world, user experience and system security have become imperative. New technologies and European regulations are opening new horizons for the payment architecture in the financial market, in a way that enables instant, truly fast payments, secure and fully transparent from end to end.

Financial transactions are subject to a multitude of regulatory requirements, rules and regulations that vary by country. These rules are essential to maintaining the integrity of the financial system, avoiding fraud, and protecting the interests of clients.

Payment services provide comprehensive support for the development of new products and services, the implementation of regulatory requirements in accordance with amendments to the Payment Transactions Act, Regulation (EU), SWIFT amendments, the implementation of provisions related to KYC and sanctions, changes to SEPA payment schemes in order to adapt to the new ISO20022 versions, the application of the new legal framework of the pan-European directive on payment services PSD2.

In 2024, the number and volume of customer payment transactions continued to grow. Looking at the total national, cross-border and international payment transactions, more than 3.8 million payment transactions were recorded, which is at the same level compared to the previous year. At the same time, we recorded an increase in fees charged to customers' transaction accounts for the Bank's services, which is an increase of 7% compared to the previous year, while maintaining the existing unit prices.

Total cross-border and international outflows recorded a growth of 9% compared to the previous year by the number of transactions. Total cross-border and international inflows also recorded a growth of 7% compared to the previous year in terms of number and value of transactions.

The Bank actively participated in the capital market, carrying out transactions of purchase and sale of equity and debt securities on the domestic and foreign markets, both for its own portfolio and on behalf of its clients. It also used the settlement and custody services of Euroclear Bank Brussels, with the value of executed purchase or sale settlements for the Bank's accounting portfolio exceeding EUR 42.8 million, and for custody operations exceeding EUR 107.1 million. Since October 2024, the Bank has been using the settlement and custody services of Erste&Steiermärkische Bank d.d. for equity and debt securities, with the value of executed purchase or sale settlements for the Bank's portfolio exceeding EUR 1.7 million, and for custody operations exceeding EUR 7.6 million. The Bank also carried out payment transactions through the CDCC in the amount of EUR 14.4 million.

The introduction of the service of receiving national and cross-border SEPA instant payments from January 9, 2025, represents an important step forward in the modernization and digitalization of the Bank's system.

Investments in the digital transformation of the banking sector will continue in the coming year, as banks strive to improve customer experience and modernize technology platforms. The future of payments in Europe is digital. Two main directions of digital payments development that will significantly impact the entire financial ecosystem are mobile payments and instant payments.

BUSINESS NETWORK AND DIRECT CHANNELS

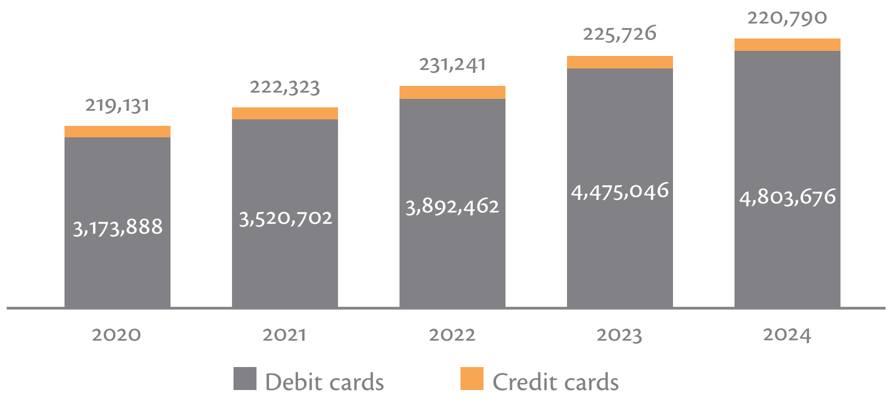
Podravska banka is a universal bank that bases its business strategy on personal contact with clients. The Bank's business network, spread across the entire Croatian territory, consists of 21 branches organized in eight commercial centers. In this way, the Bank makes a wide range of its products and services available to clients, both retail and corporate.

Through its branches, the Bank provides clients with a wide range of credit products and services, deposit products in different currencies and maturities, and diverse investment products (brokerage and custodial services, pension savings options and investments in investment funds). In addition, a large number of payment services of the treasury are available to clients.

Through direct channels, the Bank enables the acceptance of Maestro, Mastercard, VISA and Diners cards at its ATMs. In addition to its own ATMs, clients are allowed to withdraw cash free of charge at over 1,000 ATMs of the MBNet network throughout Croatia. In addition, the Bank has 469 EFTPOS terminals installed, and 6,629 singlePOS EFTPOS terminals have been registered. During 2024, 918 thousand transactions were carried out at EFTPOS terminals. 524 thousand transactions were recorded at singlePOS EFTPOS terminals, via cash registers.

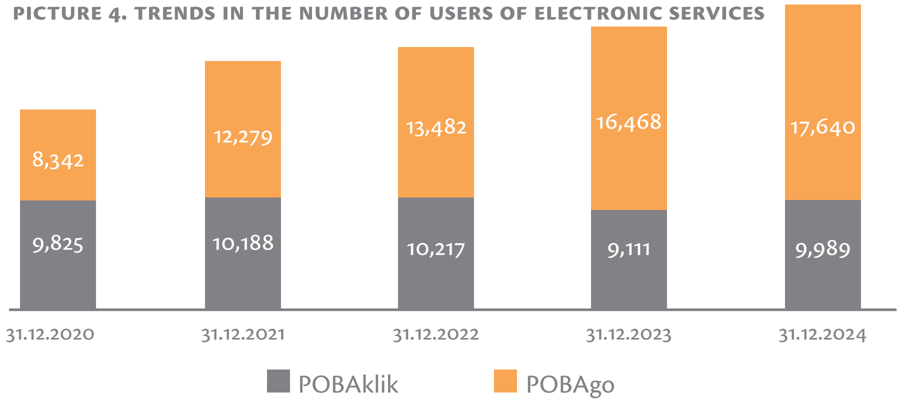
In 2024, an increase in payment card transactions was recorded. At the end of 2024, compared to the previous year, an increase of 7.0% was recorded in the number of card transactions.

PICTURE 3. TRENDS IN THE NUMBER OF CARD TRANSACTIONS



At the end of 2024, there was a noticeable increase in the number of mobile and online banking users, and the total increase in the number of users was 8.0% compared to the previous year.

PICTURE 4. TRENDS IN THE NUMBER OF USERS OF ELECTRONIC SERVICES



In the coming period, customer needs and expectations will continue to demand integrated distribution channels. Therefore, as a key digital transformation initiative, the Bank continues to improve its distribution channels - branches, online and mobile banking, self-service devices and telephone support.

HUMAN RESOURCES

As of 31 December 2024, the Bank had 223 employees. During 2024, 21 people were employed, mainly in the business network, while 24 employees left. In the employee structure, 70% of the total number of employees is female, while 50% of the total number of employees has a higher education. More than 50% of the Bank's employees are engaged in direct work with clients.

Optimizing business processes is carried out continuously by implementing new application solutions, which, along with the development of digitalization and business reorganization, results in the constant improvement of business processes, increasing the efficiency of work and business. Great attention is paid to the professional development of employees through various forms of internal and external training, which was attended by almost two thirds of employees throughout the year.

In 2025, the Bank intends to strengthen the organizational unit of support to the business network in terms of personnel and organization, as well as improve the management of all risks to which the Bank is exposed in its operations, primarily by strengthening activities for the early collection of the Bank's due and unpaid claims and the management of the Bank's risky placements, with the aim of minimizing credit risk as the Bank's most significant risk.

In 2025, the Bank will continue to invest in the professional training of employees, and if necessary, employ competent and professional people, primarily in fields involving client

CAPITAL

The Bank's total capital at the end of 2024 amounted to EUR 77.3 million, an increase of EUR 5.2 million or 7.2% compared to the previous year.

The increase in total capital results from the profit achieved in the current business year, the increase in reserves due to the allocation of part of the profit from the previous business year to the Bank's reserves, the increase in accumulated other comprehensive income, and the increase in retained earnings from the sale of equity securities valued through other comprehensive income.

Based on the decision of the Bank's Assembly, the profit of the previous year in the amount of EUR 1.1 million was allocated to legal reserves. For the remaining part of the profit in the amount of EUR 3 million, or EUR 4.50 per share, a decision was made to pay dividends to the Bank's shareholders.

The increase in retained earnings by EUR 149 thousand is the result of the purchase and sale of equity securities valued through other comprehensive income during the financial year.

The share capital amounts to EUR 36.8 million and consists of 668,749 ordinary registered shares, each with a nominal value of EUR 55.00. As of 31 December 2024, the Bank has a total of 3,324 treasury shares recorded at purchase price.

In 2024, there were no significant changes in the shareholding structure. At the end of the year, a group of shareholders, foreign individuals and legal entities acting jointly, owned 85.7% of the Bank's shares. During the year, the Bank did not acquire or release its own shares to or from the treasury.

Regulatory capital at the end of 2024 amounts to EUR 77.4 million, of which EUR 62.5 million relates to core capital and EUR 15 million to supplementary capital. The core capital ratio is 16.59%, and the total capital ratio is a high 20.56%.

Additional capital includes the unamortized portion of three subordinated bond issues issued

PROFIT AND LOSS STATEMENT

In the current business year, the bank achieved a pre-tax profit of EUR 9.5 million, while the net profit for the current year amounted to EUR 7.5 million.

Total operating income is 9% higher than in the previous year. Net interest income amounts to EUR 22.5 million and is EUR 1.2 million higher, which is an increase of 5.9% compared to the previous year. Due to the increase in interest rates on client deposits, a significant increase in interest expenses is recorded. Interest income is EUR 3.8 million higher than in 2023, while interest expenses are EUR 2.6 million higher.

In the structure of interest income, 31% refers to interest income from corporate clients, 30.8% to interest income from retail, 22.7% to interest income from banks, 3.5% to interest income from the public and other sectors, while 12.0% refers to interest income from investments in debt securities. As in the previous year, in the structure of total interest income, a significant part refers to interest income generated from the placement of surplus liquidity through deposits with the central bank.

The largest share of interest expenses relates to retail clients, who participate with 43%, 38.3% relates to corporate clients' expenses, banks' interest expenses participate with 15%, and the remaining 3.6% relates to interest expenses of the public and other sectors.

Net income from fees and commissions amounts to EUR 4.6 million, which is EUR 349 thousand more than in 2023 and represents an increase of 8.1%. During 2024, EUR 557 thousand more income from fees and commissions was achieved, or more than 8.3% compared to 2023. The largest increase in income from fees was achieved from payment services and from the provision of card services. Expenses from fees and commissions are higher by EUR 209 thousand, which is an increase of 8.5% compared to the previous year, with the most significant impact of the costs of fees for card services.

Other operating income amounts to EUR 787 thousand and refers to net income from the sale of foreclosed assets, income from dividends and rents, net income from adjustments and purchases and sales of securities from the portfolio at fair value through RDG, and other operating income.

The Bank's operating expenses in 2024 remained at the level of the previous year's operating expenses in all segments.

In the structure of administrative expenses, which include material costs and services and employee costs, employee costs and rent costs increased slightly, while other material costs and service costs were lower compared to the previous year. In 2024, there were no deposit insurance premium costs. As a result of continuous investments in tangible and intangible assets, depreciation costs also increased by 13.9% compared to 2024.

In 2024, the Bank allocated 33.9% less impairment and provisioning costs, which amounted to EUR 3.9 million at the end of the year.

With an increase in income from regular operations and efficient management of operating costs, the achieved business results of Podravska banka at the end of 2024 are better than the planned figures for the current business year.

MANAGEMENT AND MANAGEMENT ORGANIZATION

REPORT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

In accordance with the provisions of Article 272.p. of the Companies Act, the Management Board and the Supervisory Board declare that Podravska banka d.d. applies the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange d.d. The Bank applies the prescribed corporate governance measures with explanations with certain deviations within the Compliance Questionnaire and the Governance Practices Questionnaire, where appropriate.

Information on the Bank's shareholders is published in the Annual Report in the section: Notes to the financial statements (Note 29 – Share capital).

Information on the implementation of internal control and risk management, as well as information on the Bank's shareholders, is contained in the Notes to the financial statements. The rules on the appointment and removal of members of the Management Board are contained in the Bank's Articles of Association.

Shareholders of the Bank exercise their rights at the General Assembly of the Bank, which decides on issues specified by law and the Bank's statute. The General Assembly is convened by the Bank's Management Board and must be convened when requested by the Supervisory Board, the Bank's Management Board or shareholders, in accordance with the law. A shareholder who wishes to participate in the work of the General Assembly in person or through a proxy must apply in writing for participation no later than the fifth day before the General Assembly is held. Each regular share of the Bank, with a nominal value of EUR 55.00, entitles him to one vote.

The powers of the Management Board and Supervisory Board of the Bank are regulated by the relevant legal regulations and the Bank's Statute. The procedure for appointing, or electing, and recalling members of the Management Board and Supervisory Board is prescribed by the Law on Companies, the Law on Credit Institutions and the Bank's Statute. In accordance with the provisions of the Statute, the Bank's Management Board consists of two to five members, and the decision on the final number of Management Board members is made by the Supervisory Board. The President and members of the Management Board are appointed by the Supervisory Board, with the prior consent of the Croatian National Bank, for a term of up to five years with the possibility of reappointment. The composition, duties and responsibilities of the Management Board are determined by the Statute, the Policy for the selection and assessment of suitability of members of the Management Board of Podravska banka d.d., the Regulations on the organization of Podravska banka d.d. and the Decision on the review of the competences of the members of the Management Board of Podravska banka d.d.

The Supervisory Board may revoke its decision to appoint the president or a member of the Management Board when there is an important reason for doing so in accordance with applicable law, and the president and members of the Management Board may resign in writing.

The powers and responsibilities of the Bank's Management Board are determined by the Law on Companies, the Law on Credit Institutions, the Bank's Statute, and a special decision determines the division of responsibilities between individual members of the Management Board. The Bank's management manages the Bank's affairs and manages its assets, whereby it is obliged and authorized to undertake all actions and make all decisions necessary for the successful management of the Bank's affairs.

Members of the Bank's Management Board must meet the requirements for holding the position of Management Board member prescribed by the Companies Act, the Credit Institutions Act, and relevant subordinate legislation and internal regulations of the Bank.

The members of the Management Board must collectively have the professional knowledge, skills and experience necessary for the independent and autonomous management of the Bank's operations, and in particular for understanding the business and significant risks, i.e. collective suitability which is derived from the assessment of the suitability of an individual member of the Management Board of the Bank to perform the function of the President or member of the Management Board of the Bank.

The Bank's management manages the Bank's affairs and manages its assets. In doing so, it is obliged and authorized to undertake all actions and make all decisions it deems necessary for the successful management of the Bank's business. The members of the Bank's Management Board are employed in the Bank full-time.

In accordance with the decision of the Supervisory Board, the Bank's Management Board during 2024 has three members, the president and two members of the Management Board, appointed for a term of three years.

The members of the Bank's Management Board as of the date of this Report are:

- Daniel Unger, President of the Management Board
- Goran Varat, Member of the Management Board
- Renata Vinković, Member of the Management Board

By the decision of the General Assembly of 21 January 2020 and its amendment of 29 June 2021, the Bank's Management Board is authorized, depending on the financial condition of the Bank, to acquire its own shares on the organized securities market or by direct acquisition outside the organized securities market, or by direct purchase.

The Supervisory Board has nine members who are elected and dismissed by the General Assembly. Two members of the Supervisory Board are independent. Only a person can be elected as a member of the Supervisory Board who fulfills the requirements prescribed by law and by-laws governing the operations of credit institutions and who has received the prior consent of the Croatian National Bank to perform the function of a member of the Supervisory Board.

Members of the Supervisory Board must meet the conditions for performing the function of a member of the Supervisory Board prescribed by the Companies Act, the Credit Institutions Act, and relevant subordinate legislation and internal regulations of the Bank.

The members of the Supervisory Board must collectively have the professional knowledge, skills and experience necessary for independent and autonomous supervision of the Bank's operations, and in particular for understanding the operations and significant risks, i.e. collective suitability which is derived from the assessment of the suitability of an individual member of the Supervisory Board to perform the function of a member of the Supervisory Board.

The members of the Supervisory Board as of the date of this report are:

- Miljan Todorović, Chairman of the Supervisory Board
- Sigilfredo Montinari, vice president
- Antonio Moniaci, member
- Dario Montinari, member
- Dolly Predovic, member
- Ezio Simonelli, member
- Filippo Disertori, member
- Maurizio Dallocchio, member
- Michele Calcaterra Borri, member

The powers of the Supervisory Board are regulated by applicable laws and by-laws, the Bank's Statute and other internal acts.

During 2024, four regular meetings of the Supervisory Board were held, and in addition, the Supervisory Board also made decisions in writing, whenever individual decisions needed to be made without delay, mainly on granting the Supervisory Board's approval of the Bank's exposure to individual clients in accordance with legal regulations. All members of the Bank's Supervisory Board were present at each meeting.

The Supervisory Board has established an Audit Committee and a Risk Committee, and the tasks of the Remuneration Committee and the Nomination Committee are performed by the Supervisory Board.

The scope and manner of work of the said committees is regulated by the regulations on the work of individual committees, in accordance with the relevant legal regulations. The members of the aforementioned committees are appointed from among the Supervisory Board.

The Risk Committee consists of:

- Sigilfredo Montinari – Chairman of the Committee
- Dario Montinari – Member of the Committee
- Dolly Predovic – Member of the Committee
- Ezio Simonelli – Member of the Committee
- Miljan Todorović – Member of the Committee

The Audit Committee consists of:

- Dolly Predovic – Chairman of the Committee
- Dario Montinari – Member of the Committee
- Michele Calcaterra Borri – Member of the Committee
- Miljan Todorović – Member of the Committee
- Sigilfredo Montinari – Member of the Committee

During 2024, the Audit Committee and the Risk Committee held four meetings with the presence of all committee members and at which they discussed matters within the scope of their authorities and responsibilities in accordance with the Bank's internal acts.

The diversity policy applied in relation to the members of the management and supervisory bodies is established and implemented in accordance with the adopted internal acts, the Policy on the Targeted Structure of the Bank's Management Board and the Policy on the Targeted Structure of the Supervisory Board. Among the key standards and responsibilities of all functions and employees involved, is the continuous effort to increase the number of women in all management functions, as well as monitoring and reporting on the representation of women in corporate governance processes. The standard of professional and age diversity is also represented in the assessment and selection of members of the Management Board and the Supervisory Board.

Percentage of independent members of the Supervisory Board as of December 31, 2024: 22% (i.e. two out of a total of nine members).

In terms of gender diversity, as of December 31, 2024:

- - the ratio of women to men in the Management Board is 33.3% (one woman out of a total of three members).
- - the ratio of women to men in the Supervisory Board is 11.1% (one woman out of a total of nine members).

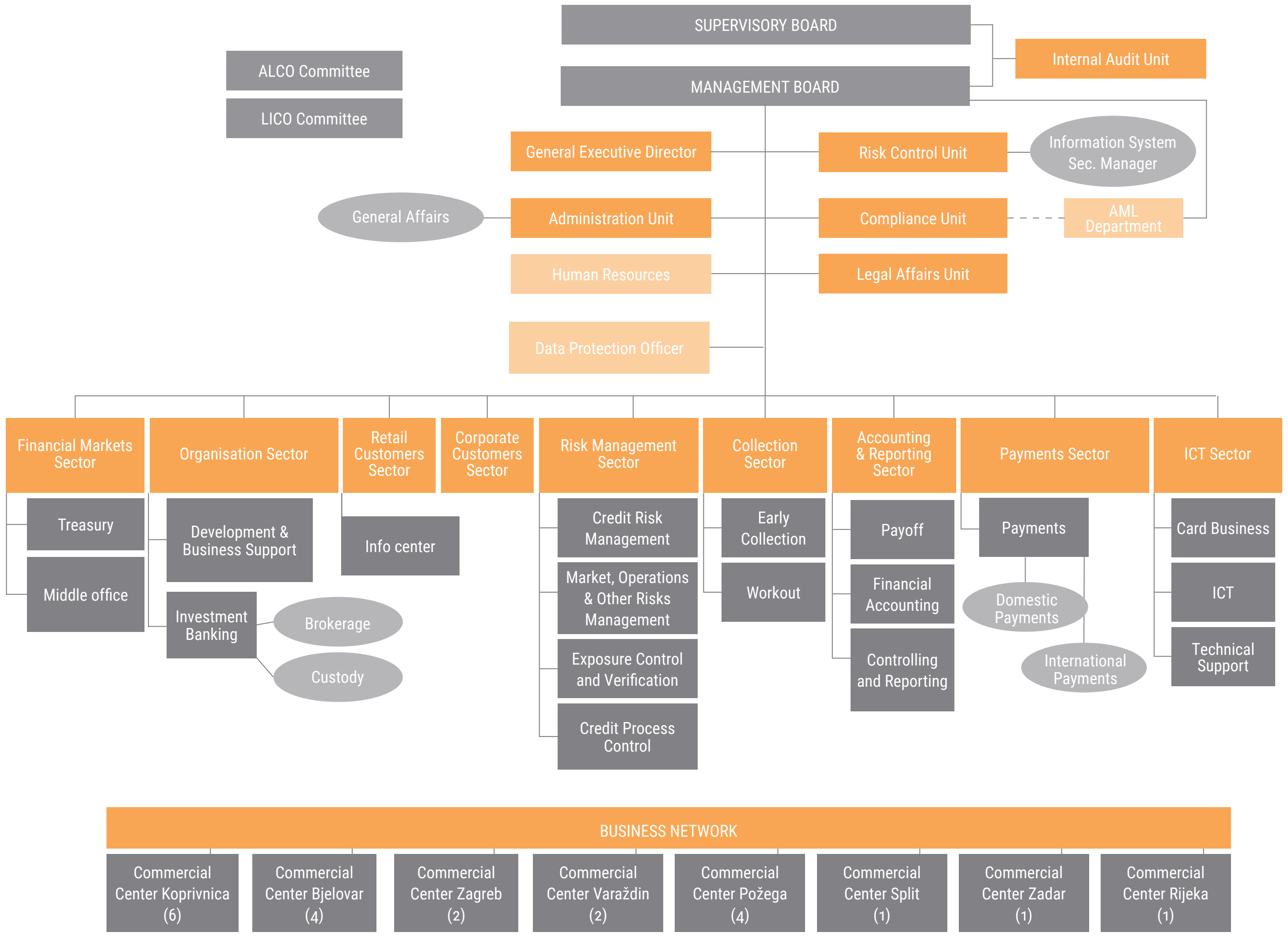
In early 2024, the Bank adopted a targeted structure of the Supervisory Board, which ensures equal representation of the underrepresented female gender in the Supervisory Board and the achievement of the targeted level of representation of the currently underrepresented female gender, as well as the time period in which the Bank will strive to achieve the targeted representation structure in the Supervisory Board. The Bank will strive to achieve the targeted representation structure of the currently underrepresented female gender in the Bank's Supervisory Board over a four-year period.

The rules on amendments to the Bank's Statute are contained in the Statute itself. The decision on amendments is made by the Bank's General Assembly in accordance with the law and the Statute, by votes representing at least three quarters of the share capital represented at the General Assembly when making the decision.

Amendments to the Statute are proposed by the Supervisory Board, the Management Board and the Bank's shareholders. In order to protect the interests of all investors, shareholders, clients, employees and others who have an interest, the Bank has established high standards of corporate governance.

In accordance with the provisions of the Companies Act, this Statement on the Application of the Corporate Governance Code is an integral part of the Annual Report on the Status of the Company for 2024. The completed Questionnaire on Compliance of Share Issuers, which contains all answers and necessary clarifications, has been published and made publicly available on the websites of the Bank and the Zagreb Stock Exchange.

ORGANISATIONAL STRUCTURE OF PODRAVSKA BANKA D.D.



* Number of Retail Centers within the Commercial Center

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 TOGETHER WITH THE INDEPENDENT AUDITOR`S REPORT

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD FOR THE PREPARATION AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Management Board of the PODRAVSKA BANKA d.d. (the "Bank") is required to prepare financial statements that give a true and fair view of the financial position of the bank and the results of its operations and cash flows, in accordance with International Financial Reporting Standards as established by the European Commission and published in the Official Journal of the European Union (IFRS), and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. The Management Board has a general responsibility for taking available measures to preserve the Bank's assets and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting appropriate accounting policies that are consistent with IFRSs that will be applied consistently, making reasonable and prudent judgements and assessments, and preparing financial statements based on the principle of unlimited operating time unless the assumption that the Bank will continue to operate is inappropriate.

The Management Board of the Bank is responsible for the submitting of annual report and financial statements to the Supervisory Board for approval. By granting the approval of the Supervisory Board to the annual report with financial statements, these reports are determined by the Management Board and the Supervisory Board and sent to the General Assembly for notification.

The Bank's financial statements on pages 11 to 96 are approved by the Management Board on 19 March 2025, for the purpose of their submission to the Supervisory Board, which was confirmed by the signature below.

The financial statements were approved by the Bank's Management on 19 March 2025, and they signed:

Daniel Unger	Goran Varat	Renata Vinković
President of the Management Board	Member of the Management Board	Member of the Management Board

Koprivnica, 19 March 2025

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10000 Zagreb
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Podravska banka d.d., Koprivnica

The report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of Podravska banka d.d., Opatička 3, Koprivnica (further referred to as "the Bank"), which include the statement of financial position on 31 December 2024, the statement of comprehensive income, the statement of cash flows, and the statement of capital changes for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (further referred to as "the annual financial statements").

In our opinion, the attached annual financial statements present a true and fair view of the Bank's financial position on 31 December 2024, and its financial performance and cash flows for the year were then completed in accordance with the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (IAS). Our responsibilities under these standards are described in more detail in our independent Auditor's report in the section on the Auditor's responsibilities for the Audit of the annual financial statements. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Standards of Ethics for Accountants Committee ("IESBA", "IESBA Code"), as well as in accordance with ethical requirements relevant to our audit of the financial statements in the Republic of Croatia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those that have been, in our professional judgement, of paramount importance to our audit of the annual financial statements of the current period and include the most significant risks of significant misrepresentation due to 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 annual financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these matters.

We have determined that the following matters are key audit matters and should be published in our Independent Auditor's Report:

Impairment of loans to clients

As of 31 December 2024, gross loans to customers in the financial statements amounted to EUR 345 million, associated impairment provisions amounted to EUR 29 million, and impairment cost recognised in the profit and loss account amounted to EUR 4.2 million (31 December 2023: gross loans to clients: EUR 348 million, impairment provisions: EUR 31 million, impairment cost recognised in the profit and loss account: 6.4 million euros).

Key audit matter

We focused on this area due to the significant amounts reported in the financial statements, as well as the nature of the judgements and assumptions that the Management Board is required to make.

Impairment represents the Management Board's best estimate of the risks of default and expected credit losses within the loan portfolio to clients at the reporting date.

IFRS requires the Management Board to make judgements about the future, and various items in the financial statements are subject to uncertainty of assessment. The estimates required to impair loans to customers represent significant estimates.

The main sources of uncertainty in estimates related to the impairment of loans to customers are the identification of loans that are deteriorating, the assessment of a significant increase in credit risk, forecasting future cash flows, estimating inflows from collateral realisation, and determining the expected credit loss for loans and advances to clients that are inherently uncertain.

Impairment is measured either as a 12-month expected credit loss or as a lifelong expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

For individually significant clients or exposures to legal and individual persons who individually exceed EUR 40,000 and who have defaulted (non-performing exposures), the impairment assessment is based on the knowledge of each debtor, and often on the assessment of the fair value of the related collateral.

Related impairment provisions are determined on an individual basis based on the present value of discounted future cash flows.

The impairment of income exposures to citizen and legal entities, non-performing exposures to retail, and non-performing exposures to legal and individual persons of less than EUR 40,000 shall be determined using a model (collectively 'bulk impairment').

Historical experience, identification of exposures with significant deterioration in credit quality, future-related information, and Management assessments are included in the model assumptions. The Bank continuously adjusts the parameters of the model, which also requires our increased attention during the audit.

Related disclosures in the corresponding annual financial statements

For further information, see Note 2 of the Annual Financial Statements in which the accounting policies are published, Note 6 Impairment and Provision Expenses and Note 13 Loans to customers.

How we addressed the key audit matter

In order to address the risk associated with the impairment of credit and advances to clients, an area designated as a key audit matter, we have designed audit procedures that have enabled us to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Our audit procedures in this area included, among others:

- an overview of the Bank's methodology for calculating expected credit loss and assessing compliance with the relevant requirements of the International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"),
- understanding the process of determining the impairment of loans to clients, IT applications used, assumptions for data used in the expected credit loss model,
- assessing the design, implementation, and operational effectiveness of controls in credit risk management and lending business processes and testing key controls related to the granting, recording, and monitoring of loans,
- testing the design, implementation, and operational efficiency of selected key controls, as well as controls related to the identification of impairment events, the adequacy of classification between yielding and non-performing loans and their segmentation into homogeneous groups, the calculation of delay days, the assessment of collateral value, and the calculation of impairment provisions,
- verifying, based on a sample, whether the definition of default is consistently applied and the correctness of the allocation at individual stages of credit risk is consistently applied in accordance with the relevant policies,
- evaluating the overall model for the calculation of expected credit losses, including the calculation of the main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD)),
- testing the adequacy of individual impairments, based on a sample of individual loans, with a focus on exposures, with potentially the greatest impact on annual financial statements due to their size and riskiness and smaller exposures which we independently assessed as high-risk,
- conducting an evidentiary test on the selected sample to assess the correctness of the classification of the loans to customers,
- in certain cases, we have used our own judgment to determine the parameters for calculating the impairment losses of loans to customers and to compare our calculations with the impairment calculated by the Bank,
- evaluating the accuracy and completeness of disclosures in the financial statements.

Other information

The Management Board is responsible for all other information. The other information includes the Management Report and the Statement on the Application of the Corporate Governance Code, but does not include the annual unconsolidated financial statements and our independent auditor's report thereon.

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

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

With respect to the Management Report and the Statement on the Application of the Corporate Governance Code, we have also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report has been prepared in accordance with Article 21 of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code contains the information referred to in Article 22 of the Accounting Act.

Based on the procedures performed, to the extent that we are able to assess this, we report that:

1. the information in the attached Management Report and the Statement on the Application of the Corporate Governance Code is consistent, in all material respects, with the attached annual financial statements;
2. the attached Management Report is prepared in accordance with Article 21 of the Accounting Act; and
3. the attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on the knowledge and understanding of the Bank's operations and its environment obtained in the audit of the annual financial statements, we are required to report if we have determined that there are material misstatements in the attached Management Report and the Statement on the Application of the Corporate Governance Code. In this regard, we have nothing to report.

Responsibilities of the Bank's Management Board and those in charge of management for the Annual Financial Statements
The Management Board is responsible for the preparation of annual separate and consolidated financial statements that give a true and fair view in accordance with IFRS and for those internal controls that the Management Board determines are necessary to enable the preparation of those financial statements, without material misrepresentation due to fraud or error. In preparing the annual financial statements, the Management Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern basis of accounting, unless the Bank's Management Board either intends to liquidate the Bank or discontinue operations or has no realistic alternative but to do so.

Those in charge of management are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of annual financial statements
Our objectives are to gain reasonable assurance as to whether the annual financial statements are without significant misrepresentation due to fraud or error and to issue an independent auditor's report that includes our opinion. Reasonable belief is a higher level of belief, but it is not a guarantee that an audit carried out in accordance with ISAs will always reveal a significant misrepresentation when it exists. Misstatements may arise due to fraud or error and are considered significant if they can reasonably be expected to influence, individually or in total, the economic decisions of users made based on those annual financial statements.

As a part of the Audit in accordance with ISAs, we create professional judgements and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of a significant misstatement of annual financial statements due to fraud or error, design and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not disclosing a significant misstatement due to fraud is greater than that due to error, as fraud may include secret agreements, counterfeiting, deliberate dropping, misrepresentation, or avoiding internal controls.
- gain an understanding of internal audit-relevant controls in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Bank's Management Board.
- conclude on the adequacy of the used accounting basis based on going concern basis used by the Bank's Management Board and, based on the audit evidence obtained, conclude whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the Bank's ability to continue on going concern basis. If we conclude that there is significant uncertainty, we are required to draw attention in our independent auditor's report to related disclosures in the annual financial statements or, if such disclosures are not appropriate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Bank to cease operations for an indefinite period of time.
- evaluate the entire presentation, structure, and content of the annual financial statements, including disclosures, as well as whether the annual financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.

We communicate with those in charge of management regarding, among other issues, the planned scope and timing of the audit and significant audit findings, including any significant gaps in internal controls that were detected during our audit.

We also give a statement to those in charge of management that we have complied with relevant ethical requirements regarding independence and will communicate with them on all relationships and other issues that may reasonably be considered to affect our independence, as well as, where applicable, related protections.

Among the issues communicated with those in charge of management, we determine those issues that are significant in the audit of the annual financial statements of the current period and are therefore key audit matters. We describe these matters in our Independent Auditor's Report, unless a law or regulation prevents the public disclosure of a matter or when we decide, in extremely rare circumstances, that the matter should not be communicated in our Independent Auditor's Report because it can reasonably be expected that the negative consequences of the communication would outweigh the benefits of the public interest from such communication.

Report on other legal requirements
On 7 May 2024, we were appointed by the General Assembly of the Bank to audit the annual financial statements for 2024.

As of the date of this Independent Auditor's Report, we are continuously engaged in carrying out the statutory audit of the Bank's annual financial statements for2019, which totals 5 years. In the audit of the Bank's annual financial statements for 2024, we determined the significance for the annual financial statements, as follows:

- for annual financial statements: EUR 1.5 million

representing approximately 2% of the Bank's net assets as of 31 December 2024,

We have chosen net assets as a measure of significance because we believe that this is the most appropriate measure of significance according to which users most often evaluate the success of the Bank's operations, and it is also a generally accepted scale.

Our audit opinion is consistent with the additional report for the Bank's audit board prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

During the period between the starting date of the Bank's audited annual financial statements for 2024 and the date of this Report, we did not provide prohibited non-audit services to the Bank and did not provide services in the financial year prior to the aforementioned period to design and implement internal control procedures or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing audit, we have preserved independence from the Bank.

Based on the decision of the Croatian National Bank on the structure and content of the annual financial statements of banks (OG 42/18 and 122/20), the Management Board of the Bank has prepared the forms shown on pages 97 to 118 ("Forms"). The financial information presented in the forms is in accordance with the information presented in the annual financial statements shown on pages 11 to 96, to which we have expressed an opinion as presented in the Opinion section above.

Based on the obligation arising from the Credit Institutions Act (OG 159/13, 19/15, 102/15,15/18, 70/19, 47/20 and 146/20), the Bank presented the requested information on pages 117 to 118, which contains all the information prescribed by Article 164, paragraph 1 of the Credit Institution act. The information presented is derived from the Bank's financial statements shown on pages 11 to 96 to which we have expressed our opinion as presented in the Opinion section above.

Report based on the requirements of the ESEF Regulation

Report on the auditor's certificate of compliance of the annual separate and consolidated financial statements ('the financial statements'), prepared pursuant to article 462(5) of Regulation (EU) No.1306/2013; Capital Market Act (Official Gazette, No. 65/18, 17/20, and 83/21) by applying the requirements of Delegated Regulation (EU) 2018/815, which defines a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We have engaged in expressing reasonable belief that the financial statements have been prepared for the purposes of public disclosure under Article 462(5) of the Treaty on the Functioning of the European Union. In accordance with Article 10 of the Capital Market Act, which is contained in the electronic file Godišnji financijski izvještaj Podravske banke 2024, prepared in all materially significant aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management Board and those in charge of management

The Bank's Management Board is responsible for the preparation and content of financial statements in accordance with the ESEF Regulation.

In addition, the Management Board of the Bank is responsible for maintaining a system of internal controls that, to a reasonable extent, ensures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Bank's Management Board is also responsible for:
- public disclosure of the financial statements contained in the annual report in the current XBRL format and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of management are responsible for supervising the preparation of financial statements in the ESEF format as part of the financial reporting process.

Responsibilities of the auditor

It is our responsibility to express a conclusion, based on the audit evidence collected, as to whether the financial statements are free of material non-compliance with the requirements of the ESEF Regulation. We have conducted this engagement with the expression of reasonable conviction in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (amended)- Engagements with the expression of beliefs other than audits or insights into historical financial information.

Performed procedures

The nature, timeframe, and scope of the procedures selected depend on the auditor's judgment. Reasonable belief is a high degree of assurance; however, it does not ensure that the scope of the test will reveal any 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 error; and
- based on that, we have planned and designed procedures to respond to assessed risks and to obtain reasonable belief for the purpose of expressing our conclusion.

The aim of our actions was to assess whether:
- financial statements are prepared in a valid XHTML format,
- the information contained in the financial statements required by the ESEF Regulation, is marked, and all labels meet the following requirements:
  - The XBRL mark language was used,
  - the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional element of taxonomy has been created in accordance with Annex IV of the 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 conclusion.

Conclusion

In our opinion, based on the performed procedures and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned attached electronic fileand prepared for public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, are in all material respects in accordance with the requirements of the ESEF Regulation for the year ended 31 December 2024.

Our conclusion is not an opinion on the truth and fair presentation of financial statements presented in electronic form. In addition, we do not express our assurance about other information published with documents in ESEF format.

The partner engaged in the audit of the Bank's annual financial statements for 2024, which results in this Independent Auditor's Report, is Ivan Čajko, certified auditor.

In Zagreb, 19 March 2024

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

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

Hrvoje Stipić, President of Management Board   Ivan Čajko, certified auditor

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

IN EUR THOUSANDS	NOTE	2024	2023
INTEREST INCOME AND SIMILAR INCOME	3	27,484	23,653
INTEREST EXPENSE AND SIMILAR EXPENSE	3	(4,992)	(2,409)
NET INTEREST INCOME		**22,492**	**21,244**
FEE AND COMMISSION INCOME	4	7,318	6,761
FEE AND COMMISSION EXPENSE	4	(2,679)	(2,470)
NET FEE AND COMMISSION INCOME		**4,639**	**4,291**
OTHER OPERATING INCOME, NET	5	787	85
OPERATING INCOME		**27,918**	**25,620**
IMPAIRMENT EXPENSES AND PROVISIONS	6	(3,923)	(5,936)
ADMINISTRATIVE EXPENSES	7	(12,611)	(12,685)
DEPRECIATION AND AMORTIZATION	8	(1,874)	(1,868)
PROFIT BEFORE TAX		**9,510**	**5,131**
CORPORATE INCOME TAX	9	(1,989)	(1,080)
NET PROFIT		**7,521**	**4,051**
OTHER COMPREHENSIVE INCOME			
NET INCREASE/(DECREASE) IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	-	10,640
OTHER COMPREHENSIVE LOSS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		**-**	**10,640**
NET INCREASE/(DECREASE) IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUES THROUGH OTHER COMPREHENSIVE INCOME	15	810	919
DEFERRED TAX RECOGNISED IN CAPITAL	9	(119)	(141)
OTHER COMPREHENSIVE INCOME THAT IS NOT RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		**691**	**778**
OTHER COMPREHENSIVE INCOME/(LOSS)		**691**	**11,418**
TOTAL COMPREHENSIVE INCOME/(LOSS) AFTER TAX		**8,212**	**15,469**
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS	**10**	**11.25 EUR**	**6.06 EUR**

The attached accounting policies and notes on pages 46 to 116 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2024

IN EUR THOUSANDS	NOTES	31 DECEMBER 2024	31 DECEMBER 2023
ASSETS			
CASH AND BANK ACCOUNTS	11	219,506	179,882
PLACEMENTS WITH OTHER BANKS	12	21,546	15,474
LOANS TO CUSTOMERS	13	316,303	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	14	113	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	5,072	4,466
HELD-TO-MATURITY FINANCIAL ASSETS	16	138,134	137,526
INTANGIBLE ASSETS	17	8,103	7,749
PROPERTY AND EQUIPMENT	18	3,210	2,946
RIGHT-OF-USE ASSETS	19	4,085	4,066
INVESTMENT PROPERTY	20	1,967	2,831
DEFERRED TAX ASSETS	9	600	858
OTHER ASSETS	21	4,432	6,540
TOTAL ASSETS		**723,071**	**680,923**
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES			
LIABILITIES TO OTHER BANKS	22	9,385	7,405
LIABILITIES TO CUSTOMERS	23	561,232	524,546
OTHER BORROWED FUNDS	24	46,306	48,245
OTHER LIABILITIES	25	11,504	10,915
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	26	1,046	1,432
ISSUED SUBORDINATED INSTRUMENTS	27	16,340	16,339
TOTAL LIABILITIES		**645,813**	**608,882**
SHARE CAPITAL			
SHARE CAPITAL	28	36,781	36,781
SHARE PREMIUM		400	400
TREASURY SHARES		(157)	(157)
RESERVES	29	31,219	29,621
PROFIT FOR THE YEAR		7,521	4,051
RETAINED EARNINGS		1,494	1,345
TOTAL SHAREHOLDERS' EQUITY		**77,258**	**72,041**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**723,071**	**680,923**

The attached accounting policies and notes on the pages 46 to 116 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

IN EUR THOUSANDS	NOTE	2024	2023
PROFIT BEFORE TAX	**9**	**9,510**	**5,131**
ADJUSTED BY:			
DEPRECIATION AND AMORTISATION	8	1,874	1,868
NET INCOME ON THE SALE OF NON-CURRENT TANGIBLE ASSETS	5	0	(364)
NET INCOME ON THE SALE OF FORECLOSED ASSETS	5	(815)	(244)
INCREASE IN PROVISIONS FOR LOANS AND OTHER PROVISIONS	6	3,923	5,936
DIVIDEND INCOME	5	(184)	(175)
NET UNREALIZED GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	871	1,509
PROFIT FROM OPERATIONS BEFORE CHANGES IN OPERATING ASSETS		**15,179**	**13,661**
CHANGES IN OPERATING ASSETS			
NET INCREASE OF LOANS TO CUSTOMERS		(3,343)	(9,849)
NET DECREASE / (INCREASE) OF PLACEMENTS TO BANKS		33	(5,371)
NET (INCREASE)/DECREASE OF OTHER ASSETS		(3,155)	(1,831)
NET (INCREASE) / DECREASE OTHER LIABILITIES		(1,534)	(624)
NET (INCREASE) / DECREASE OF LIABILITIES TO OTHER BANKS		1,980	3,584
INCREASE IN DEPOSITS FROM CUSTOMERS		36,686	63,044
CORPORATE INCOME TAX PAID		(1,621)	(975)
NET CASH FROM OPERATIONS		**44,225**	**61,639**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
PURCHASE OF PROPERTY AND EQUIPMENT	18	(698)	(101)
PURCHASE OF INTANGIBLE ASSETS	17	(1,064)	(609)
DISPOSAL OF PROPERTY AND EQUIPMENT		-	1,000
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		516	1,283
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		204	749
DIVIDENDS RECEIVED		184	175
INCREASE IN HELD-TO MATURITY INVESTMENTS		(605)	(19,051)
NET (INCREASE) / DECREASE OF FORECLOSED ASSETS		5,005	395
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**3,542**	**(16,159)**
CASH FLOW FROM FINANCIAL ACTIVITIES			
EXPENDITURE FROM BORROWED FUNDS		(1,939)	(6,423)
NET CASH FLOW FROM FINANCIAL ACTIVITIES		**(1,939)**	**(6,423)**
NET CASH RECEIVED / (PAID)		**45,828**	**39,057**
CASH AT THE BEGINNING OF THE PERIOD	**11**	**189,355**	**150,298**
CASH AT THE END OF THE PERIOD	**11**	**235,183**	**189,355**

The attached accounting policies and notes on the pages 46 to 116 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

IN EUR THOUSANDS	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	CAPITAL GAINS	RESERVES	RETAINED EARNINGS / (LOSS)	PROFIT FOR THE YEAR	TOTAL
BALANCE ON 31 DECEMBER 2022	**35,503**	**400**	**(157)**	**(555)**	**18,555**	**1,211**	**1,615**	**56,572**
RE-NOMINATION AND INCREASE OF SHARE CAPITAL	1,278	-	-	-	(1,278)	-	-	-
PROFIT FOR THE YEAR	-	-	-	-	-	-	4,051	4,051
CHANGES IN THE FAIR VALUE RESERVES	-	-	-	-	11,418	-	-	11,418
SALE OF EQUITY INSTRUMENTS AT FVOCI	-	-	-	-	(134)	134	-	-
ALLOCATION OF 2022 PROFIT	-	-	-	-	1,615	-	(1,615)	-
BALANCE ON 31 DECEMBER 2023	**36,781**	**400**	**(157)**	**(555)**	**30,176**	**1,345**	**4,051**	**72,041**
PROFIT FOR THE YEAR	-	-	-	-	-	-	7,521	7,521
CHANGES IN THE FAIR VALUE RESERVES	-	-	-	-	691	-	-	691
SALE OF EQUITY INSTRUMENTS AT FVOCI	-	-	-	-	(149)	149	-	-
ALLOCATION OF 2023 PROFIT-DIVIDEND	-	-	-	-	-	-	(2,995)	(2,995)
ALLOCATION OF 2023 PROFIT	-	-	-	-	1,056	-	(1,056)	-
BALANCE ON 31 DECEMBER 2024	**36,781**	**400**	**(157)**	**(555)**	**31,774**	**1,494**	**7,521**	**77,258**

The attached accounting policies and notes on the pages 46 to 116 are an integral part of these financial state

1 GENERAL INFORMATION

Podravska banka d.d., Koprivnica (the "Bank") was incorporated in the Republic of Croatia and registered as a joint stock company at the Commercial Court in Bjelovar on 12 July 1995. The registered seat of the Bank is in Koprivnica, Opatička 3.

BASIS OF PREPARATION

Basis of accounting

The annual financial statements were prepared in accordance with the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union (IFRS).

The Bank's operations are subject to the Credit Institutions Act, according to which the Bank's financial reporting is determined by the Croatian National Bank ("CNB"), which is the central supervisory institution of the banking system in Croatia.

Basis of measurement

The financial statements are prepared on a fair value basis for derivative financial instruments, trading assets and liabilities, other financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income and non-financial assets, except for those for which a reliable measure of fair value is not available. Other financial assets and liabilities, and non-financial assets and liabilities, are stated at amortized or historical cost.

The financial statements are intended for informational purposes; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

Functional and reporting currency

The items included in the Bank's financial statements are presented in euros, which represent the currency of the primary economic environment in which the Bank operates (function currency).

The amounts are rounded to the nearest thousand (unless otherwise stated).

Use of assessments and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, the disclosure of contingent and assumed liabilities at the reporting date, as well as the amounts of income, expenses, and other comprehensive income during the reporting period. Actual results may differ from estimates.

Estimates and related assumptions are continuously reviewed. The effects of changes in accounting estimates are recognised in the period in which the estimate is amended, if the change affects only that period, or in the period of change and future periods if the change affects current and future periods.

Information on Management judgements, relating to the application of IFRS and having a significant impact on financial statements and information on estimates with a significant risk of possible significant adjustment in the following year, is published in Note 2.

2 BASIC ACCOUNTING POLICIES

APPLICATION OF NEW STANDARDS, INTERPRETATIONS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

Initial application of new amendments to the existing standards 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 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");

Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU

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 is currently assessing the effect of these new accounting standards and amendments.

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 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 does not expect to be eligible to apply IFRS 19.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Bank's principal accounting policies is set out below.

Basis of an accounting

The Bank keeps its business books in EUR in accordance with International Financial Reporting Standards (IFRS).

Interest income and expenses and similar income and expenses

Interest income is calculated based on outstanding principal and at the effective interest rates in place, which represent the rate at which estimated future cash inflows are discounted up to the net carrying amount of the financial asset during its expected life.

Interest income and expenses and similar income and expenses

Loan granting fees that are likely to be withdrawn are deferred, together with the associated direct costs of the authorisation and recognised as adjusting the effective return on credit, thus adjusting interest income.

Loans where impairment has occurred are reduced to the recoverable amount, and interest income is subsequently recognised off-balance sheet based on the interest rate used to discount future cash flows for the purpose of measuring the recoverable amount. Other fees are recognised at the time of earnings. Dividend income is recognised after voting.

Fee and commission income

Fee and commission income mainly consist of fees for granting guarantees and fees for other services of the bank, commissions for the management of funds of legal and individual persons, and fees for foreign and domestic payments.

Fees are recognised in revenue when a related service is performed. The fee for granting loans that are very likely to be realised is delimited and recognised as a correction of the actual yield.

Operating income

Operating income includes net interest income, net income from fees and commissions, income from the purchase and sale of foreign currencies, income from the purchase and sale of securities from the portfolio of financial assets at fair value through other comprehensive profits, income from the purchase and sale and changes in the fair value of financial assets at fair value through the profit and loss account, net income from the reduction of foreign currencies to the middle exchange rate, profits from the sale of property and equipment, dividends received, and other income from operations.

Foreign currencies

Revenues and expenses from transactions in foreign means of payment are converted into euros at the official exchange rate valid on the date of the transaction. Monetary assets and liabilities denominated in foreign currency were converted into euros at the middle exchange rate of the CNB, valid on the last day of the accounting period. Gains and losses arising from the conversion of foreign currencies are shown in the profit and loss account for the year to which they relate.

Expenses of employees

The right to annual leave is recognised during the period of its occurrence. The Bank recognises the obligation for accumulated allowances for leave from work based on unused vacation days on the reporting day.

The expenses of the members of the Supervisory Board are included in the expenses of employees in accordance with the remuneration policy.

Employee contributions

According to domestic legislation, the Bank has an obligation to pay contributions to pension and health insurance funds. This obligation applies to permanent employees, and according to it, the employer is obliged to pay contributions in a certain percentage amount determined based on gross salary:

	2024	2023
PENSION CONTRIBUTIONS	20%	20%
HEALTH INSURANCE CONTRIBUTIONS	16.5%	16.5%

The Bank also has an obligation to deduct said contributions from the gross salary of employees.

Contributions on behalf of the employee and on behalf of the employer shall be calculated as the expense of the period in which they were incurred.

During regular operations, when paying salaries, the Bank on behalf of its employees, who are members of mandatory pension funds, makes regular payments of contributions in accordance with the law. Mandatory pension contributions to funds are reported as part of the cost of salaries when accounted for. The Bank does not have an additional pension plan and therefore has no other obligations regarding employee pensions. Also, the Bank has no obligation to provide any other income to employees after their retirement.

Corporate Income Tax

The income tax expense includes both current and deferred tax. Corporate income tax is calculated on taxable profit at the currently applicable rate. The tax is recognized in the income statement, except for taxes related to items recognized directly in other comprehensive income or equity, in which case the tax is also recognized in other comprehensive income or directly in equity. The bank pays corporate income tax at a rate of 18% on taxable profit, in accordance with the Corporate Income Tax Act.

Current corporate income tax
Current tax represents the expected tax liability calculated on taxable profit for the year using tax rates that were in force or were essentially valid at the reporting date and any adjustments to the tax liability from previous periods. The amount of tax liability or advances represents the best estimate of the expected amount of tax to be paid or received, which reflects uncertainties related to corporate income tax, if any.

Deferred corporate income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of the temporary differences between the book value of assets and liabilities for financial reporting purposes and the value used for the purpose of corporate tax calculations. Deferred tax assets and liabilities are valued using tax rates that are expected to apply to taxable profits in years where those temporary differences are expected to be recovered or settled.

Deferred tax assets and liabilities are reported regardless of when temporary differences are expected to be cancelled. Deferred tax assets are recognised at a time when sufficient taxable profits are likely to be generated, to which deferred tax assets may apply. On the date of reporting, the Bank reassesses the inexpressible deferred tax assets and the adequacy of the book value of tax assets.

Cash and cash equivalents

For the purpose of preparation of the Statement of Cash Flows, cash and cash equivalents include balances with a maturity of less than 90 days and include cash and current accounts with other banks and placements with other banks.

Financial instruments

Financial assets and financial liabilities reported in the Statement of Financial Position include cash and cash equivalents, marketable securities, receivables and liabilities, long-term loans and deposits, and investments. The accounting methods for monitoring these instruments are found in the appropriate accounting policies.

The Bank shows financial assets and financial liabilities in the Statement of Financial Position only when it becomes a participant in contractual obligations related to transactions with financial instruments.

Classification

The classification of a financial instrument is determined by the intention of managing (business model) the financial instrument and, on the other hand, by the characteristics of the associated contractual cash flows.

Investments in financial instruments are classified into three business models:

- The "hold to collect" business model – collecting the contracted cash flows

It implies financial assets that are acquired with the intention of holding in order to collect contractual cash flows and are measured at amortisation cost provided that the cash flows of those assets constitute payment of principal and interest only (the "SPPI test").

- The "hold and sell" business model – collecting the contracted cash flow and selling financial assets

It implies financial assets that are acquired with the intention of holding to collect contractual cash flows and sell assets and are measured at fair value through other comprehensive income, also subject to passing the SPPI test.

- Other business models that do not meet the criteria of the first two models

This model implies financial assets that are not acquired with the intention of holding in one of the previous two business models and are measured at fair value through a profit and loss account. The FV TPL option and the FV OCI option are also allowed by IFRS 9 (the latter applies for equity securities).

The Bank's financial assets are classified into portfolios depending on the Bank's intention at the time of acquisition of the financial asset and the characteristics of the corresponding cash flows.

Financial assets are classified into a portfolio of "financial assets measured at fair value through a profit and loss account", "financial assets measured at fair value through other comprehensive income" and "financial assets measured at amortized cost". Financial liabilities are classified as "financial liabilities at amortised cost". The fundamental difference between the mentioned categories is in the approach to measuring financial assets and recognising fair value in financial statements, as described further below.

All regular transactions with financial instruments are recognised in the statement of financial position on the date of settlement. The settlement date is the date on which the financial assets were delivered or transferred by the bank. According to the method of recognition of transactions on the date of settlement, by which the underlying assets or liabilities are not recognized until the date of settlement, changes in the fair value of the underlying assets and liabilities are recognised in the Statement of financial position starting from the trading date.

At initial recognition, the Bank measures a financial asset or liability at its fair value plus, except in the case of financial assets at fair value through profit and loss, transaction expenses directly related to the acquisition or delivery of a financial asset or liability.

Derecognition of financial assets due to significant changes in contractual terms

The Bank derecognizes financial assets, such as loans to customers, when the terms of the contract have changed significantly so that it is a new loan. The difference is recognized as a gain or loss on derecognition, to the extent that no impairment was previously recognized. Newly recognized loans are classified in risk group A1 for the purpose of measuring expected credit losses, unless a new loan is classified in the "POCI" category. In assessing whether to derecognize a loan, in addition to quantitative factors, the Bank considers the following: whether the loan currency has changed, the introduction of contractual provisions for equity investments, changes in the counterparty, and whether the change is such that the instrument no longer meets SPPI criteria.

Changes in financial assets that do not result in significantly different cash flows

There is no derecognition if the changes do not result in significantly different cash flows. The Bank recognizes a gain or loss on changes in contractual terms depending on the changed cash flows discounted at the original effective interest rate, to the extent that the impairment was not previously recognized.

Derecognition of financial assets for reasons other than significant changes in contractual terms

Financial assets (or part thereof, or a group of financial assets) are derecognized when the rights to receive cash flows from the assets have expired or the cash flows have been transferred and

(i) The Bank transfers substantially all the risks and rewards of ownership, or
(i) The Bank has neither transferred nor retained substantially all the risks and rewards of ownership or retained control.

The Bank considers that the transfer of control occurred only when the transferee had the practical possibility to sell the asset in its entirety to an unrelated third party and when it could do so unilaterally without imposing additional restrictions on the transfer. When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the assets, it continues to recognise the assets to the extent that the Bank's participation in the assets has continued.

Collateral (e.g. shares and bonds) given by the Bank in ordinary repurchase agreements and in securities-based loan transactions shall not be recognized. Based on the pre-determined repurchase price, the Bank retains almost all risks and rewards, therefore, the conditions for derecognition are not met.

Offset of financial instruments
Financial assets and liabilities are offset and presented in the statement of financial position in net amount, only when there is a legally enforceable right to set off recognised amounts and there is an intention to settle on a net basis or the realisation of assets and settlement occurs simultaneously. Income and expenses are presented in net amount only if permitted by accounting standards or for gains and losses arising from a set of similar transactions, such as the Bank's trading activities.

Write-offs
Financial assets are written off in part or in full, only when the Bank has ceased to obtain collection. If the amount to be written off is greater than the cumulated amount of the impairment reservation, the reservation is first increased for the difference, and then the write-off is carried out by reducing the gross receivables at the expense of the reservation. Any subsequent charges are recognised as income in the statement of profit or loss.

Financial assets at fair value through a profit and loss statement
Financial assets that are measured at fair value through profit and loss are assets that do not meet the requirement that the corresponding cash flows constitute only payment of principal and interest on the principal amount outstanding, i.e. they are assets that do not meet the criteria of the other two categories of financial assets.

The financial assets included in this portfolio are financial instruments held for trading and purchased to gain profit from short-term price movements, or are securities included in a portfolio in which there is a pattern of short-term profit.

These instruments are initially reported at the cost of procurement and later re-measured at fair value based on quoted purchase prices in the active market.

Financial assets at fair value through other comprehensive income
Financial assets are measured at fair value through other comprehensive income if both conditions are met:
- financial assets are held within the framework of a business model whose objective is also achieved by collecting contractual cash flows, selling financial assets, and
- based on the contractual terms of the financial asset, cash flows are generated on certain dates, which are only the payment of principal and interest on the principal amount outstanding.

Within this portfolio, we differentiate between investments in debt securities and investments in equity securities.

At the initial recognition of a financial asset measured at fair value through other comprehensive income for investments in debt securities, the asset is recorded at its fair value plus transaction costs directly attributable to the acquisition of those financial assets.

The subsequent measurement is carried out at fair value, and the effects of the subsequent measurement are recognized in other comprehensive income.

Interest and dividends are recognised in the profit and loss statement, and impairment and exchange rate differences are recognised in other comprehensive income.

In the event of the termination of recognition of the financial instrument, the amounts recognised through other comprehensive income are not recognised in the profit and loss statement.

Financial assets at amortised cost
Financial assets are measured at amortized cost if both conditions are met:
- Financial assets are held within a business model whose objective is to hold a financial asset for the purpose of collecting contractual cash flows and
- based on the contractual terms of the financial asset, cash flows are generated on certain dates, which are only the payment of principal and interest on the principal amount outstanding.

At initial recognition of a financial asset measured at amortised cost, the asset is recorded at its fair value plus transaction costs that can be attributable directly to the acquisition of those financial assets.

Subsequent measurement is carried out at amortized cost, and the effects of subsequent measurement are recognized in the income statement. Interest, depreciation and exchange rate differences are also recognized in the profit and loss account. In this portfolio, the Bank primarily classifies loans and advances granted to clients and other receivables.

Loans and receivables are measured initially at fair value and later at amortised cost using the effective interest rate method, with less correction due to impairment. Costs to third parties, such as loan insurance fees, are treated as part of the transaction cost, as are client fees. Loan granting fees at which funds are likely to be withdrawn shall be deferred, together with any associated direct costs, and recognised as adjusting the effective return on credit and adjusting interest income for them.

Impairment of financial assets
In the area of impairment, the Bank has established a methodology for calculating expected credit losses (abbreviated ECL) and modelling risk parameters, which include all the parameters necessary to project expectations about future factors.

With the impairment methodology, the Bank defines an increase in credit risk based on changes in creditworthiness, orderliness in the settlement of debtors obligations, and the quality of collaterals.

Financial assets measured at amortised cost, including off-balance sheet exposures from borrowing commitments and financial guarantee contracts, as well as financial assets measured at fair value through other comprehensive income, other than equity instruments and receivables for which the impairment terms and conditions are applicable, for the purpose of estimating the amount of impairment losses and provisions for expected credit losses based on the assessment of the level of expected credit losses, the Bank classifies them into the following categories on the reporting dates:

Risk category A1 – in accordance with the internal act, exposures where no significant increase in credit risk (from the moment of initial recognition) has been determined are allocated. Impairment losses and provisions for impairment losses are determined based on 12-month expected credit losses, which represent part of the lifetime expected credit losses that would occur if the default of the obligation within the next 12 months is reached.

In risk category A2 (increased level of credit risk) - in accordance with the internal act, exposures where a significant increase in credit risk has been determined from the point of initial recognition, however, there is no objective evidence of impairment. The impairment allowances and provisions for credit losses are determined based on lifetime expected credit losses.

In risk categories B and C (impairment losses), according to internal acts, exposures in the status of default, i.e. exposures in which objective evidence of impairment has been identified, are classified. The Bank also considers restructured exposures in the status of default as well as exposures to debtors over whom bankruptcy or liquidation is initiated.

The level of impairment for certain exposures classified in risk categories B and C is determined as a positive difference between the gross carrying amount of each exposure and the present value of the estimated future debtor's cash flows discounted using the effective interest rate, considering the minimum levels of impairment prescribed by internal acts.

For exposures in risk categories B and C (Stage 3), expected credit losses within small loan portfolios are determined according to days past due, considering the minimum levels of impairment prescribed by internal acts.

The Bank establishes a required impairment based on the calculation of expected credit losses, whereby the chosen approach and future horizons to which credit losses relate depend on the status and type of exposure. The calculation of expected credit losses is based on the calculation of risk parameters. They are modelled based on historical data.

Expected credit losses are calculated as the product of PD (probability of default), loss due to default (LGD) and exposure at the time of the loss event (EAD).

For the purpose of assessing the value of the PD parameter, the Bank has assigned all segments of credit client in the rating classes, and each rating class, which is considered to be a PD homogeneous group, was appropriately assigned the one-year value of the PD as well as the corresponding multi-annual maturity structure of the PD, which is adjusted to the expected values of the relevant macroeconomic factors.

Loss given default (LGD) represents an internal estimate of the level of loss related to credit exposure at default. The Bank has estimated the value of the LGD parameter through the so-called "work-out" method based on the analysis of historical post-default collection cases. The obtained LGD values are grouped by homogeneous groups and secured and unsecured placements, and a representative value of the LGD parameter is applied to each of them.

Exposure at default (EAD) represents the total amount of exposure for which it is necessary to create impairment.

The Bank applies conversion factor 1 in the estimation of provisions for off-balance sheet items.

In estimating cash flows, management makes judgements about the debtor's financial situation and the net realisable value of any underlying collateral.

Measurement of fair value

Fair value is the price that would have been obtained on the measurement date through the sale of an asset or that would have been paid to transfer the liability in a regular transaction in the principal or most favourable market to which the Bank has access at that date.

When possible, the Bank measures the fair value of the instrument using a quoted price in the main market to which the Bank has access (mark-to-market). A financial instrument is considered to be quoted in an active market if quoted prices are readily and regularly available on the price service, from intermediaries, brokers, or pricing agencies, or from a regulatory agency, and such prices represent actual and regular market transactions under normal market conditions.

If the market for a financial instrument is not active, in the case of unlisted securities, or if, for any reason, fair value cannot be measured reliably based on market prices, the Bank determines fair value using one of the valuation techniques (except for certain equity and debt securities). which are not listed on the stock exchange), which use relevant and recognisable parameters to the greatest extent possible, and parameters that are unrecognisable on the market to the least extent.

The selected valuation techniques include all the factors that market participants would use to evaluate the transaction. Valuation techniques include: the comparable company's method, the carrying amount method and the discounted cash flow method, with the comparable company's method and the carrying amount method, being the primary valuation methods. Assumptions and inputs used in valuation techniques include risk-free and reference interest rates, credit margins, bond and stock prices, exchange rates, stock index prices, and volatility and correlations.

Valuation models are reviewed during their development and periodically to ensure consistency in maintaining valuation objectives. The use of market parameters allows for limitations in the discretionary nature of estimates and ensures that fair value can be verified.

Debt securities for which there is no active market are valued at amortized cost using the effective interest method.

The fair value of the demand deposit is not less than the amount to be repaid on demand, discounted from the first date the payment can be claimed.

Hierarchy of fair values

For the purposes of financial reporting, fair value measurements are classified in Level 1, 2, or 3 according to their degree of availability and significance in relation to the total measure of fair value, which are as follows:

- Level 1 inputs are (unadjusted) quoted prices in active markets for the same type of assets or liabilities that are available to the entity at the measurement date,
- Level 2 inputs are inputs that do not include quoted prices that are included in Level 1 and are available for the asset or liability in question, either directly or indirectly, and
- Level 3 inputs are inputs on the asset or liability in question that are not available.

Foreclosed assets

Occasionally, by means of the enforcement procedure, the Bank acquires assets in exchange for outstanding claims. In the statement of financial position, foreclosed assets are classified as other assets held for sale. The Bank acquires the ownership of such assets based on the Order awarding ownership. The assets are recognised at cost of acquisition or the net recoverable amount, depending on what is less. Foreclosed assets are reviewed for impairment annually. Impairment loss is determined as the difference between the carrying amount of the asset and its recoverable amount and recognised in the profit or loss for the period in which the loss is determined. The recoverable amount is the fair value of an asset less costs to sell the asset. Fair values of those assets are determined based on independent market value appraisal performed by a licensed appraiser or based on a tentative agreement on the sale of property.

The Bank does not depreciate assets classified as assets held for sale. Impairment losses on subsequent measurement of non-current assets are recognised in profit or loss. Gains on subsequent increase in the fair value of assets previously impaired are recognised in profit or loss at the moment of the sale. The Bank derecognises an asset held for sale if such asset is sold. Gains or losses from the sale of assets held for sale are recognised in profit and loss account.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they have arisen. All the Bank's property interests held under operating leases in order to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they have arisen.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the assets, is included in profit or loss in the period in which the property is derecognized.

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, i.e., disposal groups, and its sale is highly probable. Bank's Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Sale and repurchase agreements

Securities sold under sale and repurchase agreements (repos) are included in the financial statements, and the liability to the counterparty is included in amounts due to clients. Securities purchased under agreements to resell them (reverse repo) are recognised as amounts due from banks or loans to clients, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of repo agreements.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation, and permanent impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from the disposal is included in the statement of profit or loss. The initial cost of property and equipment comprises its purchase price, including customs duties, non-refundable taxes, and any costs directly attributable to bringing an asset to its working condition and location for its intended use. Expenditures incurred after an item of property or equipment has been put into use, such as repairs and maintenance, are normally charged to profit or loss in the period in which the expenditure is incurred. Assets under construction include those properties and equipment that are in progress and are carried at cost. The cost includes the cost of construction and other direct costs. Assets under development are not depreciated until they are completed, put to use, and classified into the appropriate category of property and equipment. Property and equipment are depreciated on a straight-line basis over the useful life of the assets. The useful life of assets is shown as follows:

	2024	2023
BUILDINGS	40	40
FURNITURE	5	5
COMPUTERS	4	4
MOTOR VEHICLES	5	5
EQUIPMENT AND OTHER ASSETS	2 - 10	2 - 10

Land is not depreciated. The asset's residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each financial year. The carrying amounts of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised if it is probable that the future economic benefits attributable to an asset will flow to the Bank and the cost of the asset can be measured reliably. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed in each reporting period.

Intangible assets are amortised over a period of 5 to 15 years (software). The amortisation period and amortisation method should be reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Impairment of non-financial assets

Property, equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss for items of property and equipment and intangibles carried at cost is recognised in the profit and loss statements. Depending on which is higher, the recoverable amount is the amount of the net selling price of the asset or its use value.

Right-of-use assets

When concluding a contract, the Bank assesses whether it is a lease agreement or whether an individual contract contains elements of the lease. Right-of-use assets consist of leased property for which, under the lease agreement, the right of direct use and control over its use have been granted for a fixed period of time in exchange for compensation.

Exemptions are short-term leases where the lease term is less than 12 months or is a low-value rental property (up to USD 5,000, for example, renting a laptop, printer, telephone, money counter, small office furniture, etc.). All payments related to such leases in the lessee's books of account are recognised as an expense over the lease term.

In the financial records, right-of-use assets are recorded as leased assets, depending on the subject of the lease (e.g., buildings, equipment, motor vehicles, etc.).

Right-of-use assets are initially measured at cost, which includes:
- amount of the initial lease obligation
- all lease payments made on or before the first day of the lease, less any payments received in connection with the lease
- all initial direct costs incurred by the lessee (e.g., brokerage fees, legal, administrative costs of contract processing, etc.).

After initial disclosure, the right-of-use assets are subsequently measured using the cost model, that is, depreciated until the expiration of the lease period or until the end of its useful life, whichever is earlier, and reduced by accumulated depreciation.

Lease liabilities

The lease liability is initially measured at the present value of all lease payments that were not made on the first day of the lease, plus fixed lease payments. VAT is not included in the monthly amount of the discounted instalment.

Payments must be discounted at the interest rate contained in the lease. If the interest rate is not included in the lease contract and it is not easy to determine, the discounting should be carried out at the incremental interest rate of the borrowing.

The incremental borrower's borrowing rate refers to the rate that the lessee would have to pay to borrow, within a similar timeframe and with similar guarantees, the funds needed for the purchase of assets of similar value to the concerned right-of-use assets in a similar economic environment.

The lease liability is subsequently measured in such a way that:
- increases the carrying amount of the liability by the amount of interest on the lease liability,
- reduces the carrying amount of the lease payment obligation (excluding VAT),
- remeasures and adjusts book value to reflect any reassessment, lease modification, or revision of a fixed lease payment

The Bank reports right-of-use assets in the statement of financial position in the position Right-of-use assets (Note 19), and lease liabilities within the position Other liabilities (Note 26 - Liabilities for the use of assets).

Goodwill

An impairment loss is assessed annually for possible losses. Testing for impairment is carried out using the cost method of capital - CAPM model, which includes both general and specific risks. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit arising from the acquisition (from which future benefits are expected). The organisational cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that such an organisational unit may be impaired.

Where the recoverable amount of a unit is below its carrying amount, the impairment loss is first allocated to reduce the carrying amount of the goodwill allocated to that unit and then proportionally to all other organisational units generating cash. Any gain or loss on remeasurement at fair value is included in profit or loss. An impairment loss recognised for goodwill is not reversed in the subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Provisions for contingent liabilities

Provisions are recognised when the Bank has a present obligation, legal or constructive, because of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle obligations, and a reliable estimate can be made of the amount of the obligation.

Managed funds

The Bank manages a significant amount of assets on behalf of third parties and charges a fee for the concerned services. These assets are not included in the Bank's statement of financial position (see Note 29).

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates

The Bank makes certain judgements and estimates about uncertain events, including estimates and judgements concerning the future. Such accounting assumptions and estimates are regularly reviewed and are based on past experience and other factors, such as the expected course of future events based on reasonable current assumptions in the given circumstances, but nevertheless represent sources of uncertainty. In applying the Bank's accounting policies, the key areas of judgement made by the Management Board, other than those involving estimates, having the most significant impact on the amounts reported in the financial statements are as follows.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provisions for impairment losses on loans and receivables

The Bank reviews its loans and receivables at least quarterly (Note 13) to assess whether there is objective evidence of impairment. Through its internal acts, the Bank has prescribed indicators for determining the increased credit risk of debtors that are used to transfer exposures from risk subgroup A1 to risk subgroup A2.

The Bank has also prescribed by internal acts the criteria for determining the status of default.

In determining whether an impairment loss should be recognised, the Bank assesses whether there is objective evidence that an estimated future cash flow is impaired before the impairment loss of a single loan in the portfolio is determined. The methodology and assumptions used in estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual losses.

Litigation provisions
Provisions (Note 27) are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Management maintains provisions at a level that is considered sufficient to cover the estimated losses and determines the sufficiency of provisions by reviewing individual items receivable, the current legal circumstances, as well as other relevant factors.

Provisions for employee benefits
Provisions for employee benefits are based on the Bank's Employee Benefit Policy and the related internal rules, which constitute a framework defining the basic principles and rules applying to employee benefits. The concerned by-laws define the general requirements for benefits that apply to all employees as well as specific requirements applicable only to certain qualifying employees, as well as the components, types, and ratios of fixed and variable benefit components. Variable benefits include bonuses, individual awards, incentives for overall performance, and as similar payments, awarded in cash or financial instruments. The obligations arising from employee benefits are recognised in the period in which the related service is rendered and at amounts expected to be paid.

Corporate income tax expense
The Bank is a corporate taxpayer in the Republic of Croatia. The Bank recognises liabilities for expected possible tax issues during a tax audit, which are based on estimates of whether an additional tax liability will arise. If the final tax outcome of these tax issues differs from the amount originally calculated, the resulting difference will affect the provisions for corporate income tax and deferred tax in the period in which the said provision arose. Calculations that support the tax return may be subject to review and approval by local tax authorities.

3 INTEREST INCOME AND EXPENSE AND SIMILAR INCOME AND EXPENSES

IN EUR THOUSANDS	2024	2023
INTEREST INCOME		
CORPORATE CUSTOMERS	8,531	8,019
RETAIL CUSTOMERS	8,475	7,926
SECURITIES	3,310	2,779
BANKS	6,221	4,085
PUBLIC AND OTHER SECTORS	947	844
	27,484	**23,653**
INCOME EXPENSE		
CORPORATE CUSTOMERS	(1,910)	(778)
RETAIL CUSTOMERS	(2,151)	(821)
BANKS	(750)	(635)
PUBLIC AND OTHER SECTORS	(181)	(175)
	(4,992)	**(2,409)**
NET INTEREST INCOME	**22,492**	**21,244**

Interest income includes deferred fees per loan totalling EUR 678,000 (in 2023: EUR 743,000), which are recognised in accordance with the effective interest rate method.

IN EUR THOUSANDS	2024	2023
INTEREST INCOME OF:		
PARTLY RECOVERABLE LOANS	52	32
FULLY IRRECOVERABLE LOANS	164	284
	216	**316**

4 FEE AND COMMISSION INCOME AND EXPENSE

IN EUR THOUSANDS	2024	2023
FEE AND COMMISSION INCOME		
PAYMENT TRANSACTIONS - RELATED FEES AND COMMISSIONS	2,652	2,390
CARD RELATED FEES AND COMMISSIONS	3,123	2,926
FEES AND COMMISSIONS FROM LENDING OPERATIONS	632	595
FEES AND COMMISSIONS FROM SECURITY TRADING	218	191
OTHER FEE AND COMMISSION INCOME	693	659
	7,318	**6,761**
FEE AND COMMISSION EXPENSE		
CASH OPERATIONS FEES AND COMMISSIONS	(539)	(533)
PAYMENT OPERATIONS FEES	(349)	(327)
INTERBANK OPERATION CHARGES	(40)	(52)
CARD RELATED FEES	(1,136)	(907)
OTHER FEE AND COMMISSION EXPENSES	(615)	(651)
	(2,679)	**(2,470)**
NET FEE AND COMMISSION INCOME	**4,639**	**4,291**

Other fee revenue is mostly related to fees collected at the Bank counters per payments made in the amount of EUR 410,000 (in 2023: EUR 379,000).

5 OTHER OPERATING INCOME, NET

IN EUR THOUSANDS	2024	2023
INCOME FROM THE SALE OF FOREIGN CURRENCIES	91	96
RENTAL INCOME	175	189
INCOME FROM THE SALE OF SECURITIES CLASSIFIED AS AT FAIR VALUE THROUGH THE PROFIT AND LOSS STATEMENT	(955)	(1.582)
NET INCOME FROM THE SALE OF PROPERTY AND EQUIPMENT	-	364
DIVIDEND INCOME	184	175
REFUND OF LITIGATION EXPENSES	41	421
NET INCOME FROM THE SALE OF ACQUIRED ASSETS	815	244
INCOME FROM THE COLLECTION OF WRITTEN OFF PLACEMENTS IN PREVIOUS YEARS	29	-
REDUCING FOREIGN CURRENCIES TO THE MIDDLE EXCHANGE RATE	35	31
OTHER INCOME	372	147
	787	**85**

6 IMPAIRMENT LOSSES AND PROVISIONS

IN EUR THOUSANDS	2024	2023
PROVISIONS FOR LOANS AND ADVANCES TO CLIENTS AND BANKS (NOTE 11, 12, 13)	(4,223)	(6,353)
IMPAIRMENT OF DEBT SECURITIES IN THE PORTFOLIO AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NOTE 16)	3	(63)
IMPAIRMENT OF OTHER ASSETS (NOTE 21)	(81)	(47)
IMPAIRMENT OF ACQUIRED ASSETS (NOTE 21)	-	(3)
IMPAIRMENT OF INVESTMENT PROPERTIES (NOTE 20)	(8)	(98)
CANCELLATION / (REDUCTION) OF GUARANTEES AND CONTINGENT LIABILITIES (NOTE 26)	386	(403)
RESERVATIONS FOR LITIGATION (NOTE 26)	-	1,031
	(3,923)	**(5,936)**

7 ADMINISTRATIVE EXPENSES

IN EUR THOUSANDS	2024	2023
EMPLOYEES EXPENSES	8,064	7,635
MATERIAL AND SERVICES EXPENSES	3,409	3,720
LEASES AND SOFTWARE MAINTENANCE	811	717
COSTS OF PREMIUMS FOR INSURANCE OF SAVINGS DEPOSITS	-	240
TAXES AND CONTRIBUTIONS	187	201
OTHER EXPENSES	140	172
	12,611	**12,685**

Other expenses include propaganda, sponsorship, donations, and other expenses.

Employee expenses

IN EUR THOUSAND	2024	2023
NET SALARIES	4,055	3,882
PENSION INSURANCE EXPENSES	1,028	1,004
HEALTH INSURANCE EXPENSES	935	910
TAX AND SURTAXES	643	632
PROVISIONS FOR EMPLOYEE BENEFITS	(12)	252
EXPENSES OF SUPERVISORY BOARD MEMBERS	713	581
OTHER EMPLOYEE EXPENSES	702	374
	8,064	**7,635**

As of 31 December 2024, the Bank employs 223 employees (2023: 226 employees).

8 DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

IN EUR THOUSANDS	2024	2023
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 17)	710	612
DEPRECIATION OF RIGHT-OF-USE ASSETS (NOTE 18)	434	548
DEPRECIATION OF INTANGIBLE ASSETS (NOTE 19)	730	708
	1,874	**1,868**

9 CORPORATE INCOME TAX EXPENSE

Corporate income tax is calculated at a rate of 18% on taxable income (in 2023: 18%). Tax returns remain open and are subject to control for a period of at least three years. Management believes that tax liabilities are appropriately reserved in the attached financial statements.

The tax expenses comprise the following:

IN EUR THOUSANDS	2024	2023
CURRENT TAX EXPENSE	1,882	1,229
DEFERRED TAX EXPENSE	139	(120)
CORPORATE INCOME TAX ON REALISED EFFECTS ON EQUITY SECURITIES	(32)	(29)
TAX EXPENSE	**1,989**	**1,080**

Reconciliation of Accounting Profit and Taxable Profit:

IN EUR THOUSANDS	2024	2023
PROFIT BEFORE TAXATION	9,510	5,131
STATUTORY TAX RATE	18%	18%
EXPECTED TAX	1,712	924
TEMPORARY DIFFERENCES		
UNREALISED LOSS ON FINANCIAL ASSETS	953	1,612
DELIMITED FEES FOR GRANTING LOANS	(29)	50
PROVISION FOR LITIGATION – INTEREST	5	(299)
PROVISIONS FOR PAYMENTS TO EMPLOYEES	(50)	259
REALISED LOSSES – SALE OF ACQUIRED ASSETS (INVESTMENTS)	(137)	(76)
IMPAIRMENT OF ACQUIRED ASSETS	96	101
LOSS ON FINANCIAL ASSETS	(129)	(398)
NET TEMPORARY DIFFERENCES	**709**	**1,249**

IN EUR THOUSANDS	2024	2023
PERMANENT DIFFERENCES		
TAX EFFECT OF NON-TAXABLE INCOME	**(118)**	**(58)**
DIVIDENDS RECEIVED	(118)	(58)
TAX EFFECT OF NON-DEDUCTIBLE EXPENSES	**354**	**512**
ENTERTAINMENT AND TRANSPORT	57	59
DEPRECIATION ABOVE THE PRESCRIBED AMOUNTS	6	15
INTEREST FROM RELATED-PARTY RELATIONSHIPS	-	12
EFFECTS OF ASSETS UNDER OPERATIONAL LEASE	93	86
WRITTE-OFF OF RECEIVABLES	2	136
RETAINED INCOME FROM THE SALE OF EQUITY SECURITIES	181	163
OTHER	15	40
NET PERMANENT DIFFERENCES	**236**	**453**
TAXABLE PROFIT	10,455	6,833
TAX BASE	10,455	6,833
CORPORATE INCOME TAX RATE	18%	18%
CORPORATE INCOME TAX LIABILITY	1,882	1,229
CURRENT TAX EXPENSE	**1,882**	**1,229**
DEFERRED TAX (INCOME)/EXPENSES	**139**	**(120)**
CORPORATE INCOME TAX ON REALISED GAINS ON EQUITY SECURITIES	**(32)**	**(29)**
TOTAL TAX EXPENSE	**1,989**	**1,080**
EFFECTIVE TAX RATE	**19.79%**	**23.95%**

Changes in deferred tax assets and tax liabilities can be presented as below:

				2024
IN EUR THOUSANDS	INITIAL BALANCE	AT THE EXPENSE OF PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
LOSSES FROM FINANCIAL ASSETS	71	-	-	71
LOSSES FROM OTHER INVESTMENTS	162	(7)	-	155
DELIMITED LOAN APPROVAL FEES	171	(5)	-	166
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	46	-	(119)	(73)
IMPAIRMENT OF FINANCIAL ASSETS	338	(119)	-	219
PROVISION FOR LITIGATION – INTEREST	5	1	-	6
PROVISIONS FOR PAYMENTS TO EMPLOYEES	65	(9)	-	56
	858	**(139)**	**(119)**	**600**

IN EUR THOUSANDS	INITIAL BALANCE	CHARGED TO PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
				2023
LOSSES FROM FINANCIAL ASSETS	71	-	-	71
LOSSES FROM OTHER INVESTMENTS	193	(31)	-	162
DELIMITED LOAN APPROVAL FEES	162	9	-	171
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	187	-	(141)	46
IMPAIRMENT OF FINANCIAL ASSETS	189	149	-	338
PROVISION FOR LITIGATION – INTEREST	59	(54)	-	5
PROVISIONS FOR PAYMENTS TO EMPLOYEES	18	47	-	65
	879	**120**	**(141)**	**858**

Deferred tax assets and deferred tax liabilities are recognised at a rate of 18% (2023 at a rate of 18%).

10 EARNINGS PER SHARE

For the calculation of earnings per share (EPS), the profit for the current year (profit after tax) attributable to holders of ordinary shares is used.

	2024	2023
PROFIT FOR THE YEAR (IN EUR THOUSANDS)	7,521	4,051
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE YEAR	668,749	668,749
EARNINGS PER SHARE (IN EUROS) – BASIC AND DILUTED	**11.25**	**6.06**

11 CASH AND CASH EQUIVALENTS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	4,159	5,234
OVERNIGHT DEPOSITS WITH THE CROATIAN NATIONAL BANK	195,017	162,554
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	4,323	2,368
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	6,091	1,370
CASH IN THE REGISTER	10,009	8,370
	219,599	**179,896**
IMPAIRMENT ALLOWANCES	(93)	(14)
	219,506	**179,882**

Changes by provisions for expected credit losses

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**14**	**73**
INCREASE/(DECREASE)	48	(67)
EXCHANGE DIFFERENCES	31	8
BALANCE ON 31 DECEMBER	**93**	**14**

For purposes of the Statement of cash flows, cash and cash equivalents can be presented as below:

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	4,159	5,234
OVERNIGHT DEPOSITS WITH THE CROATIAN NATIONAL BANK	195,017	162,554
CASH EQUIVALENTS – DEPOSITS WITH OTHER BANKS (NOTE 12)	15,584	9,459
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	4,323	2,368
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	6,091	1,370
CASH IN THE REGISTER	10,009	8,370
	235,183	**189,352**

12 PLACEMENTS WITH OTHER BANKS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
TERM DEPOSITS	15,584	9,459
LONG TERM DEPOSITS	5,461	5,157
REVERSE REPURCHASE LOAN	570	908
	21,615	**15,524**
IMPAIRMENT ALLOWANCES	(69)	(50)
	21,546	**15,474**

Short-term deposits with banks in 2024 refer to short-term deposits contracted with two domestic banks and one foreign bank (in 2023 they refer to short-term deposits concluded with two domestic banks). Long-term term deposits in 2024 refer to one deposit contracted with a domestic bank (in 2023 refers to one long-term deposit contracted with a domestic bank).

Reverse repo loans in the amount of EUR 570,000 in 2024 refer to a single contract concluded with a domestic client, and corporate bonds of domestic issuers ISIN HRKBZO0316A9 with a nominal value of EUR 500,000 and equity securities of the domestic issuer ISIN HREUDSO27CE8 with a nominal value of EUR 675,000 were received as the basis for the repo transaction.

Reverse repo loans in the amount of EUR 908 thousand in 2023 refer to two contracts concluded with a domestic client, and as the basis of the repo transaction, bonds of the domestic issuer ISIN HREUDSO27CE8 with a nominal value of EUR 675,000 and bonds of a foreign issuer ISIN XS1185941850 with a nominal value of EUR 715,000 were received.

Changes by provisions for expected credit losses

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**50**	**2**
INCREASE/(DECREASE)	18	45
EXCHANGE RATE DIFFERENCES	1	3
BALANCE ON 31 DECEMBER	**69**	**50**

Geographical analysis

Geographical analysis includes term deposits and current accounts (Note 11) opened with foreign banks.

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
MONTENEGRO	9,023	85
AUSTRIA	2,962	487
UNITED STATES OF AMERICA	1,177	1,066
BELGIUM	107	639
SLOVENIA	41	10
CANADA	14	23
ITALY	1	57
	13,325	**2,367**

13 LOANS TO CUSTOMERS

a) Analysis by the type of client

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
RETAIL		
- IN DOMESTIC CURRENCY, INCLUDING LOANS WITH A CURRENCY CLAUSE	171,386	173,183
	171,386	**173,183**
CORPORATE		
- IN DOMESTIC CURRENCY, INCLUDING LOANS WITH A CURRENCY CLAUSE	173,763	174,665
- IN FOREIGN CURRENCY	-	189
	173,763	**174,854**
GROSS LOANS TO CLIENTS'	**345,149**	**348,037**
IMPAIRMENT ALLOWANCES	(28,846)	(30,952)
NET LOANS TO CLIENTS'	**316,303**	**317,085**

b) Analysis by sector

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
RETAIL	171,386	173,183
WHOLESALE AND RETAIL TRADE	32,973	36,818
PROCESSING AND MANUFACTURING	22,582	28,166
REAL ESTATE OPERATIONS	19,906	23,499
CONSTRUCTION	19,408	13,777
AGRICULTURE AND FORESTRY	15,745	14,988
HOTELS AND RESTAURANTS	8,382	9,575
ENERGY, GAS, AND WATER SUPPLY	6,693	5,829
TRANSPORT, STORAGE, COMMUNICATIONS	4,752	5,093
FOOD AND BEVERAGE PRODUCTION	4,404	3,985
OTHER SECTORS	38,918	33,124
	345,149	**348,037**
IMPAIRMENT ALLOWANCES	(28,846)	(30,952)
	316,303	**317,085**

c) Changes in the principal of fully recoverable, partially, and fully irrecoverable loans

		2024	
IN EUR THOUSANDS	STAGE 1	STAGE 2	STAGE 3
BALANCE ON 1 JANUARY	**291,624**	**15,543**	**40,871**
TRANSFER TO STAGE 1	(10,515)	9,584	931
TRANSFER TO STAGE 2	8,083	(8,673)	591
TRANSFER TO STAGE 3	201	1,845	(2,046)
CHARGE	(24,894)	(1,224)	(1,138)
REPAYMENT + WRITE-OFFS	(44,649)	(1,574)	(7,176)
NEW ASSETS	73,375	3,409	982
BALANCE ON 31 DECEMBER	**293,225**	**18,910**	**33,015**

IN EUR THOUSANDS	STAGE 1	2023 STAGE 2	STAGE 3
BALANCE ON 1 JANUARY	**290,842**	**14,067**	**39,548**
TRANSFER TO STAGE 1	(8,866)	2,985	5,881
TRANSFER TO STAGE 2	1,508	(2,077)	569
TRANSFER TO STAGE 3	130	482	(612)
CHARGE	(27,437)	(285)	(939)
REPAYMENT + WRITE-OFFS	(54,122)	(2,389)	(7,915)
NEW ASSETS	89,568	2,760	4,341
BALANCE ON 31 DECEMBER	**291,624**	**15,543**	**40,871**

During 2024, a total of EUR 6,741 thousand in client loans was restructured (2023: EUR 3,888 thousand).

In 2024, the Bank sold non-performing loans with a gross carrying amount of EUR 53 thousand (2023: EUR 3,623 thousand).

d) Provisions for losses

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**30,952**	**30,856**
RECLASSIFICATION-TRANSFER TO CASH AND BANK ACCOUNTS	(48)	-
INCREASE IN IMPAIRMENT ALLOWANCES	13,307	27,747
CHARGED AMOUNTS	(9,137)	(21,369)
EXCHANGE RATE DIFFERENCES	3	(13)
WRITTEN-OFF AMOUNTS	(6,230)	(6,269)
BALANCE ON 31 DECEMBER	**28,846**	**30,952**

The Bank manages its exposure to credit risk by applying a variety of control measures, including regular assessment using agreed credit criteria and diversification of sector risk in order to avoid concentration in a single industry. The Bank also obtains acceptable collateral to reduce the level of credit risk.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
INVESTMENTS IN INVESTMENT FUNDS	113	1,500
	113	**1,500**

Changes in investments during the year

a) shares in investment funds

U EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**1,500**	**4,292**
INCREASE	1,038	1,685
DECREASE	(1,470)	(2,895)
CHANGE IN FAIR VALUE/ REALIZATION	(955)	(1,582)
BALANCE ON 31 DECEMBER	**113**	**1,500**

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
EQUITY SECURITIES	6,404	5,798
	6,404	**5,798**
IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(1,332)	(1,332)
	5,072	**4,466**

Investments in debt securities are presented as follows:

a) Treasury bills of the Republic of Croatia

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**-**	**1,369**
RECLASSIFICATION		(1,369)
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**-**	**-**
PURCHASE	-	-
COLLECTION	-	-
CHANGE IN FAIR VALUE	-	-
IMPAIRMENT ALLOWANCES	-	-
BALANCE ON 31 DECEMBER	**-**	**-**

b) Bonds

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	-	**83,452**
RECLASSIFICATION	-	(83,452)
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	-	-
PURCHASE	-	-
SALE	-	-
REALISED GAIN	-	-
CHANGE IN FAIR VALUE	-	-
WRITE-OFFS	-	-
IMPAIRMENT ALLOWANCES	-	-
BALANCE ON 31 DECEMBER	-	-

Change of business model for debt securities as of 1 January 2023

The Bank has decided to change its business model for debt securities it held to collect cash flows and sell to a business model to collect contractual cash flows. The decision also includes the reclassification of the debt securities portfolio that was previously assigned to the business model for the collection of contractual cash flows and sale to the business model of holding for the collection of contractual cash flows, in accordance with point 4.4.1 under the International Financial Reporting Standard 9 (IFRS 9): Financial instruments. The date of the accounting reclassification of financial instruments was set as 1 January 2023, since it is the same first day after the reporting period in which the business model changed..

The consequences of the change in the business model, i.e. the portfolio reclassification, are reflected in the decrease of debt securities at fair value through other comprehensive income by EUR 84,820 thousand, the increase in debt securities at amortised cost by EUR 95,488 thousand, and the increase in accumulated other comprehensive income, in capital and reserves by EUR 10,640 thousand.

Investments in equity securities are shown as follows:

c) Equity securities

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
LISTED SECURITIES	5,579	4,872
UNLISTED SECURITIES	825	926
	6,404	**5,798**
IMPAIRMENT OF EQUITY SECURITIES	(1,332)	(1,332)
TOTAL	**5,072**	**4,466**

Changes in equity securities during the year

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**4,466**	**4,296**
PURCHASE	3,958	3,355
SALE	(4,162)	(4,104)
CHANGES IN FAIR VALUE	661	785
REALISATION	149	134
BALANCE ON 31 JANUARY	**5,072**	**4,466**

The table below presents the Bank's equity instrument portfolio structure:

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
EQUITY SECURITIES OF DOMESTIC ISSUERS		
- FINANCIAL INSTITUTIONS	675	375
- NON-FINANCIAL INSTITUTIONS	3,068	2,818
	3,743	**3,193**
EQUITY SECURITIES OF FOREIGN ISSUERS		
- FINANCIAL INSTITUTIONS	1,076	942
- NON-FINANCIAL INSTITUTIONS	1,585	1,663
	2,661	**2,605**
	6,404	**5,798**
IMPAIRMENT OF EQUITY SECURITIES	(1,332)	(1,332)
	5,072	**4,466**

d) Fair value reserve from financial assets at fair value through other comprehensive income

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
TYPE OF SECURITIES:		
EQUITY SECURITIES	409	(252)
ACCRUED DEFERRED TAX (NOTE 9)	(73)	45
TOTAL FAIR VALUE RESERVE	**336**	**(207)**

Changes in the fair value reserve

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**(206)**	**(11,490)**
RECLASSIFICATION - TREASURY BILLS	-	7
RECLASSIFICATION - BONDS	-	10,661
RECLASSIFICATION - TRANSFER TO RETAINED EARNINGS	-	(28)
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**(206)**	**(850)**
CHANGE IN THE FAIR VALUE OF EQUITY SECURITIES	661	785
ACCRUED DEFERRED TAX RECOGNISED IN EQUITY (NOTE 9)	(119)	(141)
BALANCE ON 31 DECEMBER	**336**	**(206)**

Changes in the impairment of financial assets at fair value through comprehensive income

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**1,332**	**1,332**
INCREASE	-	-
DECREASE	-	-
BALANCE ON 31 DECEMBER	**1,332**	**1,332**

16 HELD-TO-MATURITY FINANCIAL ASSETS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
TREASURY BILLS	1,100	2,529
BONDS	137,122	135,088
GROSS CARRYING AMOUNT	**138,222**	**137,617**
IMPAIRMENT ALLOWANCES	(88)	(91)
TOTAL CARRYING AMOUNT	**138,134**	**137,526**

a) Treasury bills

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
TREASURY BILLS OF THE REPUBLIC OF CROATIA	370	-
TREASURY BILLS OF FOREIGN COUNTRIES	730	2,529
GROSS CARRYING AMOUNT	**1,100**	**2,529**
IMPAIRMENT ALLOWANCES	-	(1)
TOTAL CARRYING AMOUNT	**1,100**	**2,528**

Changes in held-to-maturity financial assets

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**2,528**	**935**
RECLASSIFICATION	-	1,376
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**2,528**	**2,311**
PURCHASES	21,100	23,235
REDEMPTIONS	(22,529)	(23,018)
IMPAIRMENT ALLOWANCE	1	-
BALANCE ON 31 DECEMBER	**1,100**	**2,528**

b) Bonds

Investment structure

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
BONDS OF THE REPUBLIC OF CROATIA	71,496	72,103
BONDS OF LOCAL SELF-GOVERNMENT	345	333
BONDS OF FOREIGN COUNTRIES	30,171	25,546
BONDS OF DOMESTIC BANKS	2,805	2,803
BONDS OF FOREIGN BANKS	16,118	18,297
CORPORATE BONDS	16,187	16,006
GROSS CARRYING AMOUNT	**137,122**	**135,088**
IMPAIRMENT ALLOWANCES	(88)	(90)
TOTAL CARRYING AMOUNT	**137,034**	**134,998**

Changes in held-to-maturity financial assets

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	134,998	22,142
RECLASSIFICATION	-	94,112
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	134,998	116,254
PURCHASES	36,556	46,938
REDEMPTIONS	(34,522)	(26,870)
SALE	-	(1,213)
WRITE-OFFS	-	(48)
IMPAIRMENT ALLOWANCES	2	(63)
BALANCE ON 31 DECEMBER	137,034	134,998

17 INTANGIBLE ASSETS

IN EUR THOUSANDS	SOFTWARE	GOODWILL	ASSETS UNDER DEVELOPMENT	TOTAL INTANGIBLE ASSETS
PURCHASE OR ESTIMATED VALUE				
BALANCE ON 1 JANUARY 2023	9,662	2,239	54	11,955
INCREASE	484	-	125	609
TRANSFERS FROM ASSETS UNDER DEVELOPMENT	-	-	-	-
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2023	10,146	2,239	179	12,564
INCREASE	917	-	147	1,064
TRANSFER FROM ASSETS UNDER DEVELOPMENT	-	-	-	-
DISPOSALS AND WRITE-OFFS	(9)	-	-	(9)
BALANCE ON 31 DECEMBER 2024	11,054	2,239	326	13,619
VALUE CORRECTION				
BALANCE ON 1 JANUARY 2023	4,203	-	-	4,203
EXPENSE FOR THE YEAR	612	-	-	612
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2023	4,815	-	-	4,815
EXPENSE FOR THE YEAR	710	-	-	710
DISPOSALS AND WRITE-OFFS	(9)	-	-	(9)
BALANCE ON 31 DECEMBER 2024	5,516	-	-	5,516
NET BOOK VALUE				
BALANCE ON 31 DECEMBER 2023	5,331	2,239	179	7,749
BALANCE ON 31 DECEMBER 2024	5,538	2,239	326	8,103

Goodwill is allocated to the cash-generating unit acquired through the merger of Požeška banka d.d. The recoverable cash amount of cash-generating units is determined based on profitability calculations. For these calculations, cash flow forecasts based on financial projections for five-year period were used. The discount rate for determining the value in use is 6,9% (2023.: 8,5%) and the long-term growth rate is -3.0% (2023.: -2.0%).

The planned gross margin was determined based on experience and expected future operating results. The discount rate used reflects the specific risks associated with the relevant business segment.

The Bank conducts stress tests of individual input data used in determining the value in use, where there are three scenarios. A specific scenario in which the discount rate is the same as the one used, while the expected profitability is lower by 30% due to a decrease in interest and fee income and a simultaneous increase in costs on the same basis at a rate of 30%, a systemic scenario in which the discount rate is increased to 2.54% (2023: 4.4%) due to the deterioration of the credit rating of the Republic of Croatia, and a combined scenario in which at the same time includes assumptions of a 50% decrease in profitability (2023: 55%) and the deterioration of macroeconomic indicators and the country's credit rating, with the discount rate increasing to 2.54% (2023: 4.4%).

The test results are provided below:

	BALANCE ON 31 DECEMBER 2024	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
NET CARRYING AMOUNT AS AT 31 DECEMBER 2024	2,239	2,239	2,239	2,239
TOTAL PRESENT VALUE	16,354	10,125	13,954	2,530
IMPAIRMENT				

	BALANCE ON 31 DECEMBER 2023	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
NET CARRYING AMOUNT AS AT 31DECEMBER 2023	2,239	2,239	2,239	2,239
TOTAL PRESENT VALUE	19,380	13,217	15,253	4,978
IMPAIRMENT				

The result of the stress test is positive in a specific and systemic scenario, while in the combined scenario, the assumption of reverse testing was used to achieve a negative result. The test showed that the recoverable amount of the money-generating unit is greater than its book value, and there is no need for impairment.

Goodwill, expressed in the Bank's business books, was created during the acquisition of Požega Bank, which was merged with Podravska banka d.d on 1 July 2006.

18 PROPERTY AND EQUIPMENT

IN EUR THOUSANDS PURCHASE OR ESTIMATED VALUE	LAND AND BUILDING	FURNITURE AND EQUIPMENT	MOTOR VEHICLES	IT EQUIPMENT	LEASEHOLD IMPROVE-MENTS	ASSETS UNDER CONSTRUC-TION	TOTAL
BALANCE ON 1 JANUARY 2023	**4,635**	**4,781**	**127**	**2,924**	**908**	**1**	**13,376**
INCREASES	-	84	-	17	-	-	101
TRANSFER FROM ASSETS UNDER CONSTRUCTION	-	-	-	-	-	-	-
DISPOSALS AND WRITE-OFFS	(1,077)	(115)	-	(25)	(39)	(1)	(1,257)
BALANCE ON 31 DECEMBER 2023	**3,558**	**4,750**	**127**	**2,916**	**869**	**-**	**12,220**
INCREASES	-	110	91	497	-	-	698
TRANSFER FROM ASSETS UNDER CONSTRUCTION	-	-	-	-	-	-	-
DISPOSALS AND WRITE-OFFS	-	(392)	-	(281)	-	-	(673)
BALANCE ON 31 DECEMBER 2024	**3,558**	**4,468**	**218**	**3,132**	**869**	**-**	**12,245**
VALUE CORRECTION							
BALANCE ON 1 JANUARY 2023	**1,443**	**4,457**	**97**	**2,442**	**908**	**-**	**9,347**
EXPENSE FOR THE YEAR	100	116	25	307	-	-	548
DISPOSALS AND WRITE-OFFS	(442)	(116)	-	(24)	(39)	-	(621)
BALANCE ON 31 DECEMBER 2023	**1,101**	**4,457**	**122**	**2,725**	**869**	**-**	**9,274**
EXPENSE FOR THE YEAR	75	128	15	216	-	-	434
DISPOSALS AND WRITE-OFFS	-	(392)	-	(281)	-	-	(673)
BALANCE ON 31 DECEMBER 2024	**1,176**	**4,193**	**137**	**2,660**	**869**	**-**	**9,035**
NET BOOK VALUE							
BALANCE ON 31 DECEMBER 2023	**2,457**	**293**	**5**	**191**	**-**	**-**	**2,946**
BALANCE ON 31 DECEMBER 2024	**2,382**	**275**	**81**	**472**	**-**	**-**	**3,210**

The Bank does not have tangible assets pledged as collateral for deposits or other funds received in 2023 and 2024

19 RIGHT-OF-USE ASSETS

IN EUR THOUSANDS PURCHASE OR ESTIMATED VALUE	LAND AND BUILDINGS	MOTOR VEHICLES	IT EQUIPMENT	TOTAL
BALANCE ON 1 JANUARY 2023	**5,476**	**347**	**541**	**6,364**
NEW LEASES AND CHANGES IN CONDITIONS	820	199	-	1,019
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(858)	(389)	-	(1,247)
BALANCE ON 31 JANUARY 2023	**5,438**	**157**	**541**	**6,136**
NEW LEASES AND CHANGES IN CONDITIONS	3,833	89	-	3,922
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(3,907)	(111)	-	(4,018)
BALANCE ON 31 JANUARY 2024	**5,364**	**135**	**541**	**6,040**
VALUE CORRECTIONS				
BALANCE ON 1 JANUARY 2023	**1,353**	**245**	**168**	**1,766**
EXPENSE FOR THE YEAR	566	74	68	708
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(131)	(273)	-	(404)
BALANCE ON 31 JANUARY 2023	**1,788**	**46**	**236**	**2,070**
EXPENSE FOR THE YEAR	604	59	67	730
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(824)	(21)	-	(845)
BALANCE ON 31 JANUARY 2024	**1,568**	**84**	**303**	**1,955**
NET BOOK VALUE				
BALANCE ON 31 DECEMBER 2023	**3,650**	**111**	**305**	**4,066**
BALANCE ON 31 DECEMBER 2024	**3,796**	**51**	**238**	**4,085**

IFRS 16 requires the lessee to recognise in its business books assets with the right of use and liability based on lease.

Right-of-use property consists of leased property, for which, under the lease agreement, the right to directly use and control its use over a certain period has been ceded in exchange for compensation. The exemption is for short-term lease agreements where the rental period is less than 12 months or is a low-value lease.

In business books, Right-of-use property is recorded as an asset in rent depending on the lease (e.g. construction facilities, equipment, cars, etc.).

20 INVESTMENT PROPERTY

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
INVESTMENT PROPERTY	727	1,614
INVESTMENT PROPERTY – FORECLOSED ASSETS	2,046	2,170
	2,773	**3,784**
CHANGES IN FAIR VALUE	(806)	(953)
	1,967	**2,831**

Change in the fair value of property

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**953**	**855**
DECREASE IN FAIR VALUE	8	98
SALES	(28)	-
RECLASSIFICATION IN TANGIBLE ASSET	(127)	-
BALANCE ON 31 DECEMBER	**806**	**953**

Investment property relates to foreclosed assets in exchange for uncollectible receivables and own assets not used for business operations and that are leased without constraining clauses with for the purpose of earning income from assets and saving maintenance costs. Operating costs related to leased assets are charged to lessees. Subsequent measurement of assets in 2024 recorded a decrease in the value of assets in the total amount of 8 thousand euros (in 2023: a decrease of 98 thousand euros).

Investment properties are valued at fair value minus sales costs. The fair value of such assets is estimated annually, and these valuations are level 3 of the fair value hierarchy.

To assess the fair value of assets, the Bank engages independent and authorised appraisers who have experience in valuing similar assets and have no interests in the property in question or interests related to the amount of the estimated value of the property. Appraisers prepare an appraisal study in accordance with the Property Valuation Act (OG 78/2015) and the accompanying Ordinance on Methods of Appraisal of Property Valuation (OG 105/2015), according to the law and appropriate methods.

The valuation method was not changed during the year.

21 ASSETS HELD FOR SALE

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
FORECLOSED ASSETS IN EXCHANGE FOR NON-PERFORMING RECEIVABLES	966	5,168
TANGIBLE ASSETS HELD FOR SALE	887	-
ACCRUED FEES AND COMMISSIONS	631	597
PAID EXPENSES OF THE FUTURE PERIOD	345	238
OTHER ADVANCES	105	76
OTHER ASSETS	2,115	1,058
	5,049	**7,137**
IMPAIRMENT ALLOWANCES	(617)	(597)
	4,432	**6,540**

Real estate and equipment acquired in exchange for unpaid receivables are not used for the Bank's operational purposes. In the Bank's financial records, they are recognized in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. As of 31 December 2024, the net value of the acquired assets amounts to 901 thousand euros (in 2023: 5 thousand euros). During 2024, the Bank sold a significant portion of its portfolio of acquired assets and did not acquire any new assets in exchange for non-performing receivables. At the same time, the Bank reclassified its own properties that are not used for its operational needs into the portfolio of non-current assets held for sale and offered them for sale. In 2023, there were no significant acquisitions or sales of these assets. Assets acquired in exchange for non-performing receivables are measured at acquisition cost or net recoverable value, whichever is lower. An annual impairment test is conducted for acquired assets. To assess the fair value of assets, the Bank engages independent and certified appraisers with experience in valuing similar assets, who have no interest in the subject assets or in the estimated property value. The appraisers prepare valuation reports in accordance with the Real Estate Valuation Act and the relevant Regulation on Real Estate Valuation Methods, using legally prescribed and appropriate valuation methods. Following subsequent measurement of the acquired assets in exchange for non-performing receivables, no impairment or increase in value was recorded in 2024 (in 2023: impairment of 3 thousand euros).

Changes in value adjustments for possible losses in other assets were as follows:

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**597**	**729**
IMPAIRMENT OF OTHER ASSETS	223	329
CHARGED AMOUNTS	(142)	(282)
WRITTEN-OFF AMOUNTS	(78)	(106)
IMPAIRMENT OF ACQUIRED ASSETS	-	3
SALE OF ACQUIRED ASSETS	(110)	(76)
RECLASSIFICATION INTO THE PORTFOLIO OF NON-CURRENT ASSETS HELD FOR SALE	127	-
BALANCE ON 31 DECEMBER	**617**	**597**

22 LIABILITIES TO BANKS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
SIGHT DEPOSITS, IN DOMESTIC CURRENCIES	6,540	7,064
SIGHT DEPOSITS, IN FOREIGN CURRENCIES	451	341
TERM DEPOSITS, IN FOREIGN CURRENCIES	2,394	-
	9,385	**7,405**

Liabilities to banks in 2024 and 2023 relate to sight deposits received from foreign banks.

23 LIABILITIES TO CUSTOMERS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
RETAIL		
SIGHT DEPOSITS		
- IN DOMESTIC CURRENCY	223,299	222,744
- IN FOREIGN CURRENCIES	8,865	9,618
	232,164	**232,362**
TERM DEPOSITS		
- IN DOMESTIC CURRENCY	97,972	68,679
- IN FOREIGN CURRENCIES	11,296	11,536
	109,268	**80,215**
TOTAL RETAIL	**341,432**	**312,577**
CORPORATE		
SIGHT DEPOSITS		
- IN DOMESTIC CURRENCY	144,702	135,959
- IN FOREIGN CURRENCIES	4,899	1,090
	149,601	**137,049**
TERM DEPOSITS		
- IN DOMESTIC CURRENCY	69,714	74,920
- IN FOREIGN CURRENCIES	485	-
	70,199	**74,920**
TOTAL CORPORATE	**219,800**	**211,969**
TOTAL DEPOSITS TO CLIENTS	**561,232**	**524,546**

24 OTHER LOANS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
LOANS FROM HBOR	9,178	11,199
REPO LOANS FROM THE CNB	33,573	33,488
REPO LOANS FROM BANKS	3,555	-
OTHER LOANS FROM BANKS	-	3,558
	46,306	**48,245**

Loans from HBOR are intended for granting retail or corporate loans in accordance with HBOR's programs for incentives for small and medium-sized enterprises, tourism, and agriculture

Repo loans refer to received loans for which the Bank has pledged securities with the obligation to repurchase them on a specified future date.

In 2024 and 2023, the Bank has two long-term repo loans with the Croatian National Bank, both at an annual interest rate of 0.25%. For all repo agreements in 2024 and 2023, the Bank pledged bonds issued by the Ministry of Finance of the Republic of Croatia and a bond issued by Erste & Steiermärkische Bank d.d.

As of 31 December 2024, the Bank has one repo loan with a foreign bank at an interest rate of 3.0%, for which it has pledged bonds issued by domestic corporate issuers. As of 31 December 2023, the Bank had one loan agreement with a foreign bank at an annual interest rate of 3.00%.

25 OTHER LABILITIES

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
LEASE LIABILITIES	4,268	4,253
ACCRUED LIABILITIES ON GRANTED LOANS	3,073	3,391
CURRENT CORPORATE INCOME TAX LIABILITY	872	611
LIABILITIES IN THE PAYMENT PROCESS	818	222
LIABILITIES TO EMPLOYEES	589	515
ACCRUED LIABILITIES ON RECEIVED FUNDS	446	581
LIABILITIES TO SUPPLIERS	415	487
PROVISIONS FOR SEVERANCE PAYMENTS AND SIMILAR EMPLOYEE BENEFITS	388	400
DIVIDEND LIABILITIES	287	13
ACCRUED FEES AND COMMISSIONS	96	95
OTHER LIABILITIES	252	347
	11,504	**10,915**

26 PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES

a) Analysis

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
PROVISIONS FOR FRAMEWORK LOANS	444	740
PROVISIONS FOR GUARANTEES	460	606
PROVISIONS FOR LITIGATION	81	81
PROVISIONS FOR OTHER CONTINGENT LIABILITIES	61	5
	1,046	**1,432**

b) Changes in provisions

IN EUR THOUSANDS	2024	2023
BALANCE ON 1 JANUARY	**1,432**	**2,060**
INCREASE IN PROVISIONS MADE WITH RESPECT TO CREDIT RISK	2,421	2,946
DECREASE IN THE BALANCE OF PROVISIONS WITH RESPECT TO CREDIT RISK	(2,807)	(2,543)
INCREASE IN PROVISIONS FOR LITIGATION	-	(1,031)
BALANCE ON 31 DECEMBER	**1,046**	**1,432**

27 ISSUED SUBORDINATED INSTRUMENTS

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
ISSUED SUBORDINATED INSTRUMENTS	16,340	16,339
	16,340	**16,339**

On 29 May 2018, the Bank conducted an issue of subordinated bonds marked PDBA-O-255E, ISIN: HRPDBAO255E4 in dematerialized form, on behalf of the total amount of the issue of EUR 9,407 thousand in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum and semi-annual payment, and a one-off principal maturity on 29 May 2025.

Subordinate bonds of PDBA-O-255E were issued by public offering, without publishing a prospectus, with simultaneous early redemption of all or part of the bond issues PDBA-O-188A and PDBA-O-21CA.

On 26 October 2021, a new series of subordinated bonds coded PDBA-O-29AE, ISIN, were issued:

HRPDBAO29AE2 in dematerialized form, in a name, in the total amount of emissions of EUR 8,501 thousand in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum with a semi-annual payment, and a one-off principal maturity on 26 October 2029. The new issue was carried out with the simultaneous early purchase and replacement of existing PDBA-O-255E bonds in the amount of the subscribed amount of the newly issued PDBA-O-29AE bonds (EUR 8,501 thousand).

On 15 February 2022, the Bank carried out the subscription of a new series of registered subordinated bonds, code PDBA-O-312E, ISIN: HRPDBAO312E3, issued in dematerialized form, in the total amount of issuance of EUR 6,765,005 in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum and semi-annual payment and a one-off principal maturity on 15 February 2031. Subordinated bonds were issued by public offering, without publishing a prospectus.

The balance of issued subordinated bonds as of 31 December 2024, includes ISIN HRPDBAO255E4 worth 906 thousand euros, ISIN HRPDBAO29AE2 worth 8,501 thousand euros, and ISIN HRPDBAO312E3 value of 6,765 thousand euros.

The balance of subordinated bonds issued on 31 December 2023, includes ISIN HRPDBAO255E4 in value of EUR 909 thousand, ISIN HRPDBAO29AE2 in value of EUR 8,563 thousand, and ISIN HRPDBAO312E3 in value of EUR 6,867 thousand.

The Bank's Tier 2 capital includes the non-amortised amount of subordinated bonds issued.

28 SHARE CAPITAL

Share capital consists of ordinary shares. The total number of issued shares at the end of 2024 amounts to 668,749 ordinary shares with a nominal value of EUR 55.00 per share (in 2023, 668,749 ordinary shares with a nominal value of EUR 55.00 per share).

In accordance with the changes in the registration in the court register, during 2023, the conversion (redenomination) of the Bank's share capital from the HRK currency to EUR was carried out, while increasing the share capital at the expense of the Bank's reserves.

The Bank has 3,324 treasury shares as of 31 December 2024 (3,324 in 2023), recorded at the acquisition cost.

The Bank's most significant shareholders as of 31 December are as follows:

	2024		2023	
SHAREHOLDERS	NUMBER OF SHARES	ORDINARY SHARES %	NUMBER OF SHARES	ORDINARY SHARES %
ANTONIA GORGONI	66,278	9.91	66,278	9.91
MARIO GORGONI	65,870	9.85	65,870	9.85
ASSICURAZIONI GENERALI S.P.A.	63,791	9.54	63,791	9.54
CERERE S.P.A	63,735	9.53	63,735	9.53
PAOLO GORGONI	62,638	9.37	62,638	9.37
MILJAN TODOROVIĆ	55,731	8.33	55,731	8.33
SIGILFREDO MONTINARI	38,529	5.76	38,529	5.76
DARIO MONTINARI	38,526	5.76	38,526	5.76
ANDREA MONTINARI	38,515	5.76	38,515	5.76
PIERO MONTINARI	38,515	5.76	38,515	5.76
GINEVRA SEMERARO	27,494	4.11	27,494	4.11
OTHER SHAREHOLDERS (INDIVIDUALLY LESS THAN 3%)	109,127	16.32	109,127	16.32
	668,749	**100.00**	**668,749**	**100.00**

29 RESERVES

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
LEGAL RESERVES	28,527	27,472
RESERVES FOR OWN SHARES	2,234	2,234
GENERAL BANKING RISK RESERVE	677	677
NON-DISTRIBUTABLE RESERVES	**31,438**	**30,383**
CAPITAL LOSS ON TRADING IN TREASURY SHARES	(555)	(555)
FAIR VALUE RESERVE	336	(207)
DISTRIBUTABLE RESERVES	**(219)**	**(762)**
	31,219	**29,621**

Pursuant to the Companies Act, part of the Bank's net profit is mandatorily transferred to non-distributable legal reserves until the total amount of reserves does not reach 5% of the Bank's share capital or a higher amount determined by the statute. Reserves for general bank risks were allocated according to the regulations of the Croatian National bank from the net profit generated in 2006. General bank risk reserves may be allocated at the end of a period of three consecutive years in which the Bank achieves exposure growth at a rate below 15% per annum. Other reserves may only be distributed upon approval by the General Meeting of shareholders.

The Bank's distributable and non-distributable reserves are determined and expressed in these financial statements in accordance with Croatian regulations and decisions of the Croatian National Bank.

30 FUNDS MANAGED IN THE NAME AND ON BEHALF OF THIRD PARTIES AND SECURITIES CUSTODY SERVICES

The Bank manages funds in the name and for the accounts of third parties. Managed assets are reported separately from the Bank's assets. Income and expenses from these funds belong to third parties, and in the ordinary course of business, the Bank has no obligations in relation to these transactions. For its services, the Bank charges a fee.

Funds and sources by loans in the name and for the account can be presented as follows:

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
FUNDS		
LOANS TO INDIVIDUALS	1,201	1,195
CORPORATE LOANS	97	96
CASH	68	72
TOTAL	**1,366**	**1,363**
SOURCES		
FINANCIAL INSTITUTIONS	1,003	1,005
PUBLIC SECTOR	123	117
CORPORATE	240	241
TOTAL	**1,366**	**1,363**

The Bank also provides custody services for securities in the name and account of third parties. The value of the financial instruments managed for in the name and for the account can be presented as follows:

	31 DECEMBER 2024	31 DECEMBER 2023
VALUE OF FINANCIAL INSTRUMENTS	139,375	133,518

31 CONTINGENT LIABILITIES AND COMMITMENTS

a) Litigation

On 31 December 2024 there were several legal cases outstanding against the Bank. According to the Management Board's assessment, provisions in the amount of EUR 81,000 (2023: EUR 81,000) have been set aside for costs that could arise from litigation against the Bank.

b) Guarantees, letters of credit and undrawn loans commitments

Total outstanding amounts under guarantees, letters of credit and undrawn loans at the year-end were as follows:

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
COMMITMENTS – UNUSED LOANS	24,412	33,488
COMMITMENTS – UNUSED FRAME LOANS ON TRANSACTION ACCOUNTS	21,073	23,267
GUARANTEES	24,468	22,391
FOREIGN EXCHANGE LETTERS OF CREDIT	19	-
LETTERS OF INTENT	3,404	-
	73,376	**79,146**

The primary purpose of commitments and contingencies is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that customers cannot meet their obligations to third parties, carry the same credit risk as loans.

c) Operating lease

Future minimum payments under operating leases are as follows:

IN EUR THOUSANDS	31 DECEMBER 2024	31 DECEMBER 2023
UP TO 1 YEAR	11	10
TOTAL	**11**	**10**

Lease agreements are renewable at the end of the lease period at the market price. The Bank concludes lease agreements for business premises, vehicles, and equipment.

By applying the IFRS 16 standard from 2019, the value of assumed liabilities per operating lease has decreased significantly as long-term leases and leases of assets of more than USD 5,000, are recorded in the books of account as assets with a right of use and lease liabilities (Note 19).

On 31 December 2024 and 31 December 2023, liabilities stated under operating leases refers to the lease of business premises for ATMs. Agreements for this type of lease are classified as leases of low-value assets, while other lease agreements are included in Note 19 – Right-of-Use Assets (application of IFRS 16). All payments related to such low-value leases in the Bank's books are recognized as an expense over the lease term.

32 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one Party has the ability to control the other party or if it has significant influence over the other party in making financial or business decisions. Related party transactions are part of ordinary course of business. These transactions are carried out under market conditions with application of market interest rates. In considering each possible related party relationship, the substance of the relationship is considered, and not merely the legal form. The Bank does not form a group of related parties and has no subsidiaries.

Transactions with key management and related persons are shown in the table below:

IN EUR THOUSANDS	KEY MANAGEMENT PERSONNEL AND THEIR RELATED PERSONS		SUPERVISORY BOARD	
	2024	2023	2024	2023
LOANS				
OPENING BALANCE	362	201	2,720	2,721
INCREASE / (DECREASE) DURING YEAR	95	161	477	(1)
CLOSING BALANCE	**457**	**362**	**3,197**	**2,720**
REALISED INTEREST INCOME	14	12	148	123
DEPOSITS RECEIVED				
OPENING BALANCE	350	893	183	429
INCREASE / (DECREASE) DURING YEAR	1	(543)	284	(246)
CLOSING BALANCE	**351**	**350**	**467**	**183**
REALISED INTEREST EXPENSE	3	1	3	1

Management remuneration

IN EUR THOUSANDS	2024	2023
GROSS SALARIES AND OTHER SHORT-TERM BENEFITS	1,996	1,980

The Bank's Management consists of 3 members. Gross salaries and other short-term benefits refer to the total payroll and benefits in-kind provided to the members of the Management Board, the Bank's officers holding general power of attorney as well as provisions for bonuses and fees to the Supervisory Board members. In 2024 and 2023, no costs are foreseen for bonuses to management. Fees to members of the Supervisory Board 2024 amounts to 713 thousand euros (in 2023: 688 thousand euros).

The number of shares held by the members of the Bank's Management and the Supervisory Board:

	31 DECEMBER 2024	31 DECEMBER 2023
MANAGEMENT BOARD	10,727	10,727
SUPERVISORY BOARD	132,786	132,786
TOTAL:	**143,513**	**143,513**

b) Transactions with other related parties are presented in the following table:

IN EUR THOUSANDS	2024	2023
BANK ACCOUNTS		
OPENING BALANCE	85	389
INCREASE / (DECREASE) DURING YEAR	(64)	(305)
CLOSING BALANCE	**21**	**84**
LIABILITIES TO BANKS AND PER ISSUED SUBORDINATE INSTRUMENTS		
OPENING BALANCE	6,794	3,747
INCREASE / (DECREASE) DURING YEAR	334	3,047
CLOSING BALANCE	**7,128**	**6,794**

IN EUR THOUSANDS	2024	2023
INTEREST INCOME	2	-
FEE AND COMMISSION INCOME	18	17
TOTAL INCOME	**20**	**17**
INTEREST EXPENSE	328	236
FEE AND COMMISSION EXPENSE	9	6
TOTAL EXPENSE	**337**	**242**

33 FINANCIAL RISK MANAGEMENT POLICIES

This note provides details of the Bank's exposure to financial risks and describes the methods used by the Management to control the risk.

The Bank's operations are exposed to various types of financial risks, and some of these operations include analysing, assessing, accepting, and managing a certain level of risk or a combination of risks. Risk underwriting is a fundamental feature of financial operations, and risks are inherent to such operations. The Bank's aim is to achieve an appropriate balance between risk and return, while minimising potential negative effects on its financial performance.

Risk management policies have been designed to identify and analyse those risks in order to define appropriate limits and controls, monitor those risks, and compliance with limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect any changes in its markets, products, and best practices. The most significant types of financial risks to which the Bank is exposed are credit risk, liquidity risk, market risk, operational risk and ESG risk. The market risk includes currency risk, interest rate risk, and equities and debt securities repricing risk. Limits are set for all the risk types. The methodology and models for managing operational risk and ESG risk have been developed.

At the Bank level, a comprehensive risk management system has been established, introducing policies and procedures, setting limits for acceptable levels of risk for the Bank, and monitoring their implementation.

The risk management strategy is in line with the Bank's business strategy; both are determined and adjusted on an annual basis. The risk appetite is updated annually and thus reflects the conclusions of the Bank's risk management strategy and business strategy.

Credit risk

The Bank is exposed to credit risk, which may be defined as the risk that counterparty will default on its contractual obligations resulting in financial loss to the Bank. Major changes in the economy or the status of an industry in which the portfolio is concentrated, may lead to losses not provided for at the reporting date. Therefore, the Bank manages its exposure to credit risk with a high level of prudence. The exposure to credit risk arises primarily in respect of loans and advances, debt, and other securities exposed to credit risk. Credit risk is also present in off-balance sheet financial arrangements, such as loan commitments and guarantees issued. Credit risk management is the responsibility of the Risk Management Sector, and risk control is the responsibility of the Risk Control.

Credit risk is managed in accordance with policies, procedures, and other internal guidelines. The credit policy defines the focus of considerations to be made in performing credit operations. If a loan proposal departs from the credit policy, the final decision is made by the Bank's Management Board.

The structure of loans over a certain period is defined by the Credit Policy. Loans are structured by type of clients, or groups of clients, type or groups of products, by sector and industry. Given that loans are approved using the "four eyes" principle, it is very unlikely that a loan authorised by overriding the procedures might remain undetected.

The Credit Policy defines and sets out policies and procedures for extending loans to corporate and retail clients. Credit risk is monitored on an ongoing basis and reported on regularly to promptly identify any indication of impairment in the loan portfolio. The Bank applies prudent methods and models in the process of assessing credit risk.

In order to improve credit risk management, the Bank estimates the creditworthiness of its clients and, in order to reduce the credit risk, takes the appropriate collaterals.

Credit risk management includes assessing the exposures credit risk, subsequently monitoring, and estimating the recoverability of exposures and off-balance sheet liabilities and recognition of the required impairment losses and provisions for identified losses on exposures and off-balance sheet liabilities.

When assessing the exposure credit risk, the following is estimated:
(1) client's creditworthiness,
(2) debtor's timeliness in settling obligations to the Bank and other creditors and
(3) collateral quality per exposure.

To determine creditworthiness, a Rating Model for corporate entities was developed - double-entry bookkeeping (DEB) and single-entry bookkeeping (SEB) and a Rating Model for natural persons (PI). The rating for corporates has grades from 1 to 10 for Stage 1 and 2. The rating for individuals has ratings from 1 to 8 for Stage 1 and 2.

Ratings consist of the following components:
(1) internal behaviour - behavioural scoring,
(2) application - financial scoring for individuals, and financial scoring for corporate entities.

Each rating is assigned a PD - Probability of default. One-year PD is awarded for stage 1 and lifelong PD for stage 2 (cumulative PD). Loss given default - LGD was determined by segments of rating model and collateralization.

The Bank has established a loan portfolio quality monitoring process to identify potential changes in clients' creditworthiness in a timely manner, including periodic collateral assessments. Potential changes in creditworthiness are subject to regular exposure reviews. The purpose of the portfolio credit quality monitoring process is to enable the Bank to assess potential loss as a result of the risk, to which it is exposed and to take corrective action. In the process of monitoring exposures, it is continuously checked whether there are elements of deterioration of the client's financial position, exposure to currency risk, exposure to ESG risk, occurrence of risks related a client's market, industry, significant clients, significant suppliers or risk due to a decrease in the value of the collateral.

Depending on the assessment of the above criteria, the Bank allocates all exposures to the following categories:
a. the risk group A, which consists of the risk subgroups A1 and A2,
b. a risk group B, consisting of risk subgroups B1, B2 and B3 and
c. a risk group C.

The Bank allocates credit exposures for which no significant increase in credit risk has been established since the initial recognition date in the risk subgroup A1 (stage 1). Impairment losses and provisions for credit losses are determined based on the 12-month expected credit losses that represent part of the life-long expected credit losses that would occur if the default status within the next 12 months is reached.

Loans to customers classified in risk category A1 are exposures where the delay in settling the liability is no longer than 30 days and there is no significant increase in credit risk after initial recognition.

The Bank classifies in the risk subgroup A2 (stage 2) credit risk exposures for which a significant increase in credit risk since the initial recognition date has been identified, but there is no objective evidence of impairment. The impairment allowances and provisions for credit losses are determined based on lifelong expected credit losses.

The Bank, as an indicator for determining a significant increase in the debtor's credit risk, considers the following: the debtor's delay in settling liabilities to the Bank for a term longer than 30 days, not exceeding 90 days; a blockage of debtor's account for total duration of more than 30 days in the last year; identification based on internal assessment (internal watch list), a significant deterioration in the credit rating compared to the credit rating at the time of initial recognition (for more than four rating classes), certain level of internal scoring and restructuring which did not lead to diminishing of financial liability by more than 1%.

The slowdown in economic activity, inflationary trends, and the rise in market interest rates affected the assessments of the recoverability of credit exposure and the calculation of related provisions for credit losses. The amount of provisions for credit losses is determined by the parameters of probability of default (PD) and loss given default (LGD) with the expected development of macroeconomic scenarios.

The Bank updated the macroeconomic scenarios, considering the basic scenario, an unfavourable scenario, and a positive scenario, where weighting factors were applied. The Bank allocates credit exposures in the default status to risk group B (level 3 - established impairment). These are exposures where the default status has occurred in accordance with the Decision on the internal system of classification into risk groups and the method of determining credit losses for placements and off-balance sheet liabilities.

The default status is examined on the basis of:
- Criteria for regular payment: the debtor has not fulfilled its due obligation with a significant amount of due debt for more than 90 days,
- Probability criteria: an analysis of the probability that a borrower will not be able to meet its credit obligations in full ("unlikely to pay" criterion (UTP)), it is estimated that the borrower is unlikely to settle the obligations under the placement in full without the need to activate collateral, regardless of the existence of any amount in arrears,
- Forced restructuring and restructured exposure classified as non performing placements
- A debtor's new exposure must be classified as non-performing if the debtor's previous non-performing exposure has been sold or written off.

The Bank also considers restructured exposures as defaulted exposures as well as exposures to debtors over whom bankruptcy or liquidation is initiated. The level of impairment for certain exposures classified in risk group B is determined as a positive difference between the gross carrying amount of each exposure and the present value of the estimated future borrower's cash flows discounted using the effective interest rate, taking into account the minimum levels of impairment prescribed by the Decision. Exposures in risk group B, depending on the percentage of placement value adjustments, are classified in the risk subgroup B-1 (placements for which the stated loss does not exceed 30% of the amount of receivables), B-2 (placements for which the stated loss amounts to more than 30% to 70% receivables) and B-3 (placements for which the stated loss amounts to more than 70% and less than 100% of the amount of receivables).

Risk class C (Stage 3) covers placements with a 100% correction value.

"Forborne" and restructured loans

The Bank sometimes makes concessions or changes the original terms of the loan in response to the borrower's financial difficulties (so-called "forbearance" activities) in order to maximise the possibility of collection and minimise the risk of "default" rather than take possession or otherwise collect existing collateral. At the Bank's level, a loan is classified as "forborne" when concessions and modifications result from the debtor's financial difficulties, and the creditor would not have agreed to them if the debtor had adequate financial capacity. "Forbearance" activities may include concessions such as refinancing, moratorium, maturity extension, interest debt repayment plan rescheduling, interest rate reduction, etc. If any of these concessions lead to a loss for the Bank, this placement is assessed and managed as non-performing and is therefore classified as Level 3 for the purpose of calculating expected credit losses, except for placements where the difference in NPV (i.e. net present value) after restructuring is less than 1%, and which are classified as risky group A2. Restructured exposures that are likely to result in a reduction in the debtor's financial liability due to a significant discharge or deferral of principal and/or interest payments that were allocated to risk group A prior to restructuring are allocated at least to risk subgroup B1 if the NPV difference after restructuring is greater than 1%.

Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and managing its positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments, including different types of deposits, borrowings, bond issues, equity and reserves. Liquidity risk is continually assessed by identifying and monitoring changes in the level of funding required to meet business goals and targets set in terms of the overall Bank's strategy. In addition, the Bank holds a portfolio of liquid assets as a part of its liquidity risk management.

Effective liquidity risk management, through the assessment of necessary cash flows both in regular operations and in case of extraordinary circumstances, enables the Bank to timely fulfil due obligations, which are influenced by internal (business decisions of the Bank) and external events, as well as the behaviour of other participants on the financial market.

The Bank identifies three basic forms of liquidity risk:

- the risk of mismatching liquidity (arising from the mismatch between assets and liabilities of the Bank)
- the risk of increased liquidity (arising from the need to maintain higher levels of liquid assets that may be needed in the future) and
- market liquidity risk (resulting from the potential lower liquidity of the financial market, resulting in the impossibility of selling or obtaining liquid assets).

The Bank adjusts its business activities related to liquidity risk according to regulatory and internal policies for the maintenance of liquidity reserves, by matching liabilities

and assets, monitoring compliance with the externally and internally set limits, preferred liquidity ratios, including contingency planning procedures or stressful situations. The Financial Markets Sector manages liquidity reserves in order to optimise the Bank's operations.

Concentration indicators indicate the concentration in the deposit portfolio (top 100 individual and corporate depositors in the total deposits), which is regularly reported to the Bank's Management Board.

In addition to the regulatory requirements set out above, the Bank has the obligation to monitor the structural indicators of liquidity and concentration levels, which have been set by the internal regulations of the Bank.

The structural liquidity level indicators reflect the correlations between certain items of assets and liabilities such as the ratio of total loans to total deposits received, the ratio of total loans to total assets, the ratio of liquid assets to total deposits received, and the ratio of total borrowings to total liabilities.

The Bank has prescribed and established appropriate control activities and distributed duties, ensured adequate internal controls, and appropriate administrative and accounting procedures within the Bank's daily activities.

Liquidity risk management is organised through the Management Board, the Financial Markets Sector, the Risk Management Sector, the Risk Control and the Asset and Liability Management Committee.

Market risk

The majority of instruments held to collect or sell are subject to market risk, which is the risk that an instrument may be impaired as a result of future changes in market conditions. Market risks represent the potential effects of external factors on the value of assets, liabilities, and off-balance sheet items of the Bank. Changes in market rates imply: all changes in interest rates, exchange rates, prices of financial instruments, indices, or other market factors that affect the value of financial instruments. In respect of instruments which are held at fair value through other comprehensive income, all market changes directly affect the fair value reserve. The Bank manages its instruments traded on the market in response to changing market conditions.

Internal limits for market risks are determined in accordance with the Bank's business strategy, taking into account the planned financial goals, i.e. the Bank's business plan.

The Bank has established clearly defined responsibilities in the process of managing market risk.

Market Risk Management is organised through the Management Board and the Risk Management Sector, with the operational and organisational separation of the transaction management function from the function of supporting Treasury business operations and functions, and the Asset and Liability Management Committee.

The Bank's liquidity positions in the local and foreign currency are provided to the Bank's Management Board and senior management daily, with a focus on the most significant fluctuations in interest and foreign exchange rates. The Market, Operational and Other Risks Management is responsible for monitoring of the Bank's exposure to market risks, monitoring and control of the limits usage to which Treasury operations are exposed and control and verification of transactions. The Financial

Markets Sector reports continuously the Bank's Management Board on currency risk exposure . The Risk Control analyses and monitors the market risks to which the Bank is exposed or could be exposed in its operations, conducts stress tests, verifies the application and effectiveness of risk management methods, makes proposals and recommendations for appropriate risk management, and reports to the Bank's Management Board and the Supervisory Board on risk management.

In managing its market risks, the Bank resorts to various risk protection strategies. The Value-at-risk (VaR) methodology is applied to the Bank's open foreign currency position to estimate the maximum potential losses based on certain assumptions regarding various changes in market conditions. The methodology defines the maximum loss that the Bank may suffer with a confidence level of 99 percent based on 260 days. However, this approach does not preclude the occurrence of losses beyond the defined limits in the event of major changes in market terms and conditions.

Currency risk

Currency risk is the risk of losses caused by unfavourable exchange rate movements, and it arises from lending, depositing, and investment activities. The Bank manages the risk of fluctuations in the relevant foreign currency exchange rates that may affect its financial position and cash flows. The currency risk is monitored on the overall balance sheet level in terms of foreign exchange open positions, as specified by internal limits on a daily basis.

The currency position is monitored daily through the report on the open foreign currency positions. For the purposes of analysing the currency risk exposure, the Risk Control prepares regularly reports for the Management. The Financial Markets Sector is responsible for operational or daily currency risk management, while strategic management is the responsibility of the ALCO Board and the Bank's Management Board. The Risk Control monitors the exposure to currency risk and reports to the Management Board on a quarterly basis.

Interest rate risk

The interest rate risk represents the sensitivity of the Bank's financial position to movements in interest rates. Interest rate risk arises as a result of the mismatched maturities of assets and sources of financing.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that the interest-bearing assets and liabilities mature or reprice at different times or in differing amounts. In case of the variable interest rates, the assets and liabilities are also exposed to the basis risk, which is the difference in repricing characteristics of the various variable interest rate indices.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The exposure to interest rate risk is monitored and measured using repricing gap analysis that reflects the sensitivity to changes in interest rates, the net interest income and economic value of equity. The goal of interest rate risk management is to ensure an optimal and stable net interest margin and to ensure the Bank's targeted profitability.

The Bank's interest rate risk management system is established in accordance with the Bank's needs with regard to the size, volume, and complexity of business processes, and as such has the function of identifying, measuring, monitoring, and controlling all significant sources of interest rate risk. The management of interest rate risk is organized through the Management Board, the Risk Management Sector, the

Financial Market Sector and the Asset and Liability Management Committee, with the participation of all organisational units underwriting the interest rate risk and the control of interest risk is organized through Risk Control.

Equity and debt security price risk

Equity and debt security price risk is the risk of negative effect on the investment fair value.

Operational risk

Operational risk is defined as the risk of loss resulting from errors, breaches, disruptions, or damages caused by inadequate or failed internal processes, people, systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Efficient management of operational risks is based on understanding the significance of the impact of operational risks on the Bank's operations, distribution of responsibilities and efficient control in the process of determining, assessing, monitoring and controlling operational risks.

Operational risk management falls within the area of competence of the Market, Operational and Other Risk Management and includes collection of data, preparation of reports and analyses of the current and potential operational risk events and the underlying root causes, as well as providing information that will allow operational risk to be managed effectively.

Operational risk events are aggregated in a single database using a web application.

According to the Basel II guidelines and EU Directives, there are three operational risk assessment methods, which are as follows:
- Basic Indicator Approach (BIA)
- Standardised Approach (SA)
- Advanced Measurement Approach (AMA)

The Bank has opted to adopt the Basic Indicator Approach (BIA).

Market, Operational and Other Risk Management monitors the operational risk exposure, collects operational risk data (risk events, key risk indicators, sensitivity analyses), proposes measures to reduce and/or avoid operational risk, monitors and reports on the Bank's operational risk profile, participates in the implementation of new products and significant business changes, conducts operational risk training, and provides regular operational risk exposure reports to the Bank's Management Board, the Operational Risk Board and senior management.

The purpose and main principles of underwriting and managing operational risk, as well as the Bank's operational risk appetite, are defined in the Operational Risk Management Policy and other internal by-laws.

For the purpose of protection against operational risk, the Bank has developed a risk map and implemented an operational risk monitoring system. Given the nature of operational risk, the controls are performed by comparing the losses against the risk assessment. The risk assessment is defined using an internal methodology or by reference to operational risk losses. Key risk indicators are monitored on an ongoing basis.

ESG risks

ESG risks are risks of significant adverse effects on sustainability factors. Sustainability risk is defined as environmental, social, or governance and can cause an existing or potentially material negative effect on the Bank's operations.

Environmental risks represent risks of losses arising from any downside financial impact due to current or future environmental impacts on counterparties or invested assets of the Bank, including factors related to the transition towards the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems; environmental risk involves physical and transition risk.

Social risk factors are linked to the rights, well-being and interests of people and communities and are more difficult to identify than environmental ones. Social risk drivers can be different: environmental risks (migration due to environmental degradation, COVID crisis), policy changes and market orientations (increased compliance costs).

Governance factors can be defined as management-related issues that can have a negative impact. The drivers of management risk can be diverse as inadequate management of environmental and social issues, as well as non-compliance with the framework or code of corporate governance.

Management of environmental, social and governance risks is organizationally organized through the Bank's Management Board, transaction contracting function (front), Risk Management, Risk Control, Compliance function and Internal Audit function. Internal acts regulating the domain of ESG risks are the ESG Risk Management Procedure and the Methodology for assessing the materiality of environmental risks.

The Bank has integrated an assessment of ESG impacts and associated risks into its decision-making processes. To this end, a risk-based approach has been implemented with the following steps:

- Risk identification: The Bank has developed tools and processes to help identify financial products and services, sectoral practices, and countries where ESG risks are more likely to occur.
- Risk evaluation: When a risk is identified, an evaluation is performed.
- Activity: Carrying out activities depending on the potential impacts of ESG and related ESG risks identified

The methodology for assessing the material materiality of environmental risks from the perspective of the relationship with prudential risks, primarily credit and operational risks, is based on the exposure method. Following the guidelines of regulatory authorities and the practices of systemically important banks known so far, the exposure method was chosen as appropriate to the size of the Bank and the complexity of the business model and organization. The exposure method involves the identification of risk areas and activities from the perspective of physical and transitional environmental risks and the determination of the Bank's exposure to credit and operational risks in these areas/activities.

Capital management

Credit institutions in the Republic of Croatia have been engaged in prudential calculations and reporting pursuant to Capital Requirements Regulation (EU) No. 575/2013 (CRR), Directive 2013/36/EU (CRD IV), technical standards, and other relevant regulations prescribed by the European Banking Authority (EBA) and the Croatian National Bank. The Bank has successfully managed capital to cover the risks arising from its operations and meet all the capital requirements set by the Croatian National Bank and the European Banking Authority. On 31 December 2024, the total capital adequacy rate was 20.56% (2023: 20.53%), and the Tier 1 and Common Equity Tier 1 capital rate was 16.59% (2023: 16.41%).

Based on the capital adequacy levels, the Bank meets all of the limits prescribed in Article 92 of Directive (EU) No. 575/2013 of the European Parliament and of the Council dated 26 June 2013 on prudential requirements for credit institutions and investment funds and amending Directive (EU) No. 648/2012 (EU Official Journal L 176/2013), according to which institutions must meet the following capital requirements:
(a) a Common Equity Tier 1 capital ratio of 4.5%;
(b) a Tier 1 capital ratio of 6%;
(c) a total capital ratio of 8%.

The Bank's capital includes the capital conservation buffer which, pursuant to Article 117 of the Credit Institutions Act (Official Gazette No. 159/2013) amounts to 2.5%, and the structural systemic risk buffer of 1.5%, and the countercyclical capital buffer at the rate of 1.5% (2023: 1,0%) based on the Decision on the application of the structural systemic risk buffer (Official Gazette 61/2014 and 148/2022).

In the Common Equity Tier 1 items, the Bank included share capital, paid premium on shares, retained earnings in recent years, accumulated other comprehensive income and reserves for general banking risks. Deductible items include intangible assets, value adjustments due to prudential valuation requirements, accumulated other comprehensive income and redeemed own shares.

Tier 2 items include the issue of the Bank's debt securities, namely subordinated bonds in the amount of EUR 14,959 thousand (in 2023: EUR 15,521 thousand).

As of 1 January 2023, the Bank changed the business model for debt securities into a business model for collecting contractual cash flows. Due to this, the unrealised profit/loss of the portfolio is no longer included in the calculation of own funds as a deductible item leading to an increase in own funds.

IN EUR THOUSAND	2024	2023
REGULATORY CAPITAL – TEMPORARY TREATMENT		
TIER 1 CAPITAL	62,462	61,811
COMMON EQUITY TIER 1 CAPITAL	62,462	61,811
TIER 2 CAPITAL	14,959	15,521
TOTAL REGULATORY CAPITAL	**77,421**	**77,332**
CAPITAL ADEQUACY RATIO IN %	**20.56%**	**20.53%**
MINIMUM CAPITAL ADEQUACY RATIO IN %	**8.00%**	**8.00%**

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, 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 considers the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date,

Furthermore, for the purposes of financial reporting, fair value measurements were classified into Level 1, Level 2, or Level 3 inputs, by reference to 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 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,

Level 3 inputs are unobservable inputs for the asset or liability.

The tables below analyse financial instruments that have been reduced to fair value after their first recognition, classified into three groups depending on the availability of observable fair value indicators:

2024 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT				
EQUITY SECURITIES	113	-	-	113
TOTAL	**113**	**-**	**-**	**113**

2024 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
EQUITY SECURITIES	4,690	-	382	5,072
TOTAL	**4,690**	**-**	**382**	**5,072**

2023 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT				
EQUITY SECURITIES	1,500	-	-	1,500
TOTAL	**1,500**	**-**	**-**	**1,500**

2023 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
EQUITY SECURITIES	3,983	-	483	4,466
TOTAL	**3,983**	**-**	**483**	**4,466**

Level 3 includes equity securities of the companies HROK d.o.o., Central Depository and Clearing Company, S.W.I.F.T Belgium, Franck d.d., VISA Inc.-class C, Atlas banka a.d Podgorica and Proficio d.d., which are valued according to the valuation model or acquisition cost. When assessing equity securities according to model the Bank uses the techniques of estimating fair value by the method of comparable companies and the method of book value, which are the primary methods of valuation.

During the year, there was no changes in level of equity securities.

Fair value measurement

a) Assets at fair value through the profit and loss statement

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT (IN EUR '000) 31 DECEMBER 2024	FAIR VALUE AT (IN EUR '000) 31 DECEMBER 2023	FAIR VALUE HIERARCHY	VALUATION METHOD(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)
EQUITY SECURITIES	113	1,500	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES	N/A
TOTAL EQUITY SECURITIES:	**113**	**1,500**			

b) Assets at fair value through other comprehensive income

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT (IN EUR '000) 31 DECEMBER 2024	31 DECEMBER 2023	FAIR VALUE HIERARCHY	VALUATION METHOD(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)
EQUITY SECURITIES	4,690	3,983	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES FROM THE MARKET	N/A
EQUITY SECURITIES	382	483	LEVEL 3	VALUATION ACCORDING TO VALUATION TECHNIQUES OR VALUATION AT PURCHASE PRICE BECAUSE IT IS NOT A MATERIAL INVESTMENT	N/A
TOTAL DEBT SECURITIES:	**5,072**	**4,466**			
TOTAL SECURITIES:	**5,072**	**4,466**			

c) Changes of financial assets in level 3

2024 IN EUR THOUSAND	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
INITIAL BALANCE	**483**
TOTAL GAINS AND LOSSES	(101)
RECLASSIFIED ASSETS	-
CLOSING BALANCE	**382**

2023 IN EUR THOUSAND	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
INITIAL BALANCE	**1,350**
TOTAL GAINS AND LOSSES	43
RECLASSIFIED ASSETS	(911)
CLOSING BALANCE	**483**

35 INTEREST RATE RISK

The following tables show the Bank's sensitivity to interest rate risk as at 31 December 2024 and 2023 based on known repricing dates of assets and liabilities to which fixed and variable rates apply, and assumed repricing dates of other items.

AS AT DECEMBER 2024 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON-INTEREST BEARING	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	205,339	-	-	-	14,167	219,506
PLACEMENTS WITH OTHER BANKS	16,103	-	-	5,443	-	21,546
LOANS TO CUSTOMERS	178,718	10,226	44,402	82,958	-	316,303
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	113	113
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	5,072	5,072
HELD-TO-MATURITY ASSETS	3,480	12,280	10,974	111,400	-	138,134
TOTAL ASSETS	**403,640**	**22,506**	**55,375**	**199,801**	**19,352**	**700,674**
LIABILITES						
LIABILITIES TO BANKS	8,980	-	-	-	405	9,385
LIABILITIES TO CUSTOMERS	433,633	48,799	65,771	12,334	695	561,232
OTHER LIABILITIES	103	27,298	11,568	7,338	-	46,306
ISSUED SUBORDINATED INSTRUMENTS	-	102	972	15,266	-	16,340
TOTAL LIABILITIES	**442,716**	**76,199**	**78,310**	**34,938**	**1,100**	**633,263**
NET INTEREST EXPOSURE	**(39,076)**	**(53,693)**	**(22,935)**	**164,863**	**18,252**	**67,411**

AS AT 31 DECEMBER 2023 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON-INTEREST BEARING	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	166,280	-	-	-	13,602	179,882
PLACEMENTS WITH OTHER BANKS	9,430	905	-	5,139	-	15,474
LOANS TO CUSTOMERS	199,660	11,366	39,592	66,143	324	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	1,500	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	4,466	4,466
HELD-TO-MATURITY ASSETS	7,639	1,266	15,011	113,610	-	137,526
TOTAL ASSETS	**383,009**	**13,537**	**54,603**	**184,892**	**19,892**	**655,933**
LIABILITIES						
LIABILITIES TO BANKS	7,064	-	-	-	341	7,405
LIABILITIES TO CUSTOMERS	400,282	13,063	92,026	18,138	1,037	524,546
OTHER LIABILITIES	92	436	5,051	42,666	-	48,245
ISSUED SUBORDINATED INSTRUMENTS	-	102	66	16,171	-	16,339
TOTAL LIABILITIES	**407,438**	**13,601**	**97,143**	**76,975**	**1,378**	**596,535**
NET INTEREST EXPOSURE	**(24,429)**	**(64)**	**(42,540)**	**107,917**	**18,514**	**59,398**

The weighted effective interest rates on loans given to clients in 2024 were 5.63% (in 2023. 5.22%).

The weighted effective interest rates on deposits received from clients during 2024 were 0.74% (in 2023. 0.29%).

The table below shows the sensitivity of the Banks' assets and liabilities that carry variable interest to changes in interest rates. Growth assumptions were taken from the recorded rise or fall in the interest rate during 2024 and 2023. The change in interest rates has a direct impact on net interest income. If the same percentages are applied to the fall in the interest rate, the result would be an interest expense in the same amount.

IN EUR THOUSAND	ASSUMED INCREASE IN INTEREST RATE	IMPACT ON 2024 PROFIT OR LOSS	IMPACT ON 2023 PROFIT OR LOSS
ASSETS	5% RELATIVE	458	483
LIABILITIES	5% RELATIVE	(137)	(55)
IMPACT ON THE NET INTEREST INCOME		**321**	**428**

36 CURRENCY RISK

The Bank manages its exposure to currency risk through a variety of measures, including the use of a currency clause, which has the same effect as denominating EUR assets in other currencies.

ON 31 DECEMBER 2024 (IN EUR THOUSANDS)	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	EUR	HRK	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	9,308	1,472	10,780	208,726	-	219,506
PLACEMENTS WITH OTHER BANKS	2,864	3,698	6,562	14,984	-	21,546
LOANS TO CUSTOMERS	72	-	72	316,231	-	316,303
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS	-	-	-	113	-	113
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,013	-	1,013	4,059	-	5,072
HELD-TO-MATURITY ASSETS	9,097	1,258	10,355	127,779	-	138,134
INTANGIBLE ASSETS	-	-	-	8,103	-	8,103
PROPERTY AND EQUIPMENT	-	-	-	3,210	-	3,210
RIGHT-OF-USE ASSETS	-	-	-	4,085	-	4,085
INVESTMENT PROPERTY	-	-	-	1,967	-	1,967
DEFERRED TAX ASSETS	-	-	-	600	-	600
OTHER ASSETS	3	-	3	4,429	-	4,432
TOTAL ASSETS	**22,357**	**6,428**	**28,785**	**694,286**	**-**	**723,071**
LIABILITIES AND SHAREHOLDERS EQUITY						
LIABILITIES						
LIABILITIES TO BANKS	2,487	357	2,844	6,541	-	9,385
LIABILITIES TO CUSTOMERS	19,604	5,941	25,545	535,687	-	561,232
OTHER BORROWINGS	-	-	-	46,306	-	46,306
OTHER LIABILITIES	3	2	5	11,499	-	11,504
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	-	-	-	1,046	-	1,046
ISSUED SUBORDINATED INSTRUMENTS	-	-	-	16,340	-	16,340
TOTAL LIABILITIES	**22,094**	**6,300**	**28,394**	**617,419**	**-**	**645,813**
EQUITY						
SHARE CAPITAL	-	-	-	36,781	-	36,781
SHARE PREMIUM	-	-	-	400	-	400
TREASURY SHARES	-	-	-	(157)	-	(157)
OTHER RESERVES	-	-	-	31,219	-	31,219
PROFIT FOR THE YEAR	-	-	-	7,521	-	7,521
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	1,494	-	1,494
TOTAL SHARE CAPITAL	**-**	**-**	**-**	**77,258**	**-**	**77,258**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**22,094**	**6,300**	**28,394**	**694,677**	**-**	**723,071**
NET FX EXPOSURE	**263**	**128**	**391**	**(391)**	**-**	**-**

AS AT 31 DECEMBER 2023 (IN EUR THOUSAND)	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	EUR	HRK	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	2,213	1,738	4,121	175,761	170	179,882
PLACEMENTS WITH OTHER BANKS	-	3,446	3,446	12,028	-	15,474
LOANS TO CUSTOMERS	83	-	83	317,002	-	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS	-	-	-	1,500	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,302	-	1,302	3,164	-	4,466
HELD-TO-MATURITY ASSETS	12,228	1,547	13,775	123,751	-	137,526
INTANGIBLE ASSETS	-	-	-	7,749	-	7,749
PROPERTY AND EQUIPMENT	-	-	-	2,946	-	2,946
RIGHT-OF-USE ASSETS	-	-	-	4,066	-	4,066
INVESTMENT PROPERTY	-	-	-	2,831	-	2,831
DEFERRED TAX ASSETS	-	-	-	858	-	858
OTHER ASSETS	-	-	-	6,540	-	6,540
TOTAL ASSETS	**15,826**	**6,731**	**22,727**	**658,196**	**170**	**680,923**
LIABILITIES AND SHAREHOLDERS EQUITY						
LIABILITIES						
LIABILITIES TO BANKS	-	341	341	7,064	-	7,405
LIABILITIES TO CUSTOMERS	15,741	6,303	22,044	502,502	-	524,546
OTHER BORROWINGS	-	-	-	48,245	-	48,245
OTHER LIABILITIES	3	2	5	10,910	-	10,915
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	-	-	-	1,432	-	1,432
ISSUED SUBORDINATED INSTRUMENTS	-	-	-	16,339	-	16,339
TOTAL LIABILITIES	**15,744**	**6,646**	**22,390**	**586,492**	**-**	**608,882**
EQUITY						
SHARE CAPITAL	-	-	-	36,781	-	36,781
SHARE PREMIUM	-	-	-	400	-	400
TREASURY SHARES	-	-	-	(157)	-	(157)
OTHER RESERVES	-	-	-	29,621	-	29,621
PROFIT FOR THE YEAR	-	-	-	4,051	-	4,051
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	1,345	-	1,345
TOTAL SHARE CAPITAL	**-**	**-**	**-**	**72,041**	**-**	**72,041**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**15,744**	**6,646**	**22,390**	**658,533**	**-**	**680,923**
NET FX EXPOSURE	**82**	**85**	**337**	**(337)**	**170**	**-**

The table below shows the sensitivity of the Bank's net assets to a positive change in the CNB's middle exchange rate, i.e. an increase in the exchange rate, and the impact on the profit and loss statement, showing the total of the simplified increase in all currencies by 2%. By applying the same assumed percentage to the decrease in the CNB's middle exchange rate, the impact on the profit and loss statement by individual currencies on a net principle would be the same only in the opposite direction, i.e. the sum of the impacts from all currencies as losses for 2024 or gains for 2024. The result of the exchange rate change in the profit and loss statement is reflected as income or expense from exchange rate differences.

CURRENCY AT 31 DECEMBER 2024	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN EUR THOUSAND		ASSETS	LIABILITIES	NET
ASSETS	2.00%	576	-	576
LIABILITIES	2.00%	-	(568)	(568)
NET ASSETS / (LIABILITIES)		**576**	**(568)**	**8**

CURRENCY AT 31 DECEMBER 2023	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN EUR THOUSAND		ASSETS	LIABILITIES	NET
ASSETS	2.00%	455	-	455
LIABILITIES	2.00%	-	(448)	(448)
NET ASSETS / (LIABILITIES)		**455**	**(448)**	**7**

37 LIQUIDITY RISK

IN EUR THOUSAND AS OF 31 DECEMBER 2024	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	219,506	-	-	-	-	219,506
PLACEMENTS WITH OTHER BANKS	16,103	-	-	5,443	-	21,546
LOANS TO CUSTOMERS	20,570	14,321	65,186	77,274	138,952	316,303
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	113	-	-	-	-	113
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5,072	-	-	-	-	5,072
HELD-TO-MATURITY ASSETS	3,480	12,280	10,974	48,057	63,343	138,134
FINANCIAL ASSETS	**264,844**	**26,601**	**76,160**	**130,774**	**202,296**	**700,674**
LIABILITIES						
LIABILITIES TO BANKS	9,385	-	-	-	-	9,385
LIABILITIES TO CUSTOMERS	433,552	48,799	66,274	4,785	7,821	561,232
OTHER BORROWINGS	103	27,298	11,568	3,103	4,234	46,306
ISSUED SUBORDINATE INSTRUMENTS	-	102	972	-	15,266	16,340
FINANCIAL LIABILITIES	**443,040**	**76,199**	**78,814**	**7,889**	**27,321**	**633,263**
CUMULATIVE GAP	**(178,196)**	**(49,598)**	**(2,654)**	**122,885**	**174,975**	**67,411**

AS OF 31 DECEMBER 2023 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	179,882	-	-	-	-	179,882
PLACEMENTS WITH OTHER BANKS	9,430	905	-	-	5,139	15,474
LOANS TO CUSTOMERS	20,103	15,059	60,064	75,793	146,066	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,500	-	-	-	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	4,466	-	-	-	-	4,466
HELD-TO-MATURITY ASSETS	7,639	1,266	15,011	53,581	60,029	137,526
FINANCIAL ASSETS	**223,020**	**17,230**	**75,075**	**129,374**	**211,234**	**655,933**
LIABILITIES						
LIABILITIES TO BANKS	7,405	-	-	-	-	7,405
LIABILITIES TO CUSTOMERS	401,019	13,064	92,025	12,015	6,423	524,546
OTHER BORROWINGS	92	435	5,052	36,898	5,768	48,245
ISSUED SUBORDINATE INSTRUMENTS	-	102	66	906	15,265	16,339
FINANCIAL LIABILITIES	**408,516**	**13,601**	**97,143**	**49,819**	**27,456**	**596,535**
CUMULATIVE GAP	**(185,496)**	**3,629**	**(22,068)**	**79,555**	**183,778**	**59,398**

38 CREDIT RISK

a) Overall exposure to credit risk – on-balance sheet and off-balance sheet

IN EUR THOUSAND AS OF 31 DECEMBER 2024:	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
PLACEMENTS WITH OTHER BANKS	21,615	(69)	21,546
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	113	-	113
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	6,404	(1,332)	5,072
HELD-TO-MATURITY FINANCIAL ASSETS	138,222	(88)	138,134
LOANS TO CUSTOMERS			
- STAGE 1	293,224	(2,710)	290,514
- STAGE 2	18,910	(1,174)	17,736
- STAGE 3	33,015	(24,962)	8,053
TOTAL BALANCE SHEET EXPOSURE	**511,503**	**(30,335)**	**481,168**
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- STAGE 1	72,144	(870)	71,274
- STAGE 2	371	(10)	361
- STAGE 3	780	(85)	695
TOTAL OFF-BALANCE SHEET EXPOSURE	**73,295**	**(965)**	**72,330**
TOTAL EXPOSURE (A+B)	**584,798**	**(31,300)**	**553,498**

IN EUR THOUSAND AS OF 31 DECEMBER 2023:	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
PLACEMENTS WITH OTHER BANKS	15,523	(50)	15,473
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,500	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5,798	(1,332)	4,466
HELD-TO-MATURITY FINANCIAL ASSETS	137,617	(91)	137,526
LOANS TO CUSTOMERS			
- STAGE 1	291,624	(2,793)	288,831
- STAGE 2	15,542	(962)	14,580
- STAGE 3	40,871	(27,196)	13,675
TOTAL BALANCE SHEET EXPOSURE	**508,475**	**(32,424)**	**476,051**
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- STAGE 1	76,979	(928)	76,051
- STAGE 2	426	(15)	411
- STAGE 3	1,655	(408)	1,247
TOTAL OFF-BALANCE SHEET EXPOSURE	**79,060**	**(1,351)**	**77,709**
TOTAL EXPOSURE (A+B)	**587,535**	**(33,775)**	**553,760**

b) Outstanding past due receivables

Outstanding past due receivables include amounts of placements by maturity of unimpaired related principal, at the level of individual placement, including uncollected interest. Other past due receivables reflect uncollected other receivables for which collection procedures are still ongoing.

IN EUR THOUSAND AS OF 31 DECEMBER 2024	PAST DUE UP TO 30 DAYS	PAST DUE FROM 31 TO 90 DAYS	PAST DUE FROM 91 TO 180 DAYS	PAST DUE FROM 181 TO 365 DAYS	PAST DUE BETWEEN 1 AND 2 YEARS	PAST DUE BETWEEN 2 AND 3 YEARS	PAST DUE BEYOND 3 YEARS
LOANS TO CUSTOMERS							
RETAIL	692	124	455	758	594	321	2,673
CORPORATE	593	680	266	393	3,045	2,635	3,598
PUBLIC AND OTHER SECTORS	15	-	81	-	-	2,880	1
OTHER OVERDUE RECEIVABLES	277	38	34	51	63	31	232
TOTAL OUTSTANDING OVERDUE RECEIVABLES	**1,577**	**842**	**836**	**1,202**	**3,702**	**5,867**	**6,504**

IN EUR THOUSAND AS OF 31 DECEMBER 2023	PAST DUE UP TO 30 DAYS	PAST DUE FROM 31 TO 90 DAYS	PAST DUE FROM 91 TO 180 DAYS	PAST DUE FROM 181 TO 365 DAYS	PAST DUE BETWEEN 1 AND 2 YEARS	PAST DUE BETWEEN 2 AND 3 YEARS	PAST DUE BEYOND 3 YEARS
LOANS TO CUSTOMERS							
RETAIL	691	159	167	445	401	583	2,387
CORPORATE	859	2,202	219	5,594	3,747	361	5,437
PUBLIC AND OTHER SECTORS	20	-	-	-	2,936	-	1
OTHER OVERDUE RECEIVABLES	275	28	25	42	39	37	283
TOTAL OUTSTANDING OVERDUE RECEIVABLES	**1,845**	**2,389**	**411**	**6,081**	**7,123**	**981**	**8,108**

c) Coverage of placements by collaterals

IN EUR THOUSAND AS OF 31 DECEMBER 2024	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
PLACEMENTS WITH OTHER BANKS	64	-	-	505	20,977
LOANS TO CUSTOMERS	7,862	79,556	71,476	16,624	140,785
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	113
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	5,072
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	-	-	138,134
TOTAL BALANCE-SHEET EXPOSURE	**7,926**	**79,556**	**71,476**	**17,129**	**305,081**
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	776	5,070	15,366	156	52,008
TOTAL OFF-BALANCE SHEET EXPOSURE	**776**	**5,070**	**15,366**	**156**	**52,008**
TOTAL EXPOSURE (A+B)	**8,702**	**84,626**	**86,842**	**17,285**	**357,089**

IN EUR THOUSAND AS OF 31 DECEMBER 2023	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
PLACEMENTS WITH OTHER BANKS	90	-	-	815	14,569
LOANS TO CUSTOMERS	6,590	64,730	61,031	22,722	162,012
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	4,467
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	-	-	137,526
TOTAL BALANCE-SHEET EXPOSURE	**6,680**	**64,730**	**61,031**	**23,537**	**320,074**
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	1,622	1,408	13,924	2,170	60,022
TOTAL OFF-BALANCE SHEET EXPOSURE	**1,622**	**1,408**	**13,924**	**2,170**	**60,022**
TOTAL EXPOSURE (A+B)	**8,302**	**66,138**	**74,955**	**25,707**	**380,096**

d) Impairment allowances share in loans to customers

IN EUR THOUSAND	LOANS TO CUSTOMERS (%)	IMPAIRMENT ALLOWANCES SHARE IN LOANS (%)
		2024
- STAGE 1	84.96	0.92
- STAGE 2	5.48	6.21
- STAGE 3	9.57	75.61
TOTAL	100.00	

IN EUR THOUSANDS	LOANS TO CUSTOMERS (%)	IMPAIRMENT ALLOWANCES SHARE IN LOANS (%)
		2023
- STAGE 1	83.79	0.96
- STAGE 2	4.47	6.19
- STAGE 3	11.74	66.54
TOTAL	100.00	

39 REPRICING RISK

The repricing risk in respect of equity financial instruments reflects s the sensitivity of the portfolio of securities at fair value through profit or loss and securities at fair value through other comprehensive income on the market price change with effects on the profit and loss statement as well as on fair value reserves in the Bank's capital.

IN EUR THOUSAND	ASSUMED PRICE CHANGE	IMPACT OF PRICE INCREASE ON PROFIT AND LOSS STATEMENT	IMPACT OF PRICE INCREASE ON FAIR VALUE RESERVES
AS OF 31 DECEMBER 2024	3%	3	192
AS OF 31 DECEMBER 2023	3%	45	174

40 CONCENTRATION OF ASSETS AND LIABILITIES

There is a significant concentration of the Bank's assets to the Republic of Croatia on 31 December 2024, which is analysed as follows:

IN EUR THOUSAND	2024	2023
DEPOSIT AT CNB	194,958	162,505
BONDS OF REPUBLIC OF CROATIA	71,474	72,082
GIRO ACCOUNT AT CNB	4,158	5,232
DEFERRED TAX ASSETS/LIABILITIES	600	912
TREASURY BILLS OF THE REPUBLIC OF CROATIA	370	0
OTHER ASSETS	133	126
OTHER LIABILITIES	(6)	(46)
CURRENT TAX ASSETS/LIABILITIES	(870)	(661)
REPO LOANS FROM THE CNB	(33,573)	(33,488)
	237,244	206,662

The Bank's indirect exposure to the Republic of Croatia on 31 December 2024 in respect of loans and other exposures is as follows:

IN EUR THOUSAND	2024	2023
LOANS TO CUSTOMERS GUARANTEED BY THE STATE	4,309	5,404
OTHER LOANS	1,948	1,675
RIGHT-OF-USE ASSETS	418	541
BONDS OF LOCAL GOVERNMENT UNITS	345	333
OTHER LIABILITIES	(439)	(1,030)
BORROWINGS FROM CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	(9,178)	(11,199)
RECEIVED DEPOSITS	(30,390)	(34,557)
	(32,987)	(38,833)

41 EVENTS AFTER BALANCE SHEET DATE

According to the Management Board, in 2025, until the date of approval of the financial statements, no significant business events were recorded that significantly effect changes in regular operations or the performance of the Bank.

42 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Management Board on 19 March 2024 and were signed on its behalf by:

Daniel Unger	Goran Varat	Renata Vinković
President of the Management Board	Member of the Management Board	Member of the Management Board

ABOUT THE BANK

BANK'S MANAGEMENT AND ORGANISATIONAL STRUCTURE

The Bank's operations are supervised by the Supervisory Board, while the Management Board runs the business operations.

Supervisory Board

Miljan Todorović, chairman
Sigilfredo Montinari, deputy chairman
Antonio Moniaci, member
Dario Montinari, member
Dolly Predovic, member
Ezio Simonelli, member
Filippo Disertori, member
Maurizio Dallocchio, member
Michele Calcaterra Borri, member

Management Board

Daniel Unger, President of the Management Board
Goran Varat, Member of the Management Board
Renata Vinković, Member of the Management Board

General Executive Director

Moreno Marson

Units / Executive Directors

Internal Audit Unit – Krunoslav Vnučec
Risk Control Unit – Hrvoje Miloš
Compliance Unit – Krunoslav Grošić
Legal Affairs Unit – Vlatka Đipalo-Dergez
Administration Unit – Mario Brajnić

Sectors / Excutive Directors

Financial Markets Sector – Daniel Varga
Organisation Sector – Maja Bešević Vlajo
Corporate Customers Sector – Ivan Jelčić
Retail Customers Sector – Dijana Vladislavić
Risk Management Sector – Vedrana Cicvarić
Collection Sector – Smilja Briški
Accounting and Reporting Sector – Snježana Pobi
Payments Sector – Snježana Pobi
ICT Sector – Saša Lončarić

RETAIL CENTERS

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Zagreb, Trg Petra Preradovića 3,
tel. 072 655 400, fax. 072 655 409

Commercial Centre Koprivnica

Koprivnica, Opatička 1a,
tel. 072 655 242, fax. 072 655 239

Koprivnica, Trg Eugena Kumičića 11,
tel. 072 655 330, fax. 072 655 339

Koprivnica, Ivana Meštrovića 29,
tel. 072 655 340, fax. 072 655 349

Gola, Trg kardinala A. Stepinca 6b,
tel. 072 655 352, fax. 072 655 353

Đelekovec, P. Kvakana 2a,
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Legrad, Trg Svetog Trojstva 44,
tel. 072 655 356, fax. 072 655 357

Commercial Centre Bjelovar

Bjelovar, Trg Eugena Kvaternika 12,
tel. 072 655 800, fax. 072 655 809

Grubišno Polje, 77. samostalnog bataljuna ZNG 1,
tel. 072 655 820, fax. 072 655 829

Veliki Grđevac, Kralja Tomislava 26,
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Đurđevac, Stjepana Radića 16,
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Commercial Centre Požega

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Rijeka, Ivana Zajca 18,
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APPENDIX I
SUPPLEMENTARY REPORTS FOR THE CROATIAN NATIONAL BANK

APPENDIX II
OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to Article 19(6) of the Code of Civil Procedure, Accounting Act (OG. 78/2015, 134/2015 and 120/2016) and Article 43(2)(9) Act on the Croatian National bank (OG no. In accordance with Regulation (EU) No 75/2008 and 54/2013, the Croatian National bank adopted a Decision on the structure and content of the annual financial statements of credit institutions (OG 42/2018, 122/2020, 119/2021 and 108/2022). The following tables show the financial statements in accordance with the above decision.

STATEMENT OF FINANCIAL POSITION AS OF 31 OF DECEMBER 2024

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
ASSETS			
FUNDS CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	001	179,833	219,506
CASH IN HAND	002	8,370	10,009
MONETARY CLAIMS ON CENTRAL BANKS	003	167,737	199,116
OTHER DEMAND DEPOSITS	004	3,726	10,381
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	005	0	0
DERIVATIVES	006	0	0
EQUITY INSTRUMENTS	007	0	0
DEBT SECURITIES	008	0	0
LOANS AND ADVANCES	009	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 011 TO 013)	010	1,500	113
EQUITY INSTRUMENTS	011	1,500	113
DEBT SECURITIES	012	0	0
LOANS AND ADVANCES	013	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 015 + 016)	014	0	0
DEBT SECURITIES	015	0	0
LOANS AND ADVANCES	016	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	017	4,466	5,072
EQUITY INSTRUMENTS	018	4,466	5,072
DEBT SECURITIES	019	0	0
LOANS AND ADVANCES	020	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	021	471,281	477,960
DEBT SECURITIES	022	140,819	140,390
LOANS AND ADVANCES	023	330,462	337,570
DERIVATIVES - HEDGE ACCOUNTING	024	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	026	0	0
TANGIBLE ASSETS	027	9,843	9,262
INTANGIBLE ASSETS	028	7,749	8,103
TAX ASSETS	029	872	617
OTHER ASSETS	030	381	774
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	4,998	1,664
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021+ 024 TO 031	032	680,923	723,071

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	033	0	0
DERIVATIVES	034	0	0
SHORT POSITIONS	035	0	0
DEPOSITS	036	0	0
DEBT SECURITIES ISSUED	037	0	0
OTHER FINANCIAL LIABILITIES	038	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 040 TO 042)	039	0	0
DEPOSITS	040	0	0
DEBT SECURITIES ISSUED	041	0	0
OTHER FINANCIAL LIABILITIES	042	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	043	601,292	638,298
DEPOSITS	044	580,196	616,923
DEBT SECURITIES ISSUED	045	16,339	16,340
OTHER FINANCIAL LIABILITIES	046	4,757	5,035
DERIVATIVES - HEDGE ACCOUNTING	047	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0
RESERVATIONS	049	1,432	1,046
TAX LIABILITIES	050	617	865
SHARE CAPITAL RETURNED ON DEMAND	051	0	0
OTHER LIABILITIES	052	5,541	5,604
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0	0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	054	608,882	645,813
CAPITAL			
SHARE CAPITAL	055	36,781	36,781
STOCK PREMIUM	056	400	400
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0
OTHER EQUITY INSTRUMENTS	058	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	-206	336
RETAINED EARNINGS	060	1,345	1,494
REVALUATION RESERVES	061	0	0
OTHER RESERVES	062	29,827	30,883
TREASURY STOCKS	063	-157	-157
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	4,051	7,521
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0
TOTAL CAPITAL (AOP 055 TO 066)	067	72,041	77,258
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	068	680,923	723,071

PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY 2024 TO 31 DECEMBER 2024

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
INTEREST INCOME	001	23,653	27,484
(INTEREST EXPENSES)	002	2,409	4,992
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0
DIVIDEND INCOME	004	175	184
FEE AND COMMISSION INCOME	005	6,761	7,318
(FEE AND COMMISSION EXPENSES)	006	2,470	2,679
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	007	(252)	12
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	96	91
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	009	(1,582)	(955)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	010	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	27	30
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0	0
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(98)	(8)
OTHER OPERATING INCOME	015	1,307	1,342
(OTHER OPERATING EXPENSES)	016	168	50
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	**017**	**25,040**	**27,777**
(ADMINISTRATIVE EXPENDITURE)	018	11,936	12,563
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	266	0
AMORTIZATION	020	1,868	1,874
GAINS OR LOSSES ON CHANGES, NET	021	0	0
RESERVATIONS OR CANCELLATIONS	022	(628)	(386)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	023	6,459	4,268
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	024	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	025	0	0
NEGATIVE GOODWILL RECOGNISE D IN PROFIT OR LOSS	026	0	0
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(3)	0
PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	**029**	**5,136**	**9,458**
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	1,080	1,989
PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WILL CONTINUE (AOP 029 - 030)	**031**	**4,056**	**7,469**
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	**032**	**(5)**	**52**
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	(5)	52
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	**035**	**4,051**	**7,521**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	4,051	7,521

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2024 TO 31 DECEMBER 2024

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
OTHER COMPREHENSIVE INCOME STATEMENT			
PROFIT OR LOSS FOR THE CURRENT YEAR	**038**	**4,051**	**7,521**
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	**039**	**11,418**	**691**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	**040**	**778**	**691**
TANGIBLE ASSETS	041	0	0
INTANGIBLE ASSETS	042	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0
SHARES OF OTHER RECOGNISE D INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	919	810
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	(141)	(119)
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	**052**	**10,640**	**0**
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	10,640	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0
SHARE OF OTHER RECOGNISE D INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	059	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039;062+063)	**061**	**15,469**	**8,212**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	**063**	**15,469**	**8,212**

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2024 TO 31 DECEMBER 2024

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
BUSINESS ACTIVITIES ACCORDING TO THE DIRECT METHOD			
CHARGED INTEREST AND SIMILAR RECEIPTS	001	0	0
CHARGED FEES AND COMMISSIONS	002	0	0
(PAID INTEREST AND SIMILAR EXPENSES)	003	0	0
(PAID FEES AND COMMISSIONS)	004	0	0
(PAID OPERATING EXPENSES)	005	0	0
NET GAINS / LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH THE PROFIT OR LOSS	006	0	0
OTHER RECEIPTS	007	0	0
(OTHER EXPENSES)	008	0	0
BUSINESS ACTIVITIES ACCORDING TO THE INDIRECT METHOD			
PROFIT / LOSS BEFORE TAX	009	5,131	9,510
RECONCILIATION:		0	0
IMPAIRMENT AND PROVISIONS	010	5,932	3,890
AMORTIZATION	011	1,868	1,874
NET UNREALISED GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH RDG	012	1,509	871
PROFIT / LOSS FROM SALE OF TANGIBLE ASSETS	013	(364)	(7)
OTHER NON-MONETARY ITEMS	014	(244)	(809)
CHANGES IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES			
CNB FUNDS	015	0	0
DEPOSITS WITH FINANCIAL INSTITUTIONS AND LOANS TO FINANCIAL INSTITUTIONS	016	(5,223)	(509)
LOANS AND ADVANCES TO OTHER CLIENTS	017	(27,445)	(22,720)
SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	018	575	20
SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	019	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE NOT ACTIVELY TRADED AND ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	020	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE CARRIED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	021	1,283	516
SECURITIES AND OTHER FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST	022	(20,345)	(3,044)
OTHER ASSETS FROM BUSINESS ACTIVITIES	023	17	(183)
DEPOSITS FROM FINANCIAL INSTITUTIONS	024	3,688	1,949
OTHER CLIENTS' TRANSACTION ACCOUNTS	025	1,567	2,536
SAVINGS DEPOSITS OF OTHER CLIENTS	026	(5,506)	10,571
TERM DEPOSITS OF OTHER CLIENTS	027	67,854	27,029
DERIVATIVE FINANCIAL LIABILITIES AND OTHER TRADING LIABILITIES	028	0	0
OTHER LIABILITIES	029	(1,641)	(3,401)
UNPAID INTEREST FROM BUSINESS ACTIVITIES	030	18,097	21,482
DIVIDENDS RECEIVED FROM OPERATING ACTIVITIES	031	175	184
INTEREST PAID FROM BUSINESS ACTIVITIES	032	(1,158)	(3,613)
(PAID INCOME TAXES)	033	(975)	(1,621)
NET CASH FLOWS FROM OPERATING ACTIVITIES (AOP 001 TO 033)	**034**	**44,795**	**44,525**

POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
INVESTMENT ACTIVITIES			
RECEIPTS FROM SALE / PAYMENT FOR PURCHASE OF TANGIBLE AND INTANGIBLE ASSETS	035	290	(1,692)
RECEIPTS FROM THE SALE / PAYMENT FOR THE PURCHASE OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES	036	0	0
RECEIPTS FROM COLLECTION / PAYMENT FOR THE PURCHASE OF SECURITIES AND OTHER HELD-TO-MATURITY FINANCIAL INSTRUMENTS	037	0	0
DIVIDENDS RECEIVED FROM INVESTING ACTIVITIES	038	0	0
OTHER RECEIPTS / PAYMENTS FROM INVESTING ACTIVITIES	039	395	4,935
NET CASH FLOWS FROM INVESTMENT ACTIVITIES (FROM 035 TO 039)	**040**	**685**	**3,243**
FINANCIAL ACTIVITIES			
NET INCREASE / (DECREASE) IN LOANS RECEIVED FROM FINANCIAL ACTIVITIES	041	(6,423)	(1,940)
NET INCREASE / (DECREASE) IN DEBT SECURITIES ISSUED	042	0	0
NET INCREASE / (DECREASE) IN SUPPLEMENTARY CAPITAL INSTRUMENTS	043	0	0
INCREASE IN SHARE CAPITAL	044	0	0
(DIVIDEND PAID)	045	0	0
OTHER RECEIPTS / (PAYMENTS) FROM FINANCIAL ACTIVITIES	046	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES (FROM 041 TO 046)	**047**	**(6,423)**	**(1,940)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (034 + 040 + 047)	**048**	**39,057**	**45,828**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**	**150,298**	**189,355**
THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	050	0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (048 + 049 + 050)	**051**	**189,355**	**235,183**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2024 TO 31 DECEMBER 2024

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS)		DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL											MINORITY SHARE		TOTAL
POSITION TITTLE	AOP TAG	CAPITAL	STOCK PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	OTHER EQUITY SHARES	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED INCOME	REVALUATION RESERVES	OTHER RESERVES	TREASURY STOCKS	PROFIT / LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	DIVIDENDS DURING THE BUSINESS YEAR	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	
INITIAL STATE (BEFORE REMODELLING)	001	36,781	400	0	0	(206)	1,345	0	29,827	(157)	4,051	0	0	0	72,041
THE EFFECT OF BUG FIXES	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	**004**	**36,781**	**400**	**0**	**0**	**(206)**	**1,345**	**0**	**29,827**	**(157)**	**4,051**	**0**	**0**	**0**	**72,041**
ISSUANCE OF ORDINARY SHARES	005	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF PREFERRED SHARES	006	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF OTHER EQUITY INSTRUMENTS	007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERTING DEBT INTO EQUITY INSTRUMENTS	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REDUCTION OF CAPITAL	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0	0	0	(2,994)	0	0	0	0	0	(2,994)
PURCHASE OF TREASURY SHARES	012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SALE OR CANCELLATION OF TREASURY SHARES	013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF EQUITIES	016	0	0	0	0	0	0	0	2,994	0	1,056	0	(4,051)	0	(1)
INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STOCK BASED PAYMENTS	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	019	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	020	0	0	0	0	542	149	0	0	0	7,521	0	0	0	8,212
FINAL (CURRENT PERIOD) (AOP 04-20)	**021**	**36,781**	**400**	**0**	**0**	**336**	**1,494**	**0**	**29,827**	**(157)**	**12,628**	**0**	**(4,051)**	**0**	**77,258**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

		DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL											MINORITY SHARE		TOTAL
OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITTLE	AOP TAG	CAPITAL	STOCK PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	OTHER EQUITY SHARES	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED INCOME	REVALUATION RESERVES	OTHER RESERVES	TREASURY STOCKS	PROFIT / LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	DIVIDENDS DURING THE BUSINESS YEAR	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	
INITIAL STATE (BEFORE REMODELLING)	001	35,503	400	0	0	(11,490)	1,211	0	29,490	(157)	1,615	0	0	0	56,572
THE EFFECT OF BUG FIXES	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	**004**	**35,503**	**400**	**0**	**0**	**(11,490)**	**1,211**	**0**	**29,490**	**(157)**	**1,615**	**0**	**0**	**0**	**56,572**
ISSUANCE OF ORDINARY SHARES	005	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF PREFERRED SHARES	006	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF OTHER EQUITY INSTRUMENTS	007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERTING DEBT INTO EQUITY INSTRUMENTS	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REDUCTION OF CAPITAL	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PURCHASE OF TREASURY SHARES	012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SALE OR CANCELLATION OF TREASURY SHARES	013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF EQUITIES	016	1,278	0	0	0	0	0	0	337	0	(1,615)	0	0	0	0
INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STOCK BASED PAYMENTS	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	019	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	020	0	0	0	0	11,284	134	0	0	0	4,051	0	0	0	15,469
FINAL (CURRENT PERIOD) (AOP 04-20)	**021**	**36,781**	**400**	**0**	**0**	**(206)**	**1,345**	**0**	**29,827**	**(157)**	**4,051**	**0**	**0**	**0**	**72,041**

Since the financial statements prepared in accordance with the decision of the Croatian National bank ("CNB") are classified differently from those in the financial statements prepared in accordance with the legal requirements for accounting of banks in the Republic of Croatia, the tables below show comparative data.

COMPARATIVE BALANCE SHEET AS ON 31 DECEMBER 2024

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHERDEMAND DEPOSITS (AOP 002 TO 004)	**001**	**219,506**	**219,506**	**0**
CASH IN HAND	002	10,009	10,009	0
MONETARY CLAIMS ON CENTRAL BANKS	003	199,116	199,116	0
OTHER DEMAND DEPOSITS	004	10,381	10,381	0
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	**005**	**0**	**0**	**0**
DERIVATIVES	006	0	0	0
EQUITY INSTRUMENTS	007	0	0	0
DEBT SECURITIES	008	0	0	0
LOANS AND ADVANCES	009	0	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 011 TO 013)	**010**	**113**	**113**	**0**
EQUITY INSTRUMENTS	011	113	113	0
DEBT SECURITIES	012	0	0	0
LOANS AND ADVANCES	013	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 015 + 016)	**014**	**0**	**0**	**0**
DEBT SECURITIES	015	0	0	0
LOANS AND ADVANCES	016	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	**017**	**5,072**	**5,072**	**0**
EQUITY INSTRUMENTS	018	5,072	5,072	0
DEBT SECURITIES	019	0	0	0
LOANS AND ADVANCES	020	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	**021**	**477,960**	**475,983**	**1,977**
DEBT SECURITIES	022	140,390	138,134	2,256
LOANS AND ADVANCES	023	337,570	337,849	(279)
DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	026	0	0	0
TANGIBLE ASSETS	027	9,262	9,262	0
INTANGIBLE ASSETS	028	8,103	8,103	0
TAX ASSETS	029	617	600	17
OTHER ASSETS	030	774	4,432	(3,658)
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	1,664	0	1,664
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 TO 031)	**032**	**723,071**	**723,071**	**0**

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES				
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	**033**	**0**	**0**	**0**
DERIVATIVES	034	0	0	0
SHORT POSITIONS	035	0	0	0
DEPOSITS	036	0	0	0
DEBT SECURITIES ISSUED	037	0	0	0
OTHER FINANCIAL LIABILITIES	038	0	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 040 TO 042)	**039**	**0**	**0**	**0**
DEPOSITS	040	0	0	0
DEBT SECURITIES ISSUED	041	0	0	0
OTHER FINANCIAL LIABILITIES	042	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	**043**	**638,298**	**633,263**	**5,035**
DEPOSITS	044	616,923	616,923	0
DEBT SECURITIES ISSUED	045	16,340	16,340	0
OTHER FINANCIAL LIABILITIES	046	5,035	0	5,035
DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
RESERVATIONS	049	1,046	1,046	0
TAX LIABILITIES	050	865	0	865
SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
OTHER LIABILITIES	052	5,604	11,504	(5,900)
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0		0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	**054**	**645,813**	**645,813**	**0**
EQUITY				
SHARE CAPITAL	055	36,781	36,781	0
STOCK PREMIUM	056	400	400	0
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
OTHER EQUITY INSTRUMENTS	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	336	0	336
RETAINED EARNINGS	060	1,494	1,494	0
REVALUATION RESERVES	061	0	0	0
OTHER RESERVES	062	30,883	31,219	(336)
TREASURY STOCKS	063	(157)	(157)	0
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	7,521	7,521	0
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
TOTAL CAPITAL(AOP 055 TO 066)	**067**	**77,258**	**77,258**	**0**
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	**068**	**723,071**	**723,071**	**0**

COMPARATIVE BALANCE SHEET AS ON 31 DECEMBER 2023

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	**001**	**179,833**	**179,833**	**0**
CASH IN HAND	002	8,370	8,370	0
MONETARY CLAIMS ON CENTRAL BANKS	003	167,737	167,737	0
OTHER DEMAND DEPOSITS	004	3,726	3,726	0
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	**005**	**0**	**0**	**0**
DERIVATIVES	006	0	0	0
EQUITY INSTRUMENTS	007	0	0	0
DEBT SECURITIES	008	0	0	0
LOANS AND ADVANCES	009	0	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 011 TO 013)	**010**	**1,500**	**1,500**	**0**
EQUITY INSTRUMENTS	011	1,500	1,500	0
DEBT SECURITIES	012	0	0	0
LOANS AND ADVANCES	013	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 015 + 016)	**014**	**0**	**0**	**0**
DEBT SECURITIES	015	0	0	0
LOANS AND ADVANCES	016	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	**017**	**4,466**	**4,466**	**0**
EQUITY INSTRUMENTS	018	4,466	4,466	0
DEBT SECURITIES	019	0	0	0
LOANS AND ADVANCES	020	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	**021**	**471,281**	**470,134**	**1,147**
DEBT SECURITIES	022	140,819	137,526	3,293
LOANS AND ADVANCES	023	330,462	332,608	(2,146)
DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	026	0	0	0
TANGIBLE ASSETS	027	9,843	9,843	0
INTANGIBLE ASSETS	028	7,749	7,749	0
TAX ASSETS	029	872	858	14
OTHER ASSETS	030	381	6,540	(6,159)
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	4,998	0	4,998
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 TO 031)	**032**	**680,923**	**680,923**	**0**

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES				
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	**033**	**0**	**0**	**0**
DERIVATIVES	034	0	0	0
SHORT POSITIONS	035	0	0	0
DEPOSITS	036	0	0	0
DEBT SECURITIES ISSUED	037	0	0	0
OTHER FINANCIAL LIABILITIES	038	0	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 040 TO 042)	**039**	**0**	**0**	**0**
DEPOSITS	040	0	0	0
DEBT SECURITIES ISSUED	041	0	0	0
OTHER FINANCIAL LIABILITIES	042	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	**043**	**601,292**	**596,535**	**4,757**
DEPOSITS	044	580,196	580,196	0
DEBT SECURITIES ISSUED	045	16,339	16,339	0
OTHER FINANCIAL LIABILITIES	046	4,757	0	4,757
DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
RESERVATIONS	049	1,432	1,432	0
TAX LIABILITIES	050	617	0	617
SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
OTHER LIABILITIES	052	5,541	10,915	(5,374)
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0		0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	**054**	**608,882**	**608,882**	**0**
EQUITY				
SHARE CAPITAL	055	36,781	36,781	0
STOCK PREMIUM	056	400	400	0
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
OTHER EQUITY INSTRUMENTS	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	(206)	0	(206)
RETAINED EARNINGS	060	1,345	1,345	0
REVALUATION RESERVES	061	0	0	0
OTHER RESERVES	062	29,827	29,621	206
TREASURY STOCKS	063	(157)	(157)	0
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	4,051	4,051	0
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
TOTAL CAPITAL(AOP 055 TO 066)	**067**	**72,041**	**72,041**	**0**
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	**068**	**680,923**	**680,923**	**0**

The differences in the positions of the Bank's balance sheet as of 31 December 2024, and 31 December 2023 published in the annual financial report compared to the balance sheet prepared in accordance with the structure and content prescribed by the CNB's decision relate to the following positions and reclassifications:

Assets

The difference in the position Debt Securities at Amortized Cost in the amount of 2,256 thousand euros (2023: 3,293 thousand euros) relates to receivables from bills of exchange, which are included in the position Loans to Customers in the annual report. Investments in debt securities measured at amortized cost in the amount of 138,134 thousand euros (2023: 137,526 thousand euros) are, in accordance with the CNB Decision, included in a separate position Debt Securities as part of Financial Assets at Amortized Cost, while in the annual report, they are included in a separate position Financial Assets Held to Maturity.

The difference in the position Loans and Advances at Amortized Cost in the amount of 21,546 thousand euros (2023: 15,474 thousand euros) relates to term deposits and reverse repo loans, which, in accordance with the CNB Decision, are included in the position Loans and Advances, while in the annual report, they are included in a separate position Placements with Other Banks.

The difference in the amount of 1,977 thousand euros (2023: 1,147 thousand euros) relates to fee receivables and receivables for other assets, which are reported under the position Other Assets in the annual report, while in accordance with the CNB Decision, they are reported under the position Loans and Advances at Amortized Cost.

According to the CNB's Decision, the Tangible Assets position includes investments in property, plant, and equipment (IAS 16) amounting to EUR 3,210 thousand (2023: EUR 2,946 thousand), right-of-use tangible assets (IFRS 16) amounting to EUR 4,085 thousand (2023: EUR 4,066 thousand), and investment property accounted for under IAS 40 amounting to EUR 1,967 thousand (2023: EUR 2,831 thousand).

In the annual report, these investments are presented under separate asset items: Tangible Assets (for investments under IAS 16), Right-of-Use Assets (for assets under IFRS 16), and Investment Property (for investments under IAS 40).

The difference in the Tax Assets position relates to current tax receivables amounting to EUR 17 thousand (2023: EUR 14 thousand), which are presented under the Other Assets position in the annual report.

The difference in the Other Assets position relates to the reclassification of assets acquired in exchange for unpaid receivables amounting to EUR 1,664 thousand (2023: EUR 4,998 thousand), which are not accounted for under IFRS 5 or IAS 40. In the annual report, these assets are included in the Other Assets position, while according to the CNB's Decision it is included in the position of Fixed Assets and Disposal Groups classified as held for sale.

Liabilities and equity

According to the CNB's Decision, all deposits and loans received from clients in the amount of EUR 616,923 thousand (2023: EUR 580,196 thousand) are included in the Deposits at amortized cost position. In the annual report, however, these items are presented separately as follows: bank deposits under the Liabilities to banks position in the amount of EUR 9,385 thousand (2023: EUR 7,405 thousand), other client deposits under the Liabilities to customers position in the amount of EUR 561,232 thousand (2023: EUR 524,546 thousand), and received loans under the Other borrowed funds position in the amount of EUR 46,306 thousand (2023: EUR 48,245 thousand).

The difference in the position of Other financial liabilities at amortized cost, amounting to EUR 5,035 thousand (2023: EUR 4,757 thousand), relates to operating lease liabilities in the amount of EUR 4,268 thousand (2023: EUR 4,253 thousand), to liabilities under fees in the amount of EUR 96 thousand (2023: EUR 95 thousand), liabilities for unpaid dividends in the amount of EUR 283 thousand (2023: EUR 9 thousand), and other liabilities in the amount of EUR 388 thousand (2023: EUR 400 thousand). All these obligations are included in the annual report in the position of Other liabilities.

The difference in the position of tax liability in the amount of 865 thousand euros (2023.: 617 thousand euros) refers to the reclassification in the annual report in which these liabilities are included in the position Other liabilities.

According to the CNB's Decision, the accumulated other comprehensive income in the amount of EUR 336 thousand (2023: -EUR -206 thousand) is expressed in a separate equity item, while in the annual report this amount is included in the position of Other Reserves.

COMPARATIVE PROFIT AND LOSS STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME AS ON 31 DECEMBER 2024

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME	001	27,484	27,484	0
(INTEREST EXPENSES)	002	4,992	4,992	0
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0	0
DIVIDEND INCOME	004	184	0	184
FEE AND COMMISSION INCOME	005	7,318	7,318	0
(FEE AND COMMISSION EXPENSES)	006	2,679	2,679	0
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	007	12	0	12
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	91	0	91
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	009	(955)	0	(955)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	010	0	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	30	0	30
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0		
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(8)	0	(8)
OTHER OPERATING INCOME	015	1,342	787	555
(OTHER OPERATING EXPENSES)	016	50	0	50
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	**017**	**27,777**	**27,918**	**(141)**
(ADMINISTRATIVE EXPENDITURE)	018	12,563	12,611	(48)
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	0	0	0
AMORTIZATION	020	1,874	1,874	0
GAINS OR LOSSES ON CHANGES, NET	021	0	0	0
RESERVATIONS OR CANCELLATIONS	022	(386)	0	(386)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	023	4,268	3,923	345
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	024	0	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	025	0	0	0
NEGATIVE GOODWILL RECOGNISE D IN PROFIT OR LOSS	026	0	0	0
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	0	0	0
PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	**029**	**9,458**	**9,510**	**(52)**
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	1,989	1,989	0
PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WILL CONTINUE (AOP 029 - 030)	**031**	**7,469**	**7,521**	**(52)**
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	**032**	**52**	**0**	**52**
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	52	0	52
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	**035**	**7,521**	**7,521**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	7,521	7,521	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
STATEMENT OF OTHER COMPREHENSIVE INCOME				
PROFIT OR LOSS FOR THE CURRENT YEAR	**038**	**7,521**	**7,521**	**0**
OTHER COMPREHENSIVE INCOME (39. + 51.)	**039**	**691**	**691**	**0**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR L (OD 40. DO 46. + 49. + 50.)	**040**	**691**	**691**	**0**
TANGIBLE ASSETS	041	0	0	0
INTANGIBLE ASSETS	042	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0	0
SHARES OF OTHER RECOGNISE D INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	810	810	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0	0

CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	**050**	0	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	**051**	(119)	(119)	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (OD 52. DO 59.)	**052**	**0**	**0**	**0**
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	**053**	0	0	0
FOREIGN CURRENCY TRANSLATION	**054**	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	**055**	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	**056**	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**057**	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**058**	0	0	0
SHARE OF OTHER RECOGNISE D INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	**059**	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	**060**	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME (37. + 38.; 61. + 62.)	**061**	**8,212**	**8,212**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**062**	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	**063**	8,212	8,212	0

COMPARATIVE PROFIT AND LOSS STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME AS ON 31 DECEMBER 2023

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME	**001**	23,653	23,653	0
(INTEREST EXPENSES)	**002**	2,409	2,409	0
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	**003**	0	0	0
DIVIDEND INCOME	**004**	175	0	175
FEE AND COMMISSION INCOME	**005**	6,761	6,761	0
(FEE AND COMMISSION EXPENSES)	**006**	2,470	2,470	0
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	**007**	(252)	0	(252)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	**008**	96	0	96
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	**009**	(1,582)	0	(1,582)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	**010**	0	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	**011**	0	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	**012**	27	0	27
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	**013**	0		
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	**014**	(98)	0	(98)
OTHER OPERATING INCOME	**015**	1,307	85	1,222
(OTHER OPERATING EXPENSES)	**016**	168	0	168
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	**017**	**25,040**	**25,620**	**(580)**
(ADMINISTRATIVE EXPENDITURE)	**018**	11,936	12,685	(749)
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	**019**	266	0	266
AMORTIZATION	**020**	1,868	1,868	0
GAINS OR LOSSES ON CHANGES, NET	**021**	0	0	0
RESERVATIONS OR CANCELLATIONS	**022**	(628)	0	(628)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	**023**	6,459	5,936	523
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	**024**	0	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	**025**	0	0	0
NEGATIVE GOODWILL RECOGNISE D IN PROFIT OR LOSS	**026**	0	0	0
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	**027**	0	0	0

PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(3)	0	(3)
PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	**029**	**5,136**	**5,131**	**5**
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	1,080	1,080	0
PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WILL CONTINUE (AOP 029 - 030)	**031**	**4,056**	**4,051**	**5**
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	**032**	**(5)**	**0**	**(5)**
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	(5)	0	(5)
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	**035**	**4,051**	**4,051**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	4,051	4,051	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
STATEMENT OF OTHER COMPREHENSIVE INCOME				
PROFIT OR LOSS FOR THE CURRENT YEAR	**038**	**4,051**	**4,051**	**0**
OTHER COMPREHENSIVE INCOME (39. + 51.)	**039**	**11,418**	**11,418**	**0**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (OD 40. DO 46. + 49. + 50.)	**040**	**778**	**778**	**0**
TANGIBLE ASSETS	041	0	0	0
INTANGIBLE ASSETS	042	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0	0
SHARES OF OTHER RECOGNISE D INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	919	919	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	(141)	(141)	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (OD 52. DO 59.)	**052**	**10,640**	**10,640**	**0**
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	10,640	10,640	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0	0
SHARE OF OTHER RECOGNISE D INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	059	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (37. + 38.; 61. + 62.)	**061**	**15,469**	**15,469**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	063	15,469	15,469	0

The differences in the positions of the profit and loss statement and the statement of other comprehensive income for 2024 and 2023 published in the annual financial report in relation to the profit and loss statement and the statement of other comprehensive income in accordance with the structure and content prescribed by the CNB's decision relate to the following positions and reclassifications:

According to the CNB's Decision, dividend income is expressed in a separate position, while in the annual report these incomes are included in the position other net income from operations.

Gains or losses on derecognition of financial assets and financial liabilities that are not measured at fair value through profit or loss, net, include net income on other liabilities in the amount of EUR 12 thousand (2023: EUR 252 thousand net expenses), which are included in employee expenses within administrative operating costs in the annual report.

The total amount of income from the sale of foreign currencies in the amount of 91 thousand euros (2023: 96 thousand euros) is included in the annual report in the position other net income from operations.

The total amount of EUR 955 thousand net expenses (2023: EUR 1.582 thousand) from the valuation and transactions with securities at fair value through profit and loss is included in the position Other net operating income in the annual report.

In accordance with the CNB's Decision, exchange differences in the amount of EUR 30,000 (2023: EUR 27,000) were disclosed separately, of which EUR 5,000 (2023: EUR 4,000) relates to negative net exchange rate differences in respect of impairment provisions included in the Impairment and Provision costs in the annual report and other positive net exchange rate differences in the amount of EUR 35,000 (2023: 31,000 EUR) included in the annual report under Other net income for operations.

Net losses after derecognition of non-financial assets amounting to EUR 8,000 (2023: EUR 98,000) relate to impairment costs of investment property and are included in the Impairment and provisioning costs position in the annual report.

The position Other operating expenses covers other non-interest expenses such as severance pay, Supervisory Board expenses and contributions and similar costs in the amount of EUR 22 thousand (2023: EUR 168 thousand) included in the annual report within Administrative costs. The position also includes expenses from the sale of acquired assets, which in 2024 amount to EUR 28 thousand (2023: no expenses from the sale of acquired assets were recorded), and these are included in the annual report under the position Other net operating income.

In 2024, there are no costs for contributions to resolution committees and deposit guarantee systems. The position Contributions to resolution committees and deposit guarantee systems in 2023, totaling EUR 266 thousand, includes costs for the resolution fund contribution amounting to EUR 26 thousand and the premium costs for deposit insurance amounting to EUR 240 thousand, which are included in the annual report under the position Administrative operating expenses.

According to the CNB's Decision, costs for provisions for potential liabilities are reported in a separate position, while in the annual report, they are included under the position of Impairment costs and provisions.

Revenue from the collection of written-off receivables from previous years amounting to EUR 29 thousand (2023: EUR 0 thousand) is included, according to the CNB's Decision, under the position "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss," while in the annual report, these revenues are included in the "Other net operating income" position.

According to the CNB's Decision, the impairment of acquired assets is reported in a separate position under "Profit or (–) loss from long-term assets and groups of assets classified as held for sale, which are not qualified as discontinued operations." In the annual report, this impairment is included in the "Impairment losses and provisions" position. In 2024, no impairment of acquired assets held for sale was recorded (2023: EUR 3 thousand).

According to the CNB's Decision, extraordinary income of EUR 90 thousand (2023: EUR 59 thousand) is included in the "Profit or loss before tax from discontinued operations" position, while in the annual report, this income is included in the "Other net operating income" position. Additionally, other non-standard expenses of EUR 38 thousand (2023: EUR 63 thousand) are included in the "Administrative operating expenses" position in the annual report.

Adjustment of the Statement of Cash Flow and the Statement of Changes in Capital
Position deviations in the cash flow statement in the annual financial statement in relation to the cash flow statement in accordance with the CNB's decision are due to a different methodology, resulting from different structures and contents, i.e. from differences in the classification of individual asset, liability, and capital positions. The same applies to the Statement of Changes in Capital.

APPENDIX II - OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Act on Credit Institutions, Article 164, Podravska Banka publishes the following information.

The Bank provides banking and other financial services in the Republic of Croatia in accordance with the Act, and in particular:

1. Receiving deposits or other refundable funds from the public and granting loans from these funds, for own account
2. Receiving deposits or other refunds
3. Approval of credits and loans, including consumer credits and loans and mortgage credits and loans if this is permitted by a special law, and financing of commercial operations, including export financing based on the redemption with a discount and without recourse of long-term overdue receivables secured by financial instruments (forfeiting)
4. Redemption of receivables with or without recourse (factoring)
5. Financial leases (leasing),
6. Issuance of guarantees or other guarantees
7. Trading for own account or for a client's account:
   - money market instruments,
   - transferable securities,
   - foreign means of payment, including exchange transactions,
   - financial terms and options,
   - currency and interest instruments,
8. Payment services, namely:
   1) services that enable the deposit of cash into a payment account, as well as all the procedures required for maintaining a payment account;
   2) services that enable the withdrawal of cash from a payment account, as well as all the procedures required for maintaining a payment account;
   3) payment transaction services, including the transfer of funds to a payment account with the user's payment service provider or another payment service provider:
      - execution of direct debits, including one-time direct debits,
      - execution of payment transactions via payment cards or similar means,
      - execution of credit transfers, including standing orders;
   4) payment transaction execution services in which funds are covered by a credit line for the user of payment services:
      - execution of direct debits, including one-time direct debits,
      - execution of payment transactions via payment cards or similar means,
      - execution of credit transfers, including standing orders;
   5) services of issuing and/or accepting payment instruments;
   6) remittance services,
9. Services related to crediting activities, such as collecting data, preparation of analysis and providing information on the creditworthiness of legal and natural persons carrying out their business independently,
10. Issuing and managing other payment instruments if the provision of these services is not considered to be payment service in accordance with a separate law,
11. Renting safes,
12. Mediation in concluding money market transactions,
13. Advising legal entities on capital structure, business strategy and similar issues and providing services related to business combinations and acquisition of shares and interests in other companies,

14. Issuing of electronic money,
15. Investment and ancillary services and activities prescribed by a special law governing the capital market, as follows:
    - receiving and transferring orders regarding one or more financial instruments
    - execution of orders for client's account
    - trading for own account
    - portfolio management
    - investment consulting
    - transaction services, i,e., sale of financial instruments subject to the repurchase obligation
    - transaction services i.e., sale of financial instruments without the repurchase obligation
    - storage and administration of financial instruments for the client's account, including custody and related services such as cash management and collaterals
    - granting credits or loans to investor to enable it to perform a transaction with one or more financial instruments, if the transaction involves the company granting the loan or credit
    - advisory on capital structure, business strategies and related issues, as well as consulting and services related to mergers and acquisitions of companies
    - foreign exchange services, if they are related to the provision of investment services
    - investment research and financial analysis, as well as other recommendations related to transactions involving financial instruments
    - transaction related services i,e, services related to sale of financial instruments with the repurchase obligation
    - investment services and activities and ancillary services related to the basic assets of the derivatives referred to in Article 3, paragraph 1, item 2, subparagraph d), indent 2, 3, 4 and 7 of the Capital Market Act when these investment services and activities are supplemented by investment services or ancillary services,
16. Performing activities related to the sale of insurance policies in accordance with the regulations governing insurance

	2024	2023
TOTAL INCOME	27,918	25,620
PROFIT BEFORE TAX	9,510	5,131
CORPORATE INCOME TAX	(1,989)	(1,080)
NUMBER OF EMPLOYEES BASED ON FULL-TIME EQUIVALENT (PAID WORKING HOURS) PER YEAR	184	187

In 2024 and 2023, the Bank did not receive any public subsidies.