

ANNUAL REPORT 2025

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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 Stakeholders,

On behalf of the Supervisory Board of Podravska banka and on my own behalf, I present to you the Bank's business results for the year 2025.

Despite a highly challenging economic, geopolitical, and competitive financial environment, Podravska banka has once again confirmed its stable and sustainable performance across key business segments, maintaining its position as the leading small bank in the Croatian financial market. Ongoing challenges, stemming from political uncertainty and global tensions, continued to shape the macroeconomic landscape across the Eurozone and the European Union.

The primary drivers of inflation remained rising food and service prices, despite the gradual easing of inflationary pressures. At the same time, the European Central Bank's monetary policy easing, facilitated through the reduction of key interest rates, reflected growing confidence in price stabilization within the Euro area. Notwithstanding the persistence of restrictive lending conditions, the Eurozone economy achieved a moderate recovery, with Mediterranean countries recording stronger growth rates driven by the expansion of the tourism sector and robust domestic consumption.

In 2025, the Croatian economy continued to grow at a strong pace despite the challenging environment, with domestic demand and the intensive utilization of European Union funds remaining the key drivers. A particularly significant milestone is Croatia's planned entry into full membership of the OECD, through which the Republic of Croatia has confirmed its standing among the world's most advanced economies and further bolstered its standing as a competitive investment destination.

Podravska banka sustained its stable operations and achieved satisfactory business results, successfully navigating global challenges and meeting strategic objectives despite a recorded net loss. Through timely risk identification and active management, coupled with a proactive approach toward clients sensitive to inflation and rising costs, the Bank's performance in 2025 was characterized by high liquidity and capitalization, strong operating profits, and a high level of customer satisfaction. By maintaining a flexible and individualized approach, the Bank distinguished itself in the market, further enhancing the quality of its client base.

As of year-end 2025, the Bank's total assets stood at €767.76 million, representing a 6.18% increase compared to the previous year, while customer deposits reached €666.84 million, an increase of 8.09% year-on-year. The Bank remains highly capitalized relative to its risk exposure, with the regulatory capital ratio standing at a robust 22.51% at the end of 2025. Furthermore, digitalization processes continued with the aim of enhancing the customer experience, alongside the implementation of various initiatives focused on employee education and cost optimization. Our business strategy is rooted in a responsible approach to operations and the community, with a particular emphasis on sustainable business practices, environmental preservation, and corporate social responsibility.

In the coming period, a resolute focus on client needs will remain the cornerstone of our product and service development strategy, aimed at strengthening long-term relationships. The Bank will continue to bolster its commercial activities through pru-

dent risk management and the continuous enhancement of service quality. Alongside the digitalization of business processes, further emphasis will be placed on sustainable banking strategies through innovative approaches and initiatives. Maintaining a stable market position remains an imperative, ensuring that Podravska banka continues to be a reliable financial partner for its clients and business associates.

We look to the future with optimism, drawing confidence from positive macroeconomic indicators which confirm that Croatia is moving in a stable economic direction. Increased domestic production and consumption, wage growth, and a declining unemployment rate coupled with the stability of the financial sector create a favorable environment for further growth and investment, which remains of paramount importance to the Bank and its shareholders.

In closing, I would like to thank all our clients for their trust and cooperation. I also express my sincere gratitude to the management and all employees of Podravska banka for their dedication and contribution to achieving these results. Special thanks are also extended to the members of the Supervisory Board for their continuous support in the Bank's development.

Sincerely,

Miljan Todorović
Chairman of the Supervisory Board



THE MANAGEMENT BOARD OF PODRAVSKA BANKA D.D. PRESENTS 2025 BUSINESS RESULTS

The Bank's results confirm stable and sustainable operations in key business segments. The business strategy is based on a responsible approach to business and the community, with a special emphasis on sustainable business, environmental protection and social responsibility. The Bank continues to invest in improving customer experience and security standards, offering a wide range of services tailored to the needs of its broad client base. Commitment to innovation and service quality enables maintaining client trust, strengthening its market position and developing solutions that respond to the challenges of modern banking.

ENVIRONMENT

Last year was marked by the gradual easing of inflationary pressures, the beginning of a reduction in key interest rates, and growing political uncertainty and geopolitical tensions. According to the International Monetary Fund, global economic growth for 2025 is estimated at 3.3%, reflecting a stronger-than-expected recovery, while the annual global inflation rate has fallen to 4.1%. Although inflation was decreasing, its gradual return to target levels enabled the start of a cycle of easing monetary policies, despite the fact that service prices remained a constant source of pressure.

The euro area rebounded in 2025 with GDP growth of 1.4%, with economic activity showing surprising resilience to higher interest rates. The European Central Bank continued to ease monetary policy, reflected in a decline in corporate lending rates, while euro area inflation slowed further to 1.7% in early 2026. However, elevated uncertainty and geopolitical risks in the Middle East continue to weigh on investor confidence and the stability of global trade routes.

Croatia continued to grow at a strong pace of 3.2% in 2025, after a growth of 3.8% in the previous year. Economic activity was supported by strong domestic demand and record withdrawal of EU funds. The labor market recorded a historically low unemployment rate of 4.8%, with continued growth in the number of employed. A particularly significant step this year is Croatia's expected entry into full OECD membership, which further strengthens the country's institutional framework and its attractiveness for investment.

The Croatian financial system remains stable, with strong capitalization and high liquidity. The fiscal consolidation process led to a significant decline in general government debt to 57.4% of GDP, while external debt fell to 66.4%. Interest rates on new housing loans remained stable at between 3.7% and 3.8%, while yields on government bonds reflected high investor confidence. The labor market continues to record positive trends, with nominal gross wage growth of 9.9%, despite challenging conditions.

The continued utilization of funds from the National Recovery and Resilience Plan (NRRP), alongside full integration into Western institutional frameworks via the OECD, are expected to remain the primary drivers of growth into 2026, for which a rate of 2.8% is projected. Nevertheless, global risks stemming from protectionism, trade conflicts, and volatile energy prices necessitate a cautious outlook regarding long-term economic stability.

BANK'S BUSINESS RESULT

The Bank's total assets as of 31 December 2025 amounted to EUR 767,758 thousand, which is 6.18% or EUR 44,687 thousand more than at the end of 2024, when they amounted to EUR 723,070 thousand. In the structure of the Bank's assets, the most significant changes compared to the previous year relate to the increase in cash and cash equivalents and the increase in the debt securities portfolio.

The Bank's total capital at the end of the year amounted to 71,906 thousand euros, or 9.36% of total liabilities.

As in previous years, the Bank's operations in 2025 were characterized by high liquidity and capitalization with a high operating profit of EUR 8,353 thousand. The one-time extraordinary effect of the Supreme Court of the Republic of Croatia's ruling of EUR 11,774 thousand (EUR 7,166 thousand of the principal plus the related default interest and court costs) resulted in a final loss after tax of EUR 2,471 thousand. The aforementioned extraordinary expense has no impact on the operational stability, capital adequacy or liquidity of the Bank, whose regulatory indicators are at historically high levels in the Bank's operations, while development activities and strategic projects continue in accordance with plans.

The funds in the accounts amounting to a high of 253,390 thousand euros relate mostly to an overnight deposit with the Croatian National Bank.

Compared to the previous year, the main generator of the increase in the Bank's assets was a significant growth in deposits from clients, which increased by EUR 49,918 thousand or 8.09% compared to the end of the previous year and amounted to EUR 666,841 thousand.

Loans and advances to clients decreased by EUR 13,150 thousand compared to the previous year, which is a decrease of 4.16%, mostly due to the maturity of placements to business entities, while placements to the household sector increased by 3.75%.

The Bank is still strongly capitalized and the regulatory capital ratio at the end of 2025 is a high 22.51%. Regulatory capital at the end of 2025 amounts to EUR 77.2 million, which exceeds the adequacy rate as of 31 December 2024 when it was 21.06%, while the liquidity coverage rate (LCR) was high at 249.32%.

During 2025, 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 2026. Furthermore, employee training and new recruitment were carried out, while measures were taken to optimize operating costs.

As part of regular operations, the Bank continuously identifies, monitors and manages all relevant risks, with the application of prescribed regulatory standards and internal procedures, with the aim of preserving the stability of operations and the safety of clients.

Exposure to credit risk is monitored with special attention. In accordance with regulatory requirements and internal risk assessment procedures, for all placements where there is uncertainty of collection, adequate reserves were created in the amount of the estimated irrecoverable amount of the placement.

Indicators are monitored on a daily basis and stable liquidity is maintained while fulfilling all obligations to clients, adhering to monetary and credit policy regulations, and maintaining an optimal share of liquid assets in total assets.

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 and inflation rate fluctuations. 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 2026 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 slight decrease or stagnation in the inflation rate and reference interest rates. In the coming year, the Bank will focus most of its efforts on commercial activities and growth, with the entire structure of the Bank 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 2025

OVERVIEW OF THE GLOBAL ECONOMY IN 2025

The global economy in 2025 showed remarkable resilience to the fragmentation of global trade and geopolitical tensions, despite the introduction of new tariff barriers and technological competition. According to the International Monetary Fund (IMF), global GDP grew by 3.3%, which is a stabilization compared to previous projections and reflects a stronger recovery than expected. Global inflation fell to 4.1%, successfully ending a period of high inflation, triggered by post-pandemic shocks and the war in Ukraine, with restrictive measures by central banks.

The world's major economies showed divergent trends in the stabilisation phase. The United States remained an important driver of growth with a 2.1% increase, driven by strong demand and investments in artificial intelligence (AI). The euro area recorded a recovery of 1.4% growth, with activity remaining resilient to higher interest rates, while countries such as Spain benefited from tourism and rise in domestic consumption. China recorded a growth of 5.0% despite protectionist policies, while India maintained its status as the fastest growing major economy with a growth of 7.3%, relying on investment and digital transformation.

Inflation and monetary policy remained key topics. Although global inflation fell to 4.1%, its return close to target levels enabled the start of a cycle of monetary policy easing. Central banks, including the Fed and the ECB, have moved toward a neutral monetary policy to encourage private investment. The difference in the rates of decline in inflation caused some volatility, with the process in the US being somewhat slower than in Europe. The stabilization of the prices of energy products and services in the second half of the year further reduced the pressures, enabling a gradual reduction of interest rates, which supported liquidity in the capital markets.

Global trade has felt the effects of new tariff barriers and trade tensions, but markets have developed resilience mechanisms that have prevented the extreme volatility seen in 2022. Trade flows have increased moderately, while technology investment has become a new driver of growth. Energy prices have stabilized at lower levels, with an average oil price of \$69.2 per barrel in 2025, primarily due to increased supply from non-OPEC countries and an accelerated energy transition.

Key challenges included high levels of public debt, particularly in the US and China, and the need for fiscal consolidation after years of expansionary measures. The lack of coordination in multilateral trade and growing protectionism continue to threaten the prospects for global stability. Structural reforms, fueled by digitization and AI investments, have accelerated in advanced economies, but their actual impact on productivity in the short term remains a matter of debate, limiting the potential for even stronger long-term growth.

The most significant risks for 2026 include a resurgence of protectionism through new tariffs, which could disrupt global supply chains and destabilize capital markets. Geopolitical risks, such as conflicts in the Middle East or Ukraine, continue to threaten energy price spikes and trade route interruptions. In addition, over-reliance on public debt in leading economies could lead to rising interest rates and destabilizing markets. Finally, slow progress on reforms, especially in the euro area and China, could deepen the divergence between countries and reduce resilience to future crises.

The Croatian economy continued to grow at a strong pace in 2025, despite a challenging environment in the euro area. According to official estimates, the real annual GDP growth rate was 3.2%, following high growth of 3.8% in the previous year. The key drivers of growth remained robust domestic demand and intensive withdrawal of EU funds. A particularly significant step was Croatia's entry into full OECD membership this year, confirming the country's membership in the group of the world's most developed economies and further strengthening its investment attractiveness.

The labor market recorded a historically low level of unemployment, with a continuous increase in the number of employed. Such developments resulted in double-digit nominal growth of gross wages, which, together with the growth of real disposable income, continued to strongly support personal consumption. The purchasing power of the average wage increased by 6.8% on an annual basis. The labor shortage in key sectors continued to be compensated by the import of workers and greater activation of pensioners, ensuring the stability of the process in conditions of high demand.

Inflation measured by the Harmonized Index of Consumer Prices (HICP) in Croatia increased to 4.4% in 2025, after standing at 4.0% in 2024. This acceleration in inflation sets Croatia apart from the general trend in the euro area and is primarily the result of strong growth in wages and services prices, which offset the effect of falling energy prices. On the other hand, the stabilization of energy prices on global markets made a key contribution to easing overall inflationary pressures towards the end of the year.

The European Central Bank's monetary policy in 2025 moved into an easing phase, resulting in a reduction in key interest rates and a gradual decline in financing costs. Although still relatively strong, the growth dynamics of loans to households is gradually weakening, resulting from the weakening of the growth intensity of non-purpose cash loans. The annual growth of total loans to households accelerated from 12.9% to 13.1%. As for enterprises, the weaker growth of loans in December was reflected in a slowdown in the annual growth rate, from 13.4% in November to 12.8% in December of the previous year. The annual growth of total deposits continued to slow down, decreasing from 6.6% in November to 6.4% in December.

International investor confidence remained high, as confirmed by yields on ten-year government bonds, which stood at 3.16% at the end of 2025.

Although the outlook for 2026 is positive with an expected growth of 2.8%, global risks such as trade protectionism and geopolitical tensions call for caution. High dependence on tourism remains a structural vulnerability, while persistent inflation in services could delay full price stabilization. Nevertheless, institutional integration through the OECD and a stable investment rating remain the key foundations of long-term economic resilience.

TABLE 1. MACROECONOMIC INDICATORS FOR CROATIA

MACROECONOMIC INDICATORS FOR CROATIA	2025	2024	2023	2022
GDP (IN MILLION EUR, CURRENT PRICES)	92,670	85,905	79,186	67,613
GDP - REAL ANNUAL RATE OF CHANGE (IN %)	3,2	3,8	3,8	7,3
GDP PER CAPITA (IN EUR)	23,907	22,219	20,516	17,536
PERSONAL CONSUMPTION, % CHANGE	3.5	5.9	3.2	6.9
PUBLIC CONSUMPTION, % CHANGE	6.8	4.3	7.1	2.2
INVESTMENT, % CHANGE	5.9	5.3	22.7	10.4
EXPORTS OF GOODS AND SERVICES, % CHANGE	1.3	-1.2	-2.9	27.0
IMPORTS OF GOODS AND SERVICES, % CHANGE	3.9	4.6	-5.3	26.5
INDUSTRIAL PRODUCTION, % CHANGE	3.8	-2.4	0.6	1.6
UNEMPLOYMENT RATE (ILO) (% OF ACTIVE POPULATION)	4.8	5.0	6.1	6.8
AVERAGE ANNUAL INFLATION RATE - (HIPC)	4.4	4.0	8.4	10.7
GENERAL GOVERNMENT BUDGET BALANCE (% GDP)	-2.9	-1.9	-0.8	0.1
CURRENT ACCOUNT BALANCE (% GDP)	-4.2	-2.2	0.1	-3.6
EXTERNAL DEBT (% GDP)	63.1	66.4	76.9	73.8

Source: CNB, CBS

The Republic of Croatia currently has the following credit rating:

- A- with positive outlook assigned by S&P,
- A- with stable outlook assigned by Fitch Ratings,
- A3 with stable outlook assigned by Moody's.

DESCRIPTION OF BANK'S OPERATIONS

PRODUCT AND SERVICES

The year 2025 brought several important trends and changes in the way banks, including Podravska banka, do business with retail customers. It is about the continuation of the digital transformation, but also the strengthening of security, regulatory and user practices that shaped everyday business.

The main focus remained on maintaining the quality of service and customer satisfaction at the highest level, as the main strategic determinants of Podravska banka's operations, by strengthening activities aimed at growing the market position in credit and deposit operations and further developing products and services, especially the development of digital channels.

Despite the increased supply on the market and the continued possibility of investing in government securities, compared to the previous year, citizen deposits recorded a growth of 10%, while lending activity in 2025 recorded a growth of almost 4%, with non-purpose cash loans still dominating the structure of disbursed loans.

In order to acquire new clients and increase the deposit base, the Bank had several promotional offers related to term deposits during the year.

Lending activity was further boosted by a marketing campaign at the end of the year.

By introducing instant payments, the Bank presented one of the biggest milestones in modern payment transactions, enabling clients to make transactions in local currency in just a few seconds, 24 hours a day, including weekends, holidays and non-working days, unlike classic transfers that were previously processed during working hours and often took several hours until the next working day.

Digital strategy remains a key pillar of Podravska Banka's business strategy because modern consumers are looking for a simple and modern interaction with the bank. The goal is to improve the user experience through flawless use of all distribution channels and optimize business processes. With a competitive offer, a recognizable brand and a stable client base, the Bank continues to develop business focused on improving the portfolio of products and services, processes and the integration of all digital channels.

Technological advances are increasingly shaping the business world, and digital channels are becoming key to various sectors. Card transactions are the primary means of payment, enabling fast, secure and convenient commerce. The new era of digital banking brings innovative ways to manage finances, with a wide range of services and tools available via the internet and mobile applications. To improve the system and user experience, continuous investments in technological innovations and software solutions that support efficient card transactions are necessary.

The constant growth and strengthening of the network of singlePOS terminals increases the availability of card payments in installments, which increases the volume of transactions and user satisfaction. The acquisition of new users for singlePOS solutions is essential to expand market influence and coverage, offering more opportuni-

ties for business growth. Dynamic trends in digital channels and card business form the basis of the future of the financial sector and the way the Bank operates in the digital age.

Changes in the behavior and habits of clients, the development of new technologies and the regulatory framework continuously require adaptation of the existing business model and the role of individual distribution and communication channels, but also bring the risk of cyber attacks, which is why the Bank has strengthened security protocols and worked additionally on client education.

Through continuous explanations and warnings, the Bank informed clients so that they could use their knowledge to resist the challenges and dangers offered by digital services and to take care of all risks and the protection of personal data and account information when using them.

In order to be at the service to its clients, the Bank organized continuous employee training during 2025, both internal and external, which became key to ensuring quality communication with clients, since only well-educated employees can provide accurate, timely and reliable information, which directly affects client satisfaction.

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 2025 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 in the implementation of credit programs in which local administration and self-government subsidized interest on business loans. The bank has contracted business cooperation with counties and cities that support entrepreneurs with subsidies and strengthen their development in the county area.

Through the aforementioned cooperation, the Bank is dispersively 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 2025 were placed with clients engaged in agricultural activities using grants from EU funds. Given the general increase in the price of energy, the Bank has 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 2026, the goal is to maintain positive growth trends in business with business entities. 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

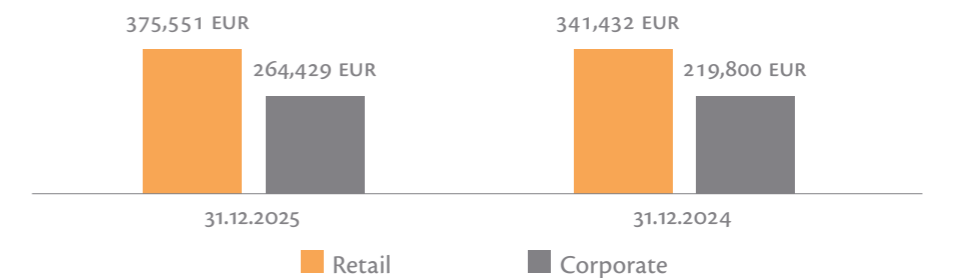
Total customer deposits as of 31 December 2025 amounted to EUR 639,980 thousand, an increase of 14.03% compared to the previous year. According to the sectoral structure of customer deposits, as of 31 December 2025, corporate deposits amounted to EUR 264,429 thousand, an increase of 20.3%, while retail deposits amounted to EUR 375,551 thousand, an increase of 10%.

The value of clients' assets in custody as of 31 December 2025 amounts to EUR 104,605 thousand.

TABLE 2. OVERVIEW OF CLIENT DEPOSITS

CUSTOMER DEPOSITS (IN 000 EUR)	31.12.2025	31.12.2024	CHANGE 2025/2024
RETAIL	375,551	341,432	9.99%
CORPORATE	264,429	219,800	20.30%
TOTAL DEPOSITS	639,980	561,232	14.03%

FIGURE 1. OVERVIEW OF CLIENT DEPOSIT MOVEMENTS



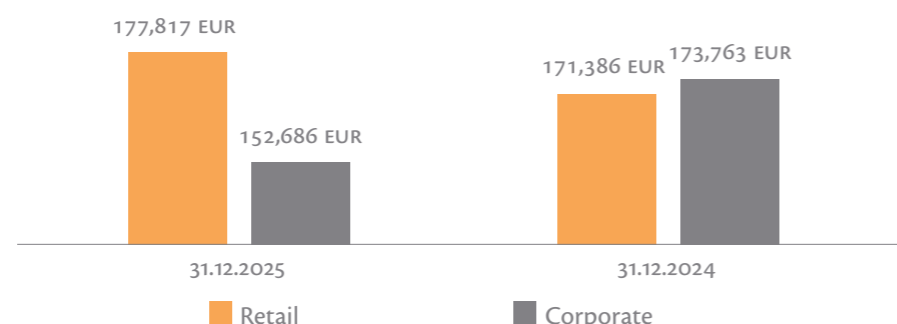
CREDIT OPERATIONS

Total gross placements to clients as of 31 December 2025 amounted to EUR 330,503 thousand, which is 4.24% less than the previous year. If we look at the sectoral structure, as of 31 December 2025, placements to legal entities amounted to EUR 152,686 thousand, which is a decrease of 12.13%, while placements to individuals in the amount of EUR 177,817 thousand recorded an increase of 3.75%.

TABLE 3. OVERVIEW OF PLACEMENTS TO CLIENTS

TOTAL LOANS TO CUSTOMERS (IN EUR 000)	31.12.2025	31.12.2024	CHANGE 2025/2024
TOTAL GROSS LOANS	330,503	345,149	-4.24%
RETAIL	177,817	171,386	3.75%
CORPORATE	152,686	173,763	-12.13%
TOTAL RESERVES ON LOANS	-27,349	-28,846	-5.19%
TOTAL NET LOANS	303,153	316,303	-4.16%

FIGURE 2. TRENDS IN CUSTOMER PLACEMENTS



TREASURY OPERATIONS

During 2025, the Bank operated in an environment marked by a gradual weakening of inflationary pressures and an increasingly pronounced normalization of the monetary policies of the leading central banks. The US FED implemented three consecutive interest rate cuts in 2025, which reduced the target range of federal funds to 3.50% - 3.75% by December 2025. These cuts were the result of a combination of more moderate inflation and signs of weakening in the labor market, which prompted the FED to implement a more accommodative monetary stance. The European Central Bank also continued the process of easing monetary policy in 2025. In several steps, it reduced all three key interest rates in total. By June 2025, the overnight deposit rate was reduced to 2.00%, after which the ECB maintained interest rates at that level for the rest of 2025. At the same time, the interest rate on the main refinancing operations was reduced to 2.15%, while the rate on the end-of-day lending facility was reduced to 2.40%.

Most of the surplus of 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. The Treasury, to a lesser extent, invested in domestic and foreign equity securities. The Bank was active on the primary and secondary market of government bonds of the Republic of Croatia, whereby purchased debt securities were divided into a portfolio valued at amortized cost and a portfolio valued through other comprehensive income.

Surplus dollar liquidity was mainly focused on the purchase of US treasury bills, while a part was 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 2025, the value of the total portfolio of debt securities, valued at amortized cost, was 133,604 thousand euros. The dominant role in the portfolio was attributed to the Republic of Croatia issues - government bonds and corporate issues - whose total share was 60.1%. According to the currency structure, the EUR segment accounted for 92.1%, USD 6.2%, CHF 1.2% and CAD 0.5%. The value of the portfolio of debt securities, which is valued through other comprehensive income, was EUR 29.7 million.

In the asset structure of the equity portfolio, the share of foreign shares was 33%, while, according to the currency structure, the USD segment represented 16% and the EUR segment 84%. As of 31 December 2025, the value of the equity securities portfolio amounted to EUR 5,441 thousand, which represents less than 1% of the bank's total assets.

The Bank actively participated in the capital market by carrying out transactions of purchase and sale of equity and debt securities on the domestic and foreign markets, both for its own portfolios and for the needs of clients through the Brokerage Department and the Custody Department. The value of executed transactions for the Bank's accounting portfolios amounted to EUR 87.8 million, while in the custody segment for clients, transactions totaling EUR 126.3 million were processed.

With regard to 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 the continuous placement of the remaining surplus liquidity in an overnight deposit with the central bank.

PAYMENT TRANSACTIONS

We are witnessing a continuation of the trend of intensive changes in the payment market infrastructure in the European payment system, as well as the general modernization of the EU regulatory framework related to payment services, whereby as a consequence of this ongoing process of harmonization of payment schemes, the key topics during 2025 were the standardization of payment messages to the ISO 20022 format and the simultaneous introduction of SEPA instant payments with the payee verification service as a future norm.

In 2025, in accordance with European Union regulations (EU Regulation 2024/886), the Bank, through the new EuroNKSInst payment system, enabled clients to send and receive national and cross-border instant orders, any day of the year within ten seconds, with the same fees as for regular SEPA credit orders. Clients are also provided with a service to verify the name of the payee (VOP check – Verification of Payee) when executing SEPA SCT and SEPA instant orders, i.e. checking whether the entered name of the payee corresponds to the person or business entity to whom the user is making the payment, which significantly increases the security and transparency of payments on the EU market and additionally protects the interests of clients.

Also, the adaptation to the new SWIFT message standard, i.e. the replacement of the previous MT standard after more than forty years of use with the modern and universally applicable ISO 20022 standard, implemented at the end of 2025, significantly improved the interoperability of the SWIFT system with other modern payment systems, facilitated integration and enabled further automation necessary to reduce operating costs and execute orders faster and more reliably via the SWIFT network.

These technologies, along with existing regulatory initiatives, open up new opportunities for establishing a new, more modern payment architecture.

In 2025, the Bank's payment operations recorded a further growth trend in the number and value of payment transactions. Looking at the total national, cross-border and international payment operations, more than 4.0 million payment transactions were recorded, which is an increase of 5% compared to the previous year, with a total transaction value of over EUR 4.2 billion, or an increase of 11.5% compared to the previous year. In addition, we also recorded an increase in fees collected on clients' transaction accounts for the Bank's services of 2% compared to the previous year.

In a short time since the introduction of the service, the EuroNKInst payment system has demonstrated its advantages and potential, which clients quickly recognized, and last year, more than EUR 180 million in transaction value was recorded since the introduction of the service.

The Bank actively participated in the capital market by carrying out transactions of purchase and sale of equity and debt securities on the domestic and foreign markets, both for its own portfolios and for the needs of clients through the Brokerage Department and the Custody Department. The value of executed transactions for the Bank's accounting portfolios amounted to EUR 87.8 million, while in the custody segment for clients, transactions totaling EUR 126.3 million were processed.

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 citizens and businesses.

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 MBNet network ATMs throughout Croatia. In addition, the Bank has 351 of its own EFTPOS terminals installed, and 10,349 singlePOS EFTPOS partner terminals have been registered. During 2025, 730 thousand transactions were carried out at EFTPOS terminals. 929 thousand transactions were recorded at singlePOS EFTPOS terminals, which is an increase of 77% compared to the previous year.

Also, in 2025, an increase in payment card transactions was recorded. At the end of 2025, compared to the previous year, an increase in the number of card transactions of almost 4.0% was recorded.

At the end of 2025, an increase in the number of mobile users (3.65%) and internet banking (7.8%) was recorded, and the total increase in the number of users of digital channels was 5.0% compared to the previous year.

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 2025, the Bank had 212 employees. During the year 2025, 20 people were employed, mainly from the business network, while at the same time the departure of 34 employees was recorded. In the structure of employees, 70% of the total number of employees are female, while 50% of the total number of employees have higher degree 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 digitization and business reorganization, results in the constant improvement of business processes, increasing work and business efficiency. 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 2026, the Bank intends to strengthen the organizational unit supporting 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 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 2026, the Bank will continue to invest in the professional training of employees, and if necessary, employ competent and professional people, primarily in the field of dealing with clients.

CAPITAL

The Bank's total capital at the end of 2025 amounts to 71,906 thousand euros, or 9.37% of total liabilities.

The increase in total reserves was also influenced by the increase in accumulated other comprehensive income by EUR 435 thousand, which amounted to EUR 770 thousand at the end of 2025.

The increase in retained earnings by EUR 12 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 36,781 thousand and consists of 668,749 ordinary registered shares, each with a nominal value of EUR 55.00. As of 31 December 2025, the Bank has a total of 3,324 treasury shares recorded at cost.

In 2025, 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 85.74% of the Bank's shares. The remaining 10.39% of the shares were owned by domestic investors (including treasury shares), and 3.88% were owned by foreign investors. During the year, the Bank did not acquire or release its own shares to or from the treasury.

Regulatory capital at the end of 2025 amounted to EUR 77,162 thousand, of which EUR 63,903 thousand referred to core capital and EUR 13,259 thousand to supplementary capital. The core capital ratio at the end of the year was 18.36%, and the total capital ratio was a high 22.17%.

Additional capital includes the unamortized portion of two subordinated bond issues issued in a total nominal amount of EUR 15,266 thousand.

PROFIT AND LOSS STATEMENT

Total operating income amounts to 25,492 thousand euros, down 8.69% compared to the previous year. Profit from continuing operations amounts to 8,353 thousand euros, continuing the positive operating trend.

In the current business year, the Bank recorded a loss for the current year in the amount of EUR 2,471 thousand, resulting from recording extraordinary costs of compensation for damage and costs of litigation pursuant to a court verdict in the amount of EUR 11,774 thousand, while in all other segments of regular operations, the Bank recorded positive operating results in accordance with planned amounts.

Net interest income amounts to 19,528 thousand and is lower by 2,964 thousand euros, which is a decrease of 13.18% compared to the previous year. Interest income is lower by 2,673 thousand euros compared to 2024, mostly due to reduced interest income from corporate clients and banks, while interest expenses are higher by 291 thousand euros due to further growth in interest rates on term deposits.

In the structure of interest income, 27.09% refers to interest income from corporate clients, 34.65% to interest income from households, 19.52% to interest income from banks, 3.16% to interest income from the public and other sectors, while 14.77% refers to interest income from investments in debt securities. In the structure of total interest income, a significant part in the amount of 4,219 thousand euros refers to interest income generated from the placement of surplus liquidity through overnight deposits with the central bank.

The largest share of interest expenses relates to interest expenses of households, which account for 50.28%, 37.41% relates to expenses of corporate clients, 10.20% relates to interest expenses of banks, and the remaining 2.11% relates to interest expenses of the public and other sectors.

Net income from fees and commissions amounts to EUR 4,957 thousand, which is EUR 317 thousand more than in 2024 and represents an increase of 6.84%. During 2025, EUR 318 thousand more income from fees and commissions was achieved, or 4.35% more than in 2024. In the structure of income from fees and commissions, the largest share is accounted for by income from card services and income from payment services. Fee and commission costs remained at the level of the previous year's

costs, or by 0.04% lower, with the most significant impact of card service fee costs.

Other net operating income amounts to EUR 1,007 thousand and refers to income from dividends, rents, foreign currency purchases and sales and exchange rate differences, realized gains from the sale of debt securities from the portfolio at fair value through other comprehensive income, net income/expenses from the sale of assets, costs of adjusting securities from the portfolio at fair value through RDG and other operating income.

The Bank's operating expenses in 2025 are higher than in the previous year, mostly due to increased other administrative expenses due to the one-off effect of recognizing extraordinary expenses for compensation for damages pursuant to a court ruling.

Administrative operating expenses include material and service costs and employee costs. Employee costs increased by 9.10%, other material and service costs by 18.45%, and rental costs increased by 5.23%. In 2025, the Bank also had deposit insurance premium costs in the amount of EUR 249 thousand.

As a result of continuous and significant investments in tangible and intangible assets, depreciation costs have also increased, which are higher by 4.72% compared to 2024.

In 2025, the Bank allocated EUR 789 thousand in impairment costs and provisions based on the assessment of risk and recoverability of placements and contingent liabilities.

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 28 – 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 ordinary 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 Companies Act, the Credit Institutions Act 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 for 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 Companies Act, Credit Institutions Act, 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 business, 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 to perform the function of the President or member of the Management Board of the Bank.

The Bank's Management Board 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 operations. 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 had three members in 2025, the president and two members of the Management Board, appointed for a two-year term.

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 May 14, 2025, the Bank's Management Board is authorized, depending on the Bank's financial condition, to acquire its own shares on the organized securities market or by direct acquisition outside the organized securities market, or by direct purchase through payment.

The Supervisory Board has 7 members who are elected and dismissed by the General Assembly. Two members of the Supervisory Board are independent. Only a person 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 can be elected as a member of the Supervisory Board.

Members of the Supervisory Board must meet the requirements for holding the position 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, deputy chairman
- Antonio Moniaci, member
- Dario Montinari, member
- Dolly Predovic, member
- Višnja Car, 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 2025, three 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 regarding 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
- Michele Calcaterra Borri – 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 2025, the Audit Committee and the Risk Committee held three meetings with the presence of all committee members, at which they discussed matters within the scope of their authorities and responsibilities in accordance with the Bank's internal regulations.

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 when assessing and selecting members of the Management Board and the Supervisory Board.

Percentage of independent members of the Supervisory Board as of December 31, 2025: 29% (i.e. two out of a total of seven members).

In terms of gender diversity, as of 31 December 2025:

- the ratio of women to men in the Management Board is 33.30% (one woman out of a total of three members).
- the ratio of women to men in the Supervisory Board is 28.56% (two women out of a total of seven members).
- the ratio of women to men in the Supervisory Board and Management Board is 30.0% (three women out of a total of ten members).

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

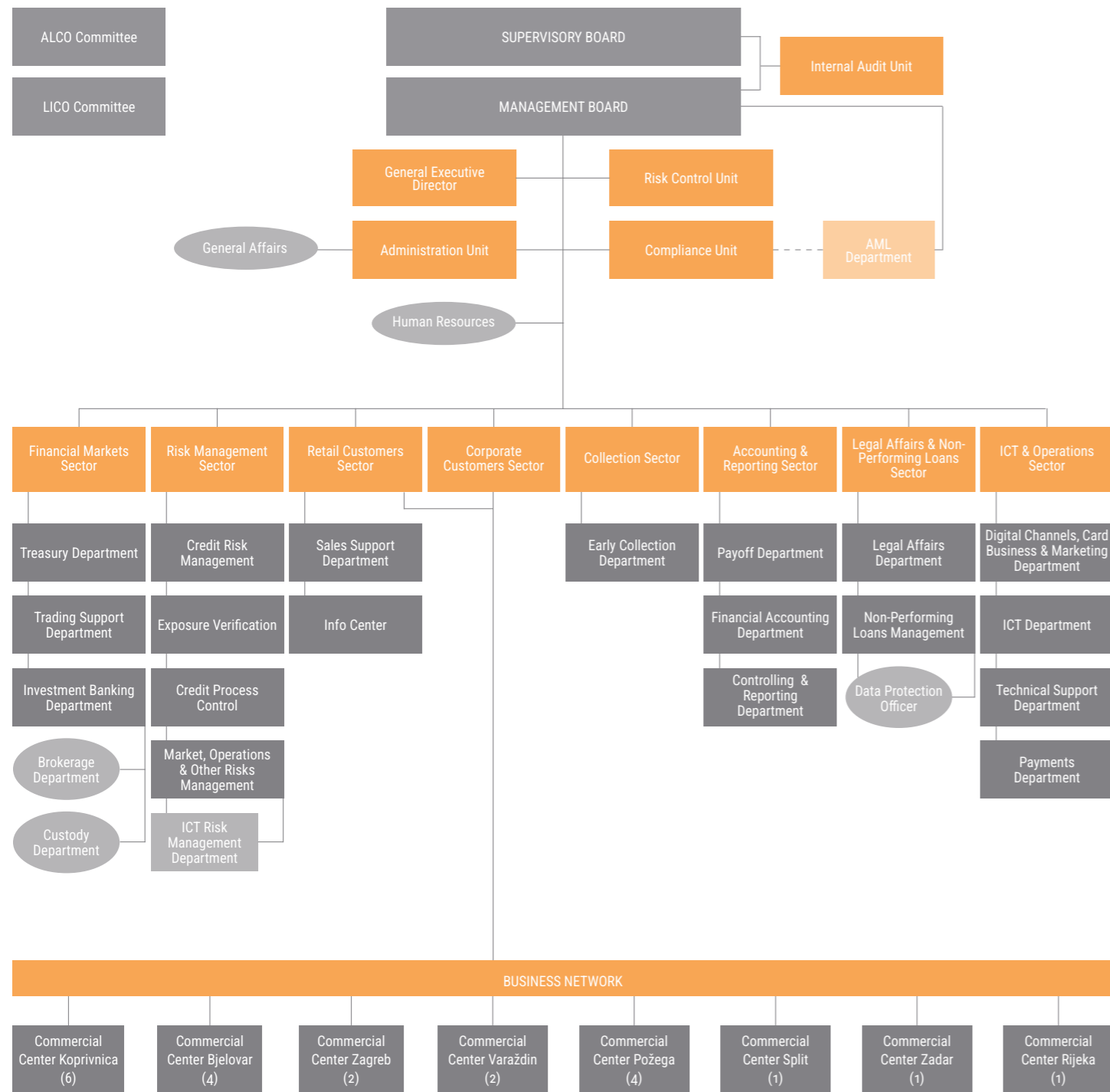
The rules on amendments to the Bank's Statute are contained in the Statute itself. The decision on amendments is made by the Bank's General Assembly in accordance with the law and the Statute, with votes representing at least three quarters of the share capital represented at the General Assembly when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

In accordance with the provisions of the Companies Act, this Report on the Application of the Corporate Governance Code is an integral part of the Annual Report on the Status of the Company for 2025.

The completed Questionnaire on Compliance of Share Issuers, which contains all the answers and necessary clarifications, has been publicly published and is available on the websites of the Bank and the Zagreb Stock Exchange.

ORGANISATIONAL CHART 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 THE SUPERVISORY BOARD FOR THE PREPARATION AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The responsibility of the Management Board of PODRAVSKA BANKA d.d. (the Bank) is to prepare financial statements that give a true and fair view of the financial position of the Bank and of its performance and cash flows, in accordance with International Financial Reporting Standards as adopted by the European Commission and published in the Official Journal of the European Union (IFRS), and to keep proper accounting records necessary for the preparation of financial statements at any time. The Management Board has a general responsibility for taking such measures as are reasonably necessary to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies that comply with IFRS and then applying them consistently; making judgments and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Bank's Management Board shall prepare the annual report together with the financial statements and forward them to the Supervisory Board for approval. By giving the Supervisory Board approval to the annual and financial statements, the said reports shall be approved by the Management Board and the Supervisory Board and shall be submitted to the General Assembly for information.

The Bank's financial statements on pages 11 to 95 were approved by the Management Board on 19 March 2026 for issue to the Supervisory Board, as evidenced by the signature below.

The financial statements were approved by the Bank's Management Board on 19 March 2026, and are signed by:

Daniel Unger
President of the
Management Board



Goran Varat
Member of the
Management Board



Renata Vinković
Member of the
Management Board



Koprivnica, 19 March 2026



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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of 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 2025, 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 2025, 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 International Standards on Auditing ("ISAs"). Our re-responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual separate and consolidated Financial Statements. We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethical Standards Board for Accountants ("IESBA", "IESBA Code"), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public entities in the Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 customers

As of 31 December 2025, gross loans to customers in the financial statements amounted to EUR 340 million, associated impairment provisions amounted to EUR 27 million, and impairment cost recognised in the profit and loss account amounted to EUR 58 thousand (31 December 2024: gross loans to clients: EUR 345 million, impairment provisions: EUR 29 million, impairment cost recognised in the profit and loss account: 4.2 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 infor-

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,

mation, 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.

- 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

Management is responsible for the other information. The other information comprises Management Board Report and Corporate Governance Report, but does not include the financial statements and our auditors' report thereon.

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

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

With respect to the Management Report and the Corporate Governance Report, we also performed procedures prescribed by the Accounting Act. These procedures include verifying whether the Management Report has been prepared in accordance with Article 24 of the Accounting Act and whether the Corporate Governance Report contains the information required by Article 25 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures performed, we report that:

1. the information given in the Management Report and Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
2. the Management Report has been prepared, in all material respects, in accordance with Article 24 of the Accounting Act;
3. the Corporate Governance Report includes the information specified in Article 25 of the Accounting Act.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

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 state-

ments 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 14 May 2025, we were appointed by the General Assembly of the Bank to audit the annual financial statements for 2025.

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 for 2019, which totals 7 years. In the audit of the Bank's annual financial statements for 2025, we determined the significance for the annual financial statements, as follows:

- for annual financial statements: EUR 1.4 million representing approximately 2% of the Bank's net assets as of 31 December 2025,

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 2025 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 96 to 111 ("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 95, 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, 146/20, 151/22 and 145/24), 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 95 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, 83/21, 151/22, 85/24 and 126/25) 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 2025, 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 file and 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 2025.

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 2025, which results in this Independent Auditor's Report, is Ivan Čajko, certified auditor.

In Zagreb, 19 March 2026

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

Hrvoje Stipičić,
President of Management Board


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


Ivan Čajko,
certified auditor

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

IN THOUSANDS OF EUROS	NOTE	2025	2024
INTEREST INCOME AND SIMILAR INCOME	3	24,811	27,484
INTEREST EXPENSES AND SIMILAR EXPENSES	3	(5,283)	(4,992)
NET INTEREST INCOME		19,528	22,492
FEE AND COMMISSION INCOME	4	7,637	7,318
FEE AND COMMISSION EXPENSES	4	(2,680)	(2,679)
NET INCOME FROM FEES AND COMMISSIONS		4,957	4,639
OTHER NET INCOME FROM OPERATIONS	5	1,007	787
INCOME FROM ORDINARY ACTIVITIES		25,492	27,918
IMPAIRMENT AND PROVISION EXPENSES	6	(789)	(3,923)
ADMINISTRATIVE BUSINESS EXPENSES	7	(26,134)	(12,611)
DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS	8	(1,962)	(1,874)
(LOSS) / PROFIT BEFORE TAX (LOSS) / PROFIT BEFORE TAX		(3,393)	9,510
INCOME TAX	9	922	(1,989)
NET (LOSS) / PROFIT FOR THE CURRENT YEAR		(2,471)	7,521
OTHER COMPREHENSIVE INCOME			
NET DECREASE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	(166)	-
CALCULATED DEFERRED TAX RECOGNIZED IN EQUITY		30	
OTHER COMPREHENSIVE LOSS THAT IS RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		(136)	-
NET INCREASE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	678	810
CALCULATED DEFERRED TAX RECOGNIZED IN EQUITY	9	(96)	(119)
OTHER COMPREHENSIVE INCOME THAT IS NOT RECLASSIFIED TO THE FUTURE PROFIT OR LOSS		582	691
OTHER COMPREHENSIVE INCOME		446	691
TOTAL COMPREHENSIVE (LOSS) / PROFIT AFTER TAX		(2,025)	8,212
(LOSS) / EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS	10	(3.70) EUR	11.25 EUR

The accompanying accounting policies and notes on pages 46 to 113 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2025

IN THOUSANDS OF EUROS	NOTE	31 DECEMBER 2025	31 DECEMBER 2024
ASSETS			
CASH AND BANK ACCOUNTS	11	253,390	219,506
PLACEMENTS WITH OTHER BANKS	12	17,411	21,546
LOANS TO CLIENTS	13	303,154	316,303
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	14	-	113
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	35,145	5,072
FINANCIAL ASSETS AT AMORTIZED COST	16	133,604	138,134
INTANGIBLE ASSETS	17	8,221	8,103
PROPERTY AND EQUIPMENT	18	3,648	3,210
RIGHT OF USE PROPERTY	19	3,887	4,085
REAL ESTATE INVESTMENTS	20	1,902	1,967
DEFERRED TAX ASSETS	9	1,426	600
OTHER ASSETS	21	5,970	4,432
TOTAL ASSETS		767,758	723,071
LIABILITIES AND SHARE CAPITAL			
LIABILITIES			
LIABILITIES TO BANKS	22	15,977	9,385
LIABILITIES TO CLIENTS	23	639,980	561,232
OTHER BORROWED FUNDS	24	10,884	46,306
OTHER LIABILITIES	25	11,986	11,504
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	26	1,594	1,046
SUBORDINATED INSTRUMENTS ISSUED	27	15,431	16,340
TOTAL LIABILITIES		695,852	645,813
SHARE CAPITAL			
SHARE CAPITAL	28	36,781	36,781
PREMIUM ON ISSUED SHARES		400	400
TREASURY SHARES		(157)	(157)
RESERVES	29	35,847	31,219
CURRENT YEAR PROFIT		(2,471)	7,521
RETAINED EARNINGS		1,506	1,494
TOTAL SHARE CAPITAL		71,906	77,258
TOTAL LIABILITIES AND SHARE CAPITAL		767,758	723,071

The accompanying accounting policies and notes on pages 46 to 113 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

IN THOUSANDS OF EUROS	NOTE	2025	2024
(LOSS)/PROFIT FOR THE CURRENT YEAR BEFORE TAX	9	(3,393)	9,510
ADJUSTED FOR:			
AMORTIZATION	8	1,962	1,874
NET INCOME FROM THE SALE OF FIXED ASSETS	5	(72)	-
NET LOSS/(GAIN) FROM SALE OF FORECLOSED ASSETS	5	51	(815)
INCREASE IN LOAN AND OTHER PROVISIONS	6	789	3,923
DIVIDEND INCOME	5	(161)	(184)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	-	871
(LOSS)/PROFIT BEFORE CHANGES IN ASSETS FROM ORDINARY ACTIVITIES		(824)	15,179
CHANGES IN ASSETS FROM ORDINARY OPERATIONS			
NET DECREASE/(INCREASE) IN LOANS TO CLIENTS		13,104	(3,343)
NET DECREASE IN PLACEMENTS WITH BANKS		266	33
NET INCREASE IN OTHER ASSETS		(2,452)	(3,155)
NET DECREASE IN OTHER LIABILITIES		(793)	(1,534)
INCREASE IN LIABILITIES TO OTHER BANKS		6,592	1,980
INCREASE IN CLIENT DEPOSITS		78,748	36,686
PAID INCOME TAX		(2,434)	(1,621)
NET CASH FLOW FROM OPERATING ACTIVITIES		92,207	44,225
CASH FLOW FROM INVESTING ACTIVITIES			
PURCHASE OF REAL ESTATE AND EQUIPMENT	18	(989)	(698)
PURCHASE OF INTANGIBLE ASSETS	17	(888)	(1,064)
SALE OF REAL ESTATE AND EQUIPMENT		171	-
NET DECREASE IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		113	516
NET DECREASE/(INCREASE) IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		(29,564)	204
DIVIDEND INCOME		161	184
DECREASE/(INCREASE) IN HELD-TO-MATURITY INVESTMENTS		4,536	(605)
NET DECREASE IN FORECLOSED ASSETS		641	5,005
NET CASH FLOW FROM INVESTING ACTIVITIES		(25,819)	3,542
CASH FLOW FROM FINANCING ACTIVITIES			
EXPENDITURES FROM BORROWED FUNDS		(35,422)	(1,939)
EXPENDITURES ON ISSUED BONDS		(909)	-
NET CASH FLOW FROM FINANCING ACTIVITIES		(36,331)	(1,939)
NET CA1H RECEIPTS		30,057	45,828
CASH AT THE BEGINNING OF THE PERIOD	11	235,183	189,355
CASH AT THE END OF THE PERIOD	11	265,240	235,183

The accompanying accounting policies and notes on pages 46 to 113 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

IN THOUSANDS OF EUROS	SHARE CAPITAL	PREMIUM ON ISSUED SHARES	TREASURY SHARES	CAPITAL GAIN	RESERVES	RETAINED EARNINGS / (LOSS)	PROFIT / (LOSS) FOR THE CURRENT YEAR	TOTAL
BALANCE AS OF DECEMBER 31, 2023	36,781	400	(157)	(555)	30,176	1,345	4,051	72,041
CURRENT YEAR PROFIT	-	-	-	-	-	-	7,521	7,521
CHANGE IN FAIR VALUE RESERVES	-	-	-	-	691	-	-	691
SALE OF EQUITY INSTRUMENTS AT FVOSD	-	-	-	-	(149)	149	-	-
PROFIT DISTRIBUTION 2023 - DIVIDEND	-	-	-	-	-	(2,995)	(2,995)	(2,995)
PROFIT DISTRIBUTION 2023	-	-	-	-	1,056	-	(1,056)	-
BALANCE AS OF DECEMBER 31, 2024	36,781	400	(157)	(555)	31,774	1,494	7,521	77,258
CURRENT YEAR LOSS	-	-	-	-	-	-	(2,471)	(2,471)
CHANGE IN FAIR VALUE RESERVES	-	-	-	-	446	-	-	446
SALE OF EQUITY INSTRUMENTS AT FVOSD	-	-	-	-	(12)	12	-	-
PROFIT DISTRIBUTION 2024 - DIVIDEND	-	-	-	-	-	(3,327)	(3,327)	(3,327)
PROFIT DISTRIBUTION 2024	-	-	-	-	4,194	-	(4,194)	-
BALANCE AS OF DECEMBER 31, 2025	36,781	400	(157)	(555)	36,402	1,506	(2,471)	71,906

The accompanying accounting policies and notes on pages 46 to 113 form an integral part of these financial statements.



1. GENERAL INFORMATION

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

BASIS FOR PREPARATION

Accounting basics

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted 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.

Measurement basics

The financial statements have been prepared on a fair value basis for derivative financial instruments, assets and liabilities held for trading, other financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment property, except for those for which there is no reliable measure of fair value. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized or historical cost.

The financial statements are for informational purposes only: they are not intended to meet the needs of specific users or to consider specific transactions. Accordingly, users should not rely solely on the financial statements in making decisions.

Functional and presentation currency

Items included in the Bank's financial statements are stated in euros, which represent the currency of the primary economic environment in which the Bank operates (functional currency).

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

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the disclosure of contingent liabilities and commitments 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 reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and future periods if the change affects both current and future periods.

Information on management's judgments related to the application of IFRS that have a significant impact on the financial statements and information on estimates with a significant risk of possible material adjustment within the next year is disclosed in Note 2.

2. PRINCIPAL ACCOUNTING POLICIES

ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND INTERPRETATIONS

Initial application of new amendments to the existing standards effective for the current financial period

The following amendment to the existing standard issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the period beginning 1 January 2025:

- Lack of exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The adoption of this amendment to existing standard did not lead to significant changes in the Bank's financial statements.

The following illustrative examples have been issued during 2025 with no effective date:

- Illustrative examples on reporting uncertainties in financial statements
On 28 November 2025, the IASB issued Disclosures about Uncertainties in the Financial Statements – Illustrative examples, which amended multiple IFRS Accounting Standards to include illustrative examples demonstrating how companies can apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The illustrative examples are accompanying materials to IFRS Accounting Standards and do not have an effective date. The IASB had issued a near-final staff draft of the illustrative examples in July 2025.

The Bank has considered these illustrative examples in its preparation of the separate / consolidated financial statements and no additional disclosures or changes in presentation were considered necessary.

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

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 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.

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 separate 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.

Accounting basics

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

Interest income and expenses and similar income and expenses

Interest income is calculated according to the principle of accrual based on the outstanding principal amount and according to the effective interest rates that are in use, which represent the rate at which the estimated future cash inflows are discounted to the net book value of the financial asset during its expected useful life.

Loan origination fees that are likely to be drawn down are deferred, together with the related direct origination costs, and are recognized as an adjustment to the effective yield on the loan, thereby adjusting interest income.

Impaired loans are written down to their recoverable amount and interest income is subsequently recognized 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 recognized when earned. Dividend income is recognized upon declaration.

Income from fees and commissions

Income from fees and commissions mainly consists of fees for the approval of guarantees and fees for other Bank services, commissions for the management of assets of legal and natural persons, and fees for foreign and domestic payments.

Fees are recognized as revenue when the related service is performed. Fees for approving loans that are highly probable of being realized are deferred and recognized as an adjustment to the actual yield.

Operating income

Operating income includes net interest income, net fee and commission income, 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 income, income from the purchase and sale and changes in the fair value of financial assets at fair value through profit or loss, net income from the translation of foreign currencies to the middle exchange rate, profit from the sale of property and equipment, dividends received and other operating income.

Foreign payment methods

Income and expenses from transactions in foreign currencies are translated into euros at the official exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the middle exchange rate of the Croatian National Bank prevailing on the last day of the accounting period. Gains and losses arising from the translation of foreign currencies are presented in the income statement for the year to which they relate.

Employee cost

The right to annual leave is recognised in the period in which it is accrued. The Bank recognises a liability for accumulated leave benefits based on unused annual leave days at the reporting date.

The costs of supervisory board members are included in employee costs in accordance with the remuneration policy.

Employee contributions

According to domestic legislation, the Bank is obliged 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 the gross salary:

	2025	2024
PENSION INSURANCE CONTRIBUTION	20%	20%
HEALTH INSURANCE CONTRIBUTION	16.5%	16.5%

The Bank is also obliged to deduct the aforementioned contributions from the employee's gross salary.

Contributions on behalf of the employee and on behalf of the employer are accounted for as an expense in the period in which they are incurred.

In the ordinary course of business, when paying salaries, the Bank makes regular contributions on behalf of its employees, who are members of mandatory pension funds, in accordance with the law. Mandatory pension contributions to the funds are recognized as part of the salary expense when they are accrued. The Bank does not have a supplementary pension plan and therefore has no other obligations related to employee pensions. The Bank is also not obligated to provide any other benefits to employees after their retirement.

Income tax

Income tax expense comprises current and deferred income tax. Income tax is calculated on taxable profit at the currently applicable rate. Income tax is recognised in the income statement, with the exception of income tax relating to items recognised directly in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income, i.e. directly in equity. The Bank pays income tax at the rate of 18% on taxable profit, in accordance with the Income Tax Act.

Current income tax

Current tax represents the expected tax liability calculated on taxable income for the year using tax rates that have been enacted or substantively enacted by the reporting date and any adjustments to tax liability for prior periods. The amount of tax liability or provision represents the best estimate of the expected amount of tax to be paid or received, reflecting the uncertainties surrounding income taxes, if any.

Deferred income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to taxable profit in the years in which those temporary differences are expected to reverse or settle.

Deferred tax assets and liabilities are recognised regardless of when it is expected that the temporary differences will reverse. Deferred tax assets are recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised. At each reporting date, the Bank reassesses the unrecognised deferred tax assets and the appropriateness of the carrying amount of the tax assets.

Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise funds with maturities 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 recorded in the statement of financial position include cash and cash equivalents, marketable securities, receivables and payables, long-term loans, and deposits and investments. The accounting methods for monitoring these instruments are set out in the relevant accounting policies.

The Bank reports financial assets and financial liabilities in the statement of financial position only when it becomes a party to the contractual obligations relating to transactions with financial instruments.

Classification

The classification of a financial instrument is determined by the management intention (business model) of 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:

- **Holding to collect contractual cash flows business model**
It includes financial assets that are acquired with the intention of holding them to collect contractual cash flows and are measured at amortized cost provided that the cash flows of the asset represent payments exclusively of principal and interest ("SPPI test").
- **Business model of holding to collect contractual cash flows and sell financial assets**
It includes financial assets that are acquired with the intention of holding them to collect contractual cash flows and sell the 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 includes 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 profit or loss. The FV RDG option and the FV OSD option are also permitted by IFRS 9 (the latter applies to equity securities)..

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

Financial assets are classified into the portfolio of "financial assets measured at fair value through profit or loss", "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 amortized cost". The fundamental difference between the aforementioned categories is in the approach to measuring financial assets and recognizing fair value in the financial statements, as explained below.

All regular transactions in financial instruments are recognized in the statement of financial position on the settlement date. The settlement date is the date on which the financial asset is delivered or transferred by the Bank. Under the settlement date method of recognizing transactions, under which the underlying asset or liability is not recognized until the settlement date, changes in the fair value of the underlying asset or liability are recognized in the statement of financial position from the trade date.

Upon initial recognition, the Bank measures a financial asset or financial liability at its fair value plus, except in the case of financial assets at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or delivery of the financial asset or financial liability.

Derecognition of financial assets due to significant changes in contractual terms

The Bank derecognises financial assets, such as loans to customers, when the contractual terms are significantly modified to the extent that it constitutes a new loan. The difference is recognised as profit or loss on derecognition, to the extent that no impairment was previously recognised. Re-recognised loans are classified in risk group A1 for the purposes of measuring expected credit losses, unless the new loan is classified in the "POCI" category. When assessing whether to derecognise a loan, in addition to quantitative factors, the Bank also considers the following: whether the currency of the loan has changed, the introduction of contractual equity provisions, a change in the counterparty and whether the modification is such that the instrument no longer meets the SPPI criteria.

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

There is no derecognition unless the modification results in significantly different cash flows. The Bank recognizes a gain or loss from the modification of the contractual terms based on the modified cash flows discounted at the original effective interest rate, to the extent that no impairment was previously recognized.

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

A financial asset (or a part of it, or a group of financial assets) is derecognized when the rights to receive cash flows from the asset have expired or when the cash flows have been transferred and

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

The Bank considers that a transfer of control has occurred only when the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can 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 asset, it continues to recognize the asset to the extent that the Bank's involvement in the asset continues.

Collateral (e.g. shares and bonds) provided by the Bank in standard repurchase agreements and securities-based lending transactions are not derecognized. Based on the pre-determined repurchase price, the Bank retains substantially all the risks and rewards, therefore the conditions for derecognition are not met.

Netting of financial instruments

Financial assets and liabilities are set off, and are reported in the net amount in the statement of financial position, only in the case when there is a legally enforceable right to set off recognized amounts and there is an intention to settle on a net basis, or the realization of assets and the settlement of liabilities take place simultaneously. Income and expenses are reported in the net amount only if this is allowed 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 partially or fully written off only when the Bank has stopped receiving payments. If the amount that needs to be written off is greater than the accumulated amount of the provision for impairment, first the provision is increased for the difference, and then the write-off is carried out by reducing the gross receivables at the expense of the provision. All subsequent collections are recognized as income in the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are assets that do not meet the condition that the related cash flows consist solely of payments of principal and interest on the outstanding principal amount, i.e. they are assets that do not meet the criteria of the other two categories of financial assets.

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

These instruments are initially recognized at cost and later remeasured at fair value based on quoted purchase prices in an 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:

- the financial assets are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the financial assets, and
- based on the contractual terms of the financial asset, cash flows arise on specific dates that are solely payments of principal and interest on the outstanding principal amount.

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

Upon initial recognition of financial assets measured at fair value through other comprehensive income for investments in debt securities, the assets are recorded at their fair value increased by transaction costs that are directly attributable to the acquisition of those financial assets.

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

Interest and dividends are recognized in the income statement, while impairment and exchange rate differences are recognized in other comprehensive income.

In the event of derecognition of a financial instrument, amounts recognized through other comprehensive income are not recognized in the income statement.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both conditions are met:

- the financial asset is held within a business model whose purpose is to hold the financial asset to collect contractual cash flows and
- based on the contractual terms of the financial asset, cash flows arise on specific dates that are solely payments of principal and interest on the outstanding principal amount.

Upon initial recognition of financial assets measured at amortized cost, the assets are recorded at their fair value increased by transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement is carried out at amortised cost, and the effects of subsequent measurement are recognised in the income statement. Interest, impairment and exchange differences are also recognised in the income statement.

The Bank classifies primarily loans and advances to customers and other receivables into this portfolio. Loans and receivables are measured initially at fair value and subsequently at amortised cost using the effective interest method, less any allowance for impairment. Costs to third parties, such as loan insurance fees, are treated as part of the transaction cost, as are customer fees. Loan origination fees that are likely to result in drawdown are deferred, together with any related direct costs, and recognised as an adjustment to the effective yield on the loan and interest income is adjusted for them.

Impairment of financial assets

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

Using the impairment methodology, the Bank defines an increase in credit risk based on changes in creditworthiness, regularity in meeting the debtor's obligations, and the quality of collateral instruments.

Financial assets measured at amortized cost, including off-balance sheet exposures from loan commitments and financial guarantee contracts, as well as financial assets measured at fair value through other comprehensive income, other than equity instruments, which together represent receivables for which impairment conditions apply, are classified by the Bank into the following categories at reporting dates for the purpose of assessing the amount of value adjustments and provisions for expected credit losses based on an assessment of the level of expected credit losses:

- In risk group A1 - in accordance with the internal act, exposures where no significant increase in credit risk has been determined (from the moment of initial recognition) are allocated. For them, impairments and provisions for expected credit losses are determined on the basis of 12-month expected credit losses, which represent part of the lifetime expected credit losses that would occur if the default status occurs in the next 12 months.
- In risk group A2 (increased level of credit risk) - in accordance with the internal act, exposures are allocated where a significant increase in credit risk has been

determined since the moment of initial recognition, however, there is no objective evidence of impairment. For them, impairments and provisions for credit losses are determined on the basis of lifetime expected credit losses.

- In risk groups B and C (impaired) - in accordance with internal regulations, exposures in default status are classified, i.e. exposures for which objective evidence of impairment has been established. The Bank also considers restructured exposures as defaulted exposures, as well as exposures to debtors against whom bankruptcy or liquidation has been initiated.

The level of impairment for individual exposures classified in risk groups B and C is determined as the positive difference between the gross carrying amount of the individual exposure and the present value of the debtor's estimated future cash flows, discounted using the effective interest rate, taking into account the minimum impairment levels prescribed by internal regulations.

For exposures in categories B and C (Stage 3) in the small loan portfolio, expected credit losses are determined according to days past due, taking into account the minimum levels of impairment prescribed by internal regulations.

The Bank determines the required impairment based on the calculation of expected credit losses, whereby the chosen approach and the future time horizon to which the calculated 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. These are modeled on the basis of historical data and taking into account future events based on macroeconomic scenarios.

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

For the purposes of assessing the value of the PD parameter, the Bank divided all segments of credit clients into rating classes and assigned each rating class, which is considered a PD-homogeneous group, an appropriate one-year PD value as well as the corresponding multi-year term structure of PDs, which is adjusted to the expected values of relevant macroeconomic factors.

The loss given default (LGD) is an internal estimate of the level of loss related to credit exposure in the event of default status. The bank estimated the value of the LGD parameter through the so-called "work-out" of the assessment method, which was based on the analysis of historical cases of post-default collection. 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 an impairment loss needs to be created.

The Bank applies a conversion factor of 1 when estimating provisions for off-balance sheet items. In estimating cash flows, management makes judgments about the financial condition of the debtor and the net market value of any underlying collateral.

Fair value measurement

Fair value is the price that would be received at the measurement date to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market to which the Bank has access at that date.

When possible, the Bank measures the fair value of an instrument using a quoted price in the principal 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 from a price service, from an intermediary, broker or pricing agency 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 reliably measured based on market prices, the Bank determines fair value by applying one of the valuation techniques (except for certain equity and debt securities that are not listed on the stock exchange) that use relevant and identifiable parameters to the greatest extent possible, and to the least extent parameters that are not market-observable.

The selected valuation techniques include all factors that market participants would use to value the transaction. Valuation techniques include: the comparable company method, the book value method, and the discounted cash flow method, with the comparable company method and the book value method being the primary valuation methods.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, bond and stock prices, foreign exchange rates, stock index prices, and volatilities 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 on the discretionary nature of estimates and ensures that fair value can be confirmed.

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

The fair value of a demand deposit is not less than the amount to be paid on demand, discounted from the first date when payment can be requested.

Fair value hierarchy

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

- Level 1 inputs are (unadjusted) quoted prices in active markets for identical 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 observable for the underlying asset or liability, either directly or indirectly, and
- Level 3 inputs are inputs about the underlying asset or liability that are not observable.

The Bank occasionally takes over assets in exchange for unpaid receivables in enforcement proceedings. The taken-over assets are classified in the statement of financial position as other assets held for sale. The Bank acquires ownership of the assets based on the Award Decision. The assets are recorded in the Bank's business books at the lower of acquisition cost and net recoverable value. The taken-over assets are tested for impairment annually. An impairment loss is recognized as the difference between the carrying amount of the asset and its recoverable amount in the period in which it was determined through the income statement. The recoverable amount is the fair

Assets taken in exchange for uncollectible receivables

value of the asset less costs to sell. The fair value of the asset is determined based on an independent assessment of the market value of the property by a certified appraiser or based on a preliminary contract for the sale of the property.

The Bank does not depreciate fixed assets classified as held for sale. The Bank recognizes an impairment loss arising on subsequent measurement of a fixed asset in the income statement. Subsequent gains from increases in the fair value of previously impaired assets are recognized in the income statement at the time of sale. The Bank derecognises assets held for sale when it sells such assets. Gains or losses on the sale of assets held for sale are recognized in the income statement.

Real estate investments

Investment property, which is property held for rental income and/or capital appreciation, including property under construction for such purposes. Investment property is measured initially at cost, which includes transaction costs. After initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. Any interest held by the Bank in property held under an operating lease for rental income or capital appreciation is accounted for as an investment property (investment property) and measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Investment property is derecognized, i.e., it is derecognized by sale or permanent retirement, as well as when no future economic benefits are expected from its disposal. Any gain or loss arising from the derecognition of the property, determined as the difference between the net proceeds from the sale and the net book value of the property in question, is included in profit or loss in the period in which the property is derecognized.

Assets intended for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continued use. This condition is considered to be met only when the asset or disposal group is currently available for sale in its present condition under terms that are customary for the sale of this type of asset or disposal group and if the sale is highly probable. The Bank's management must demonstrate its firm commitment to the sale, which it expects to qualify for recognition as a completed sale within one year from the date of classification in this category.

Repurchase and resale transactions

Securities sold under repurchase and sale transactions (repo transactions) are included in the financial statements, and the liability to the counterparty is included in liabilities to customers. Securities purchased under resale obligations are recorded as placements with other banks or loans to customers. The difference between the sale and repurchase price is recorded as interest and is amortized evenly over the period to maturity.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When an asset is sold or retired, its cost and accumulated depreciation are eliminated from the accounting records, and any gains or losses arising from its derecognition are included in the income statement. The initial cost of property and equipment comprises its purchase price, including customs duties and non-refundable taxes, and all direct costs necessary to bring the asset to its working condition and purpose. Costs incurred after the asset has been put into service, such as

repairs and maintenance costs, are charged to the income statement in the period in which they are incurred. Assets under construction form part of property and equipment under construction and are stated at cost. This includes construction costs and other direct costs. Assets under construction are not depreciated until they are completed and put into service and are classified in the appropriate property and equipment group. Depreciation of property and equipment is calculated using the straight-line method over their useful lives. The useful lives of assets are shown as follows:

	2025	2024
BUILDINGS	40	40
MOVABLES	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 value, useful life and depreciation methods are reviewed at least at the end of each reporting period and changed as necessary. The carrying amounts of property and equipment are reviewed when events or changed circumstances indicate that the carrying amounts are not recoverable.

Intangible assets

Intangible assets are initially recognized at cost. Intangible assets are recognized when it is probable that future economic benefits attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization of intangible assets is calculated using the straight-line method over their estimated useful lives. The amortization period and method are reviewed at each reporting period.

Intangible assets are amortized over a period of 5 to 15 years (software). At least once, at the end of each year, it is necessary to review the amortization period and amortization method. Changes in the expected useful life or the expected pattern of consumption of the asset's future economic benefits are reflected in a change in the amortization period or amortization method and are treated as changes in accounting estimates.

Impairment of non-financial assets

Property, equipment and intangible assets are assessed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Where the carrying amount exceeds the recoverable amount, a loss is recognised in the income statement for items of property, equipment and intangible assets carried at cost. The recoverable amount is the higher of the asset's net selling price and its value in use.

Right of use assets

When entering into a contract, the Bank assesses whether it is a lease agreement, or whether a particular contract contains elements of a lease. Right-of-use assets are leased assets for which, under the lease agreement, the right to directly use and control over its use is transferred for a specified period of time in exchange for compensation.

The exception is short-term leases where the lease term is less than 12 months or the lease is for low-value assets (up to \$5,000, e.g., leases of laptops, printers, telephones, cash registers, small office furniture, etc.). All payments related to such leases are recognized as an expense in the lessee's books over the lease term.

Liabilities based on property leases

In the business books, the right of use assets are recorded as leased assets depending on the subject of the lease (e.g. buildings, equipment, cars, etc.).

Right-of-use assets are initially measured at cost, which includes:

- the amount of the initial obligation based on the lease,
- all payments based on the lease that were made on or before the first day of the lease, minus any payments received in connection with the lease,
- all initial direct costs incurred by the lessee (eg fees to intermediaries, legal and administrative costs of contract processing, etc.).

After initial recognition, right-of-use assets are subsequently measured using the cost model, i.e. they are depreciated until the end of the lease term or the end of their useful life, whichever is earlier, and reduced by accumulated depreciation.

Lease liabilities are initially measured at the present value of all lease payments outstanding on the first day of the lease term, plus fixed lease payments. The monthly installment amount to be discounted does not include VAT.

Payments should be discounted at the interest rate contained in the lease. In the event that the interest rate is not contained in the lease agreement, and is not easily determined, discounting should be performed at the incremental borrowing rate.

The lessee's incremental borrowing rate refers to the rate that the lessee would have to pay to borrow the funds it needs to acquire an asset of similar value as a right-of-use asset in a similar economic environment, over a similar period and with similar guarantees.

The lease liability is subsequently measured by:

- increasing the carrying amount of the liability by the amount of interest on the lease liability,
- decreasing the carrying amount of the liability by the lease payments made (excluding VAT),
- re-measuring and adjusting the carrying amount to reflect any reassessments, lease modifications or revisions to fixed lease payments.

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

Goodwill

It is tested for impairment annually due to possible losses. Impairment testing is performed using the cost of capital method - CAPM model that includes general and specific risks. For the purpose of impairment testing, goodwill is allocated to each organizational unit created by the merger that generates revenues (from which benefits are expected in the future period). Organizational units that generate revenues and to which goodwill has been allocated are tested for impairment at least once a year or more frequently if there are indications of a possible loss of its value.

Where the recoverable amount is less than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of goodwill allocated to the unit and then proportionately to the other organisational units of the cash-generating asset. Any loss arising from the reduction to fair value is recognised in profit or loss. Once an impairment loss on goodwill has been recognised, it is not reversed in subsequent

Provisions for contingent liabilities

periods. On disposal of a cash-generating unit, the related amount of goodwill is included in the determination of profit or loss on disposal.

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.

Businesses that are conducted in the name and at the account of others

The Bank manages significant amounts of assets for third parties and charges a fee for this service. These assets are not reflected in the Bank's statement of financial position (see note 29).

2.2. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

Assessments

The Bank makes estimates and assessments about uncertain events, including estimates and assessments about the future. Such accounting assumptions and estimates are regularly reviewed and are based on historical experience and other factors such as the expected course of future events that can be reasonably assumed under the existing circumstances, but nevertheless inevitably represent sources of uncertainty. In the process of applying the Bank's accounting policies, the Management Board has made the following assessments, other than those involving estimates, that have the most significant effect on the amounts reported in the financial statements.

Uncertainty assessment

Key forward-looking assumptions and other key sources of estimation uncertainty at the reporting date that create a significant risk of causing significant adjustments to the carrying amounts of assets and liabilities in the next financial year are set out below.

Provisions for impairment of loans and receivables

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

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

When determining whether it is necessary to recognize an impairment loss, the Bank assesses whether there is objective evidence indicating a decrease in the estimated future cash flows determined before the decrease was determined for an individual loan in that portfolio. The methodology and assumptions used in estimating the amount and timing of future cash flows are regularly reviewed in order to reduce differences between estimated and actual losses.

Provisions for litigation

Provisions (Note 26) are recognized when the Bank has a present legal or construc-

tive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Management maintains provisions at a level it considers sufficient to cover estimated losses, and determines the adequacy based on a review of individual receivables, existing legal circumstances and other relevant factors.

Employee reservations

Provisions for employees are based on the Bank's Employee Benefits Policy and the associated regulations, which together define the basic principles and rules regarding employee benefits. The aforementioned acts prescribe general requirements regarding benefits applicable to all employees and special (specific) requirements applicable to certain identified employees, as well as the components, types and proportions of fixed and variable benefits. Variable benefits include bonuses, individual awards, incentive parts of collective performance awards and other similar payments that can be paid in cash or financial instruments. These liabilities to employees are recognized in the period in which the corresponding services are provided and in the amount expected to be paid.

Income tax

The Bank is subject to income tax in the Republic of Croatia. The Bank recognizes liabilities for expected possible tax issues upon tax audit, which are based on estimates of whether additional tax liability will arise. If the final tax outcome of these tax issues differs from the amount originally calculated, the resulting differences will affect the provisions for income tax and deferred tax in the period in which the aforementioned provision was made. Calculations supporting the tax return may be subject to review and approval by local tax authorities.

3. INCOME AND EXPENSES FROM INTEREST AND SIMILAR INCOME AND EXPENSES

IN THOUSANDS OF EUROS	2025	2024
INTEREST INCOME		
CORPORATE	6,923	8,531
RETAIL	8,596	8,475
SECURITIES	3,666	3,310
BANKS	4,842	6,221
PUBLIC SECTOR AND OTHER SECTORS	784	947
	24,811	27,484
INTEREST EXPENSES		
CORPORATE	(1,977)	(1,910)
RETAIL	(2,656)	(2,151)
BANKS	(539)	(750)
PUBLIC SECTOR AND OTHER SECTORS	(111)	(181)
	(5,283)	(4,992)
NET INTEREST INCOME	19,528	22,492

Interest income includes deferred fees on placements in the total amount of EUR 733 thousand (in 2024: EUR 678 thousand), which are recognized in accordance with the effective interest rate method.

IN THOUSANDS OF EUROS	2025	2024
INTEREST INCOME FROM:		
PARTIALLY RECOVERABLE LOANS	50	52
COMPLETELY NON-REFUNDABLE LOANS	148	164
	198	216

4. INCOME AND EXPENSES FROM FEES AND COMMISSIONS

IN THOUSANDS OF EUROS	2025	2024
INCOME FROM FEES AND COMMISSIONS		
FEES AND COMMISSIONS FOR PAYMENT SERVICES	2,714	2,652
FEES AND COMMISSIONS ON CARD SERVICES	3,148	3,123
FEES AND COMMISSIONS FROM CREDIT OPERATIONS	822	632
FEES AND COMMISSIONS FROM SECURITIES TRADING	262	218
OTHER INCOME FROM FEES AND COMMISSIONS	691	693
	7,637	7,318
FEE AND COMMISSION EXPENSES		
CASH HANDLING FEES	(522)	(539)
PAYMENT SERVICE FEES	(367)	(349)
FEES FOR INTERBANK SERVICES	(55)	(40)
CARD SERVICE FEES	(1,036)	(1,136)
OTHER EXPENSES FROM FEES AND COMMISSIONS	(700)	(615)
	(2,680)	(2,679)
NET INCOME FROM FEES AND COMMISSIONS	4,957	4,639

Other fee income mostly relates to fees collected at the bank's counters upon payments made in the amount of EUR 408 thousand (in 2024: EUR 410 thousand).

5. OTHER NET INCOME FROM OPERATIONS

IN THOUSANDS OF EUROS	2025	2024
NET REALIZED GAIN/(LOSS) FROM SALE OF SECURITIES FROM THE PORTFOLIO FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	36	-
INCOME FROM PURCHASE AND SALE OF FOREIGN CURRENCIES	160	91
RENT INCOME	166	175
EXPENSES FROM PURCHASE AND SALE OF SECURITIES FROM THE PORTFOLIO AT FAIR VALUE THROUGH PROFIT OR LOSS	(87)	(955)
NET GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	72	-
DIVIDEND INCOME	161	184
COURT FEE RECOVERY	87	41
NET PROFIT / (LOSS) FROM DISPOSAL OF FORECLOSED PROPERTIES	(51)	815
RECOVERIES OF LOANS WRITTEN OFF IN PRIOR YEARS	23	29
FOREIGN CURRENCY TRANSLATION AT MID-RATE	31	35
OTHER INCOME	409	372
	1,007	787

6. IMPAIRMENT AND PROVISION EXPENSES

IN THOUSANDS OF EUROS	2025	2024
PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS AND BANKS (NOTES 11, 12, 13)	(58)	(4,223)
IMPAIRMENT OF DEBT SECURITIES IN THE PORTFOLIO AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NOTE 15)	(33)	-
IMPAIRMENT OF DEBT SECURITIES IN THE PORTFOLIO HELD TO MATURITY (NOTE 16)	5	3
IMPAIRMENT OF OTHER ASSETS (NOTE 21)	(90)	(81)
IMPAIRMENT OF INVESTMENT PROPERTY (NOTE 20)	(65)	(8)
REVERSAL/(REDUCTION) OF GUARANTEES AND CONTINGENT LIABILITIES (NOTE 26)	(414)	386
PROVISIONS FOR LITIGATION (NOTE 26)	(134)	-
	(789)	(3,923)

7. ADMINISTRATIVE BUSINESS EXPENSES

IN THOUSANDS OF EUROS	2025	2024
PERSONNEL EXPENSES	8,798	8,064
MATERIALS AND SERVICES	4,037	3,409
RENTAL AND SOFTWARE MAINTENANCE COSTS	854	811
DEPOSIT INSURANCE PREMIUMS	249	-
TAXES AND CONTRIBUTIONS ON INCOME	201	187
LITIGATION SETTLEMENT COSTS	11,774	-
OTHER EXPENSES	221	140
	26,134	12,611

Other expenses include advertising, sponsorship, and donation costs, as well as other miscellaneous expenses.

Litigation settlement expenses relate to one-off extraordinary costs recognized following a ruling by the Supreme Court of the Republic of Croatia, comprising damages awarded to the plaintiff and legal proceedings costs. On 22 December 2025, the Bank received a ruling from the Supreme Court of the Republic of Croatia, case number Rev-913/2023 dated 14 May 2025, issued in legal proceedings initiated by the plaintiff Dalekovod against Podravska banka d.d. as the defendant.

The aforementioned ruling reversed the judgment of the High Commercial Court of the Republic of Croatia, case number Pž-4194/2021-3 dated 14 February 2022, in a manner that the Bank's appeal was dismissed and the judgment of the Commercial Court in Zagreb, case number P-770/2016 dated 12 July 2021, was upheld. Pursuant to the ruling, the enforcement proceedings conducted by the Bank as the creditor against the Plaintiff as the debtor for the collection of outstanding receivables are declared inadmissible, and the Bank is ordered to pay the Plaintiff the amount of HRK 53,992,998.82 (EUR 7,166,102.44) plus applicable default interest and court costs.



Personnel expenses

IN THOUSANDS OF EUROS	2025	2024
NET SALARIES	4,264	4,055
PENSION INSURANCE CONTRIBUTIONS	1,115	1,028
HEALTH INSURANCE CONTRIBUTIONS	994	935
INCOME TAX AND SURTAX	682	643
PROVISIONS FOR EMPLOYEE BENEFITS	337	(12)
SUPERVISORY BOARD REMUNERATION	789	713
OTHER PERSONNEL COSTS	617	702
	8,798	8,064

As at 31 December 2025, the Bank had 212 employees (2024: 223 employees).

8. DEPRECIATION AND AMORTIZATION

IN THOUSANDS OF EUROS	2025	2024
AMORTIZATION OF INTANGIBLE ASSETS (NOTE 17)	770	710
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 18)	453	434
DEPRECIATION OF RIGHT-OF-USE ASSETS (NOTE 19)	739	730
	1,962	1,874

9. INCOME TAX

Income tax is calculated at the rate of 18% on taxable profit (2024: 18%). Tax returns remain open and subject to inspection for a period of at least three years. The Management believes that tax liabilities are adequately provided for in the accompanying financial statements..

Tax expense includes:

IN THOUSANDS OF EUROS	2025	2024
CURRENT TAX EXPENSE	-	1,882
DEFERRED TAX (INCOME) / EXPENSE	(922)	139
INCOME TAX ON REALIZED GAINS FROM EQUITY SECURITIES (RECOGNIZED IN EQUITY)		(32)
TAX (INCOME) / EXPENSE	(922)	1,989

The reconciliation between accounting profit and taxable profit is as follows:

IN THOUSANDS OF EUROS	2025	2024
(LOSS) / PROFIT BEFORE TAX	(3,393)	9,510
STATUTORY TAX RATE	18%	18%
EXPECTED TAX	-	1,712
TEMPORARY DIFFERENCES		
UNREALIZED LOSS ON FINANCIAL ASSETS	113	953
DEFERRED LOAN ORIGATION FEES	(102)	(29)
PROVISIONS FOR COURT COSTS - INTEREST	14	5
PROVISIONS FOR EMPLOYEE BENEFITS	340	(50)
REALIZED LOSS ON SALE OF REPOSSESSED ASSETS (INVESTMENTS)	(61)	(137)
IMPAIRMENT OF REPOSSESSED ASSETS	96	96
LOSS ON FINANCIAL ASSETS	(2,933)	(129)
NET TEMPORARY DIFFERENCES	(2,533)	709
PERMANENT DIFFERENCES		
TAX EFFECT OF NON-TAXABLE INCOME	(108)	(118)
DIVIDENDS RECEIVED	(108)	(118)
TAX EFFECT OF NON-DEDUCTIBLE EXPENSES	360	354
ENTERTAINMENT AND TRANSPORT EXPENSES	66	57
DEPRECIATION IN EXCESS OF PRESCRIBED RATES	13	6
EFFECTS OF ASSETS UNDER OPERATING LEASE	162	93
WRITE-OFF OF RECEIVABLES	40	2
RETAINED EARNINGS FROM SALE OF EQUITY SECURITIES	15	181
OTHER	64	15
NET PERMANENT DIFFERENCES	252	236
TAXABLE PROFIT	(5,674)	10,455
TAX BASE	(5,674)	10,455
INCOME TAX RATE	18%	18%
INCOME TAX LIABILITY	-	1,882
CURRENT TAX EXPENSE	-	1,882
DEFERRED TAX (INCOME) / EXPENSE	(922)	139
INCOME TAX ON REALIZED GAINS FROM EQUITY SECURITIES RECOGNIZED IN EQUITY		(32)
TOTAL INCOME TAX EXPENSE	(922)	1,989
EFFECTIVE TAX RATE	0.00%	19.79%

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

2025				
IN THOUSANDS OF EUROS	OPENING BALANCE	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
LOSS ON FINANCIAL ASSETS	71	-	-	71
LOSS ON OTHER INVESTMENTS	154	6	-	160
DEFERRED LOAN ORIGATION FEES	166	(18)	-	148
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(73)	-	(96)	(169)
IMPAIRMENT OF FINANCIAL ASSETS	220	(151)	-	69
PROVISIONS FOR COURT CASES - INTEREST	6	3	-	9
PROVISIONS FOR EMPLOYEE BENEFITS	56	61	-	117
TAX LOSS	-	1,021	-	1,021
	600	922	(96)	1,426

2024				
IN THOUSANDS OF EUROS	OPENING BALANCE	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
LOSS ON FINANCIAL ASSETS	71	-	-	71
LOSS ON OTHER INVESTMENTS	162	(7)	-	155
DEFERRED LOAN ORIGATION FEES	171	(5)	-	166
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	46	-	(119)	(73)
IMPAIRMENT OF FINANCIAL ASSETS	338	(119)	-	219
PROVISIONS FOR COURT CASES - INTEREST	5	1	-	6
PROVISIONS FOR EMPLOYEE BENEFITS	65	(9)	-	56
	858	(139)	(119)	600

Deferred tax assets and deferred tax liabilities are recognized at the rate of 18% (2024: at the rate of 18%).

10. EARNINGS PER SHARE

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

	2025	2024
(LOSS) / PROFIT FOR THE CURRENT YEAR (IN THOUSANDS OF EUROS)	(2,471)	7,521
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES DURING THE YEAR	668,749	668,749
(LOSS) / EARNINGS PER SHARE (IN EUR) – BASIC AND DILUTED (LOSS)	(3.70)	11.25

11. CASH AND BANK ACCOUNTS

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	5,121	4,159
OVERNIGHT DEPOSITS WITH THE CROATIAN NATIONAL BANK	212,012	195,017
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	1,840	4,323
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	14,914	6,091
CASH ON HAND	10,592	10,009
OTHER ITEMS	9,059	-
	253,538	219,599
IMPAIRMENT ALLOWANCE	(148)	(93)
	253,390	219,506

Movement in expected credit loss (ECL) allowances

IN THOUSANDS OF EUROS	2025	2024
BALANCE AS AT 1 JANUARY	93	14
RECLASSIFICATION - TRANSFER FROM LOANS TO CLIENTS	-	48
INCREASE	60	31
FOREIGN EXCHANGE DIFFERENCES	(5)	-
BALANCE AS AT 31 DECEMBER	148	93

Cash and cash equivalents for the purposes of the cash flow statement can be presented as follows:

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	5,121	4,159
OVERNIGHT DEPOSITS WITH THE CROATIAN NATIONAL BANK	212,012	195,017
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	1,840	4,323
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	14,914	6,091
CASH ON HAND	10,592	10,009
CASH EQUIVALENTS - DEPOSITS WITH OTHER BANKS (NOTE 13)	11,702	15,584
OTHER ITEMS	9,059	-
	265,240	235,183

12. PLACEMENTS WITH OTHER BANKS

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
SHORT-TERM TIME DEPOSITS	11,702	15,584
LONG-TERM TIME DEPOSITS	5,765	5,461
REVERSE REPO LOANS	-	570
	17,467	21,615
IMPAIRMENT ALLOWANCE	(56)	(69)
	17,411	21,546

Short-term time deposits with banks in 2025 relate to short-term deposits contracted with one domestic and one foreign bank (2024: short-term deposits contracted with two domestic and one foreign bank). Long-term time deposits in 2025 relate to one deposit contracted with a domestic bank (2024: one long-term deposit contracted with a domestic bank).

In 2025, the Bank had no reverse repo agreements in place.

Reverse repo loans in the amount of EUR 570 thousand in 2024 related to two agreements contracted with a domestic counterparty. As collateral for these repo transactions, bonds issued by domestic issuers were received, specifically ISIN HRK-BZoO316A9 with a nominal value of EUR 500,000 and ISIN HREUDSO27CE8 with a nominal value of EUR 675,000.

Movement in expected credit loss (ECL) allowances

IN THOUSANDS OF EUROS	2025	2024
BALANCE AS AT 1 JANUARY	69	50
INCREASE / (DECREASE)	(13)	18
FOREIGN EXCHANGE DIFFERENCES	-	1
BALANCE AS AT 31 DECEMBER	56	69

Geographical analysis

The geographical analysis includes time deposits and current accounts (Note 11) held with foreign banks.

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
AUSTRIA	2,180	2,962
UNITED STATES OF AMERICA	1,070	1,177
BELGIUM	231	107
MONTENEGRO	22	9,023
CANADA	20	14
SLOVENIA	16	41
ITALY	2	1
	3,541	13,325

13. LOANS TO CLIENTS

a) Analysis by type of client

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
RETAIL		
- IN DOMESTIC CURRENCY	177,817	171,386
	177,817	171,386
CORPORATE		
- IN DOMESTIC CURRENCY	152,686	173,763
	152,686	173,763
GROSS LOANS TO CLIENTS	330,503	345,149
IMPAIRMENT ALLOWANCE	(27,349)	(28,846)
TOTAL NET LOANS TO CLIENTS	303,154	316,303

b) Analysis by sector

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
RETAIL	177,817	171,386
WHOLESALE AND RETAIL TRADE	28,784	32,973
MANUFACTURING	22,314	22,582
AGRICULTURE AND FORESTRY	18,561	15,745
CONSTRUCTION	13,978	19,408
REAL ESTATE ACTIVITIES	10,310	19,906
HOTELS AND RESTAURANTS	9,557	8,382
ELECTRICITY, GAS AND WATER SUPPLY	7,344	6,693
TRANSPORT, STORAGE AND COMMUNICATION	4,929	4,752
FOOD AND BEVERAGE PRODUCTION	2,989	4,404
OTHER SECTORS	33,920	38,918
	330,503	345,149
IMPAIRMENT ALLOWANCE	(27,349)	(28,846)
	303,154	316,303

c) Changes in the gross carrying amount of fully recoverable, partially and fully unrecoverable loans

2025			
IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3
BALANCE AS AT 1 JANUARY	293,225	18,910	33,015
TRANSFER TO STAGE 1	(5,371)	4,144	1,227
TRANSFER TO STAGE 2	1,306	(1,701)	395
TRANSFER TO STAGE 3	56	112	(168)
COLLECTIONS	(31,377)	(1,692)	(478)
REPAYMENTS AND WRITE-OFFS	(81,369)	(2,760)	(4,637)
NEW ASSETS ORIGINATED	112,630	2,913	1,182
BALANCE AS AT 31 DECEMBER	289,100	19,926	30,536
2024			
IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3
BALANCE AS AT 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)
COLLECTIONS	(24,894)	(1,224)	(1,138)
REPAYMENTS AND WRITE-OFFS	(44,649)	(1,574)	(7,176)
NEW ASSETS ORIGINATED	73,375	3,409	982
BALANCE AS AT 31 DECEMBER	293,225	18,910	33,015

During 2025, loans to clients amounting to EUR 7,107 thousand were restructured (2024: EUR 6,741 thousand).

During 2025, the Bank did not sell or purchase any loans.

In 2024, the Bank sold a gross amount of non-performing loans in the amount of EUR 53 thousand.

d) Provisions for losses

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	28,846	30,952
RECLASSIFICATION-TRANSFER TO CASH AND BANK ACCOUNTS	-	(48)
INCREASE IN IMPAIRMENT ALLOWANCES	9,820	13,307
CHARGED AMOUNTS	(9,775)	(9,137)
EXCHANGE RATE DIFFERENCES	-	3
WRITTEN-OFF AMOUNTS	(1,543)	(6,230)
BALANCE ON 31 DECEMBER	27,348	28,846

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 2025	31 DECEMBER 2024
INVESTMENTS IN INVESTMENT FUNDS	-	113
	-	113

Changes in investments during the year

a) Shares in investment funds

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	113	1,500
INCREASE	-	1,038
DECREASE	-	(1,470)
CHANGE IN FAIR VALUE/ REALIZATION	(113)	(955)
BALANCE ON 31 DECEMBER	-	113

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
BONDS	29,704	-
EQUITY SECURITIES	6,773	6,404
	36,477	6,404
IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(1,332)	(1,332)
	35,145	5,072

Investments in debt securities are presented as follows:

a) Bonds

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	-	-
PURCHASE	35,627	-
SALE	(5,793)	-
REALISED GAIN	36	-
CHANGE IN FAIR VALUE	(199)	-
IMPAIRMENT ALLOWANCES	33	-
BALANCE ON 31 DECEMBER	29,704	-

Investments in debt securities are presented as follows:

IN EUR THOUSANDS	2025	2024
BONDS OF DOMESTIC ISSUERS		
- MINISTRY OF FINANCE OF THE REPUBLIC OF CROATIA	11,709	-
- NON-FINANCIAL INSTITUTIONS	1,148	-
	12,857	-
BONDS OF FOREIGN ISSUERS		
- FOREIGN GOVERNMENTS	9,706	-
- NON-FINANCIAL INSTITUTIONS	7,141	-
	16,847	-
	29,704	-
IMPAIRMENT ALLOWANCES	-	-
	29,704	-

b) Equity securities

Investments in equity securities are presented as follows:

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
LISTED SECURITIES	6,414	5,579
UNLISTED SECURITIES	359	825
	6,773	6,404
IMPAIRMENT OF EQUITY SECURITIES	(1,332)	(1,332)
TOTAL	5,441	5,072

Changes in equity securities during the year:

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	5,072	4,466
PURCHASE	3,959	3,958
SALE	(4,298)	(4,162)
CHANGES IN FAIR VALUE	696	661
REALISATION	12	149
BALANCE ON 31 JANUARY	5,441	5,072

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

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
EQUITY SECURITIES OF DOMESTIC ISSUERS		
- FINANCIAL INSTITUTIONS	600	675
- NON-FINANCIAL INSTITUTIONS	3,707	3,068
	4,307	3,743
EQUITY SECURITIES OF FOREIGN ISSUERS		
- FINANCIAL INSTITUTIONS	1,113	1,076
- NON-FINANCIAL INSTITUTIONS	1,353	1,585
	2,466	2,661
	6,773	6,404
IMPAIRMENT OF EQUITY SECURITIES	(1,332)	(1,332)
	5,441	5,072

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

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
TYPE OF SECURITIES:		
DEBT SECURITIES	(166)	-
EQUITY SECURITIES	1,105	409
ACCRUED DEFERRED TAX (NOTE 9)	(169)	(73)
TOTAL FAIR VALUE RESERVE	770	336

Changes in the fair value reserve

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	336	(206)
CHANGE IN THE FAIR VALUE OF DEBT SECURITIES	(199)	-
CHANGE IN THE FAIR VALUE OF EQUITY SECURITIES	696	661
CHANGE IN PROVISIONS FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	33	-
ACCRUED DEFERRED TAX RECOGNISED IN EQUITY (NOTE 9)	(96)	(119)
BALANCE ON 31 DECEMBER	770	336

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

IN EUR THOUSANDS	2025	2024
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 2025	31 DECEMBER 2024
TREASURY BILLS	8,544	1,100
BONDS	125,143	137,122
GROSS CARRYING AMOUNT	133,687	138,222
IMPAIRMENT ALLOWANCES	(83)	(88)
TOTAL CARRYING AMOUNT	133,604	138,134

a) Treasury bills

Investment structure

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
TREASURY BILLS OF THE REPUBLIC OF CROATIA	1,123	370
TREASURY BILLS OF FOREIGN COUNTRIES	7,421	730
GROSS CARRYING AMOUNT	8,544	1,100
IMPAIRMENT ALLOWANCES	(2)	-
TOTAL CARRYING AMOUNT	8,542	1,100

Changes in held-to-maturity financial assets

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	1,100	2,528
PURCHASES	23,482	21,100
REDEMPTIONS	(16,038)	(22,529)
IMPAIRMENT ALLOWANCE	(2)	1
BALANCE ON 31 DECEMBER	8,542	1,100

b) Bonds

Investment structure

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
BONDS OF THE REPUBLIC OF CROATIA	65,460	71,496
BONDS OF LOCAL SELF-GOVERNMENT	345	345
BONDS OF FOREIGN COUNTRIES	27,550	30,171
BONDS OF DOMESTIC BANKS	2,808	2,805
BONDS OF FOREIGN BANKS	14,120	16,118
CORPORATE BONDS	14,860	16,187
GROSS CARRYING AMOUNT	125,143	137,122
IMPAIRMENT ALLOWANCES	(81)	(88)
TOTAL CARRYING AMOUNT	125,062	137,034

Changes in held-to-maturity financial assets

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	137,034	134,998
PURCHASES	21,921	36,556
REDEMPTIONS	(33,900)	(34,522)
IMPAIRMENT ALLOWANCES	7	2
BALANCE ON 31 DECEMBER	125,062	137,034

17. INTANGIBLE ASSETS

IN EUR THOUSANDS	SOFTWARE	GOODWILL	ASSETS UNDER DEVELOPMENT	TOTAL INTANGIBLE ASSETS
PURCHASE OR ESTIMATED VALUE				
BALANCE ON 1 JANUARY 2024	10,146	2,239	179	12,564
INCREASE	917	-	147	1,064
TRANSFERS FROM ASSETS UNDER DEVELOPMENT	-	-	-	-
DISPOSALS AND WRITE-OFFS	(9)	-	-	(9)
BALANCE ON 31 DECEMBER 2024	11,054	2,239	326	13,619
INCREASE	706	-	182	888
TRANSFER FROM ASSETS UNDER DEVELOPMENT	409	-	(409)	-
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2025	12,169	2,239	99	14,507
VALUE CORRECTION				
BALANCE ON 1 JANUARY 2024	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
EXPENSE FOR THE YEAR	770	-	-	770
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2025	6,286	-	-	6,286
NET BOOK VALUE				

BALANCE ON 31 DECEMBER 2024	5,538	2,239	326	8,103
BALANCE ON 31 DECEMBER 2025	5,883	2,239	99	8,221

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 8.1% (2024: 6.9%) and the long-term growth rate is -3.0% (2024: -3.0%).

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 2.46% (2024: 2.54%) 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 40% decrease in profitability (2024: 50%) and the deterioration of macroeconomic indicators and the country's credit rating, with the discount rate increasing to 2.46% (2023: 2.54%).

The test results are provided below:

	BALANCE ON 31 DECEMBER 2025	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
NET CARRYING AMOUNT AS AT 31 DECEMBER 2025	2,239	2,239	2,239	2,239
TOTAL PRESENT VALUE	18,267	5,624	14,690	1,444
IMPAIRMENT		-	-	(795)
	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		-	-	-

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 Požeška 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 IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
BALANCE ON 1 JANUARY 2024	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
INCREASES	15	76	422	436	40	-	989
TRANSFER FROM ASSETS UNDER CONSTRUCTION	-	-	-	-	-	-	-
DISPOSALS AND WRITE-OFFS	(201)	(42)	-	(16)	-	-	(259)
BALANCE ON 31 DECEMBER 2024	3,372	4,502	640	3,552	909	-	12,975
VALUE CORRECTION							
BALANCE ON 1 JANUARY 2024	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
EXPENSE FOR THE YEAR	73	103	46	228	3	-	453
DISPOSALS AND WRITE-OFFS	(103)	(42)	-	(16)	-	-	(161)
BALANCE ON 31 DECEMBER 2025	1,146	4,254	183	2,872	872	-	9,327
NET BOOK VALUE							
BALANCE ON 31 DECEMBER 2024	2,382	275	81	472	-	-	3,210
BALANCE ON 31 DECEMBER 2025	2,226	248	457	680	37	-	3,648

The Bank does not have tangible assets pledged as collateral for deposits or other funds received in 2025 and 2024

19. RIGHT-OF-USE ASSETS

IN EUR THOUSANDS	LAND AND BUILDINGS	MOTOR VEHICLES	IT EQUIPMENT	TOTAL
BALANCE ON 1 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
NEW LEASES AND CHANGES IN CONDITIONS	7,340	49	188	7,577
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(8,671)	(173)	(542)	(9,386)
BALANCE ON 31 JANUARY 2025	4,033	11	187	4,231
VALUE CORRECTIONS				
BALANCE ON 1 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
EXPENSE FOR THE YEAR	626	45	68	739
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(1,870)	(126)	(354)	(2,350)
BALANCE ON 31 JANUARY 2025	324	3	17	344
NETO KNJIGOVODSTVENA VRIJEDNOST				
BALANCE ON 31 DECEMBER 2024	3,796	51	238	4,085
BALANCE ON 31 DECEMBER 2025	3,709	8	170	3,887

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 2025	31 DECEMBER 2024
INVESTMENT PROPERTY	727	727
INVESTMENT PROPERTY – FORECLOSED ASSETS	2,046	2,046
	2,773	2,773
CHANGES IN FAIR VALUE	(871)	(806)
	1,902	1,967

Change in the fair value of property

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	806	953
DECREASE IN FAIR VALUE	65	8
SALES	-	(28)
RECLASSIFICATION IN TANGIBLE ASSET	-	(127)
BALANCE ON 31 DECEMBER	871	806

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 2025, recorded a decrease in the value of assets in the total amount of 65 thousand euros (in 2024: a decrease of 8 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. OTHER ASSETS

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
INCOME TAX RECEIVABLES	1,559	-
TANGIBLE ASSETS HELD FOR SALE	887	887
ACCRUED FEES AND COMMISSIONS	631	631
PAID EXPENSES OF THE FUTURE PERIOD	459	345
ASSETS TAKEN IN EXCHANGE FOR UNCOLLECTIBLE RECEIVABLES	212	966
OTHER ADVANCES	128	105
OTHER ASSETS	2,653	2,115
	6,530	5,049
IMPAIRMENT ALLOWANCES	(560)	(617)
	5,970	4,432

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 2025, the net value of the acquired assets amounted to EUR 208 thousand (in 2024: EUR 901 thousand). During 2025, the Bank sold a portion of the portfolio of acquired assets with a net value of EUR 693 thousand and did not acquire new assets in exchange for uncollectible receivables or reclassify acquired assets.

Assets acquired in exchange for uncollectible receivables are valued at the lower of acquisition cost and net recoverable value. The acquired assets are tested for impairment annually. To estimate the fair value of the assets, the Bank engages independent and certified appraisers who have experience in valuing similar assets and have no interest in the subject assets or interests related to the amount of the appraised value of the property. Appraisers prepare an appraisal report in accordance with the Real Estate Valuation Act and the associated Ordinance on Real Estate Valuation Methods, using legally prescribed and appropriate methods. Subsequent measurement of the property taken over in exchange for uncollectible receivables did not record any decrease or increase in the value of the property taken over in 2025 and 2024.

Changes in allowances for possible losses on other assets were as follows:

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	617	597
IMPAIRMENT OF OTHER ASSETS	300	223
AMOUNTS CHARGED	(239)	(142)
EXCHANGE RATE DIFFERENCES	(1)	-
AMOUNTS WRITTEN OFF	(56)	(78)
SALE OF FORECLOSED ASSETS	(61)	(110)
RECLASSIFICATION TO NON-CURRENT ASSETS HELD FOR SALE PORTFOLIO	-	127
BALANCE AS OF DECEMBER 31	560	617

22. LIABILITIES TO BANKS

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
SIGHT DEPOSITS, IN DOMESTIC CURRENCIES	13,737	6,540
SIGHT DEPOSITS, IN FOREIGN CURRENCIES	539	451
TERM DEPOSITS, IN FOREIGN CURRENCIES	1,701	2,394
	15,977	9,385

Liabilities to banks in 2025 and 2024 relate to sight deposits received from foreign banks.

23. LIABILITIES TO CUSTOMERS

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
RETAIL		
SIGHT DEPOSITS		
- IN DOMESTIC CURRENCY	249,118	223,299
- IN FOREIGN CURRENCIES	10,104	8,865
	259,222	232,164
TERM DEPOSITS		
- IN DOMESTIC CURRENCY	107,199	97,972
- IN FOREIGN CURRENCIES	9,130	11,296
	116,329	109,268
TOTAL RETAIL	375,551	341,432
CORPORATE		
SIGHT DEPOSITS		
- IN DOMESTIC CURRENCY	156,345	144,702
- IN FOREIGN CURRENCIES	8,735	4,899
	165,080	149,601
TERM DEPOSITS		
- IN DOMESTIC CURRENCY	98,923	69,714
- IN FOREIGN CURRENCIES	426	485
	99,349	70,199
TOTAL CORPORATE	264,429	219,800
TOTAL DEPOSITS TO CLIENTS	639,980	561,232

24. OTHER LOANS

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
LOANS FROM HBOR	7,334	9,178
REPO LOANS FROM THE CNB	-	33,573
REPO LOANS FROM BANKS	3,550	3,555
	10,884	46,306

Loans received from HBOR are intended for granting loans to corporate and retail clients in accordance with HBOR programmes aimed at supporting small and medium-sized enterprises, tourism and agriculture.

Repo loans relate to borrowings for which the Bank has pledged securities with an obligation to repurchase them at a specified future date.

During 2025, two long-term repo agreements with the Croatian National Bank matured.

In 2024, the Bank had two long-term repo loans with the Croatian National Bank, both bearing an annual interest rate of 0.25%. For these repo agreements, 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 at 31 December 2025, the Bank has one repo loan with a foreign bank bearing an interest rate of 2.85%, for which it pledged a bond issued by a domestic corporate issuer and a foreign sovereign bond.

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

25. OTHER LIABILITIES

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
LEASE LIABILITIES	3,965	4,268
ACCOUNTABLE LIABILITIES FOR LOANS GRANTED	3,090	3,073
ACCOUNTABLE LIABILITIES IN THE PROCESS OF PAYMENT	1,568	818
ACCOUNTABLE LIABILITIES FOR FUNDS RECEIVED	867	446
PROVISIONS FOR SEVERANCE PAY AND SIMILAR BENEFITS TO EMPLOYEES	725	388
ACCOUNTABLE LIABILITIES TO EMPLOYEES	575	589
ACCOUNTABLE LIABILITIES TO SUPPLIERS	507	415
DIVIDEND LIABILITIES	332	287
CURRENT INCOME TAX LIABILITY	-	872
ACCRUED FEES AND COMMISSIONS	64	96
OTHER LIABILITIES	293	252
	11,986	11,504

26. PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES

a) Analysis

IN EUR THOUSANDS	31 DECEMBER 2025	31 DECEMBER 2024
PROVISIONS FOR FRAMEWORK LOANS	878	444
PROVISIONS FOR GUARANTEES	497	460
PROVISIONS FOR LITIGATION	215	81
PROVISIONS FOR OTHER CONTINGENT LIABILITIES	4	61
	1,594	1,046

b) Changes in provisions

IN EUR THOUSANDS	2025	2024
BALANCE ON 1 JANUARY	1,046	1,432
INCREASE IN PROVISIONS MADE WITH RESPECT TO CREDIT RISK	2,669	2,421
DECREASE IN THE BALANCE OF PROVISIONS WITH RESPECT TO CREDIT RISK	(2,255)	(2,807)
INCREASE IN PROVISIONS FOR LITIGATION	134	-
BALANCE ON 31 DECEMBER	1,594	1,046

27. SUBORDINATED INSTRUMENTS ISSUED

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
SUBORDINATED BONDS ISSUED	15,431	16,340
	15,431	16,340

On 26 October 2021, a series of subordinated bonds designated PDBA-O-29AE, ISIN: HRPDBAO29AE2, was issued in dematerialised registered form, in the total issue amount of EUR 8,501 thousand, in a denomination of EUR 1, bearing a fixed annual interest rate of 4.0% with semi-annual payments, and with a bullet maturity of principal on 26 October 2029. The issuance was carried out simultaneously with the early redemption and exchange of the existing PDBA-O-255E bonds in the amount subscribed for the newly issued PDBA-O-29AE bonds (EUR 8,501 thousand).

The Bank on 15 February 2022 completed the subscription of a new series of subordinated bonds designated PDBA-O-312E, ISIN: HRPDBAO312E3, issued in dematerialised registered form, in the total issue amount of EUR 6,765,005,00, in a denomination of EUR 1, bearing a fixed annual interest rate of 4.0% with semi-annual payments and a bullet maturity of principal on 15 February 2031. The subordinated bonds were issued through a public offering without the publication of a prospectus.

The subordinated bonds designated PDBA-O-255E, ISIN: HRPDBAO255E4, issued on 29 May 2018 in dematerialised registered form, bearing a 4.0% annual interest rate with semi-annual payments, matured and were redeemed together with accrued interest on the maturity date, 29 May 2025.

The balance of issued subordinated bonds as at 31 December 2025 includes ISIN HRPDBAO29AE2 in the amount of EUR 8,564 thousand and ISIN HRPDBAO312E3 in the amount of EUR 6,867 thousand.

The balance of issued subordinated bonds as at 31 December 2024 includes ISIN HRPDBAO255E4 in the amount of EUR 906 thousand, ISIN HRPDBAO29AE2 in the amount of EUR 8,501 thousand and ISIN HRPDBAO312E3 in the amount of EUR 6,765 thousand.

The Bank's Tier 2 capital includes the unamortised amount of the issued subordinated bonds.

28. SHARE CAPITAL

The share capital consists of ordinary shares. The total number of issued shares at the end of 2025 amounts to 668,749 ordinary shares with a nominal value of EUR 55,00 per share (in 2024: 668,749 ordinary shares with a nominal value of EUR 55,00 per share).

The Bank holds 3,324 treasury shares as at 31 December 2025 (in 2024: 3,324 shares), recognised at acquisition cost.

The most significant shareholders of the Bank as at 31 December are as follows:

SHAREHOLDERS	2025		2024	
	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 THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
LEGAL RESERVES	32,721	28,527
RESERVES FOR TREASURY SHARES	2,234	2,234
RESERVES FOR GENERAL BANKING RISKS	677	677
NON-DISTRIBUTABLE RESERVES	35,632	31,438
CAPITAL LOSS FROM THE SALE OF TREASURY SHARES	(555)	(555)
FAIR VALUE RESERVES	770	336
DISTRIBUTABLE RESERVES	215	(219)
	35,847	31,219

In accordance with the Companies Act, a portion of the Bank's net profit must be transferred to non-distributable legal reserves until the total amount of reserves reaches 5% of the Bank's share capital or a higher amount as determined by the Articles of Association. General banking risk reserves were allocated in accordance with the regulations of the Croatian National Bank from the net profit generated in 2006. General banking risk reserves may be reallocated after a period of three consecutive years in which the Bank records an exposure growth rate lower than 15% per year. Other reserves may be distributed only with the approval of the General Assembly of shareholders.

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

30. FUNDS MANAGED IN THE NAME AND FOR THE ACCOUNT OF THIRD PARTIES AND SECURITIES CUSTODY SERVICES

The bank manages funds in the name and for the account 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 regular business the Bank has no obligations in connection with these transactions. The Bank charges a fee for its services.

Funds and resources for loans in the name and for the account can be shown as follows:

IN THOUSANDS OF EUROS	31 DECEMBER 2025	31 DECEMBER 2024
FUNDS		
LOANS TO INDIVIDUALS	1,207	1,201
CORPORATE LOANS	98	97
CASH	68	68
TOTAL	1,373	1,366
SOURCES		
FINANCIAL INSTITUTIONS	1,004	1,003
PUBLIC SECTOR	127	123
CORPORATE	242	240
TOTAL	1,373	1,366

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 2025	31 DECEMBER 2024
VALUE OF FINANCIAL INSTRUMENTS	104,945	139,375

31. CONTINGENT LIABILITIES AND COMMITMENTS

a) Litigation

On 31 December 2025 there were several legal cases outstanding against the Bank. According to the Management Board's assessment, provisions in the amount of EUR 215,000 (2024: 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 2025	31 DECEMBER 2024
COMMITMENTS – UNUSED LOANS	43,435	24,412
COMMITMENTS – UNUSED FRAME LOANS ON TRANSACTION ACCOUNTS	23,844	21,073
GUARANTEES	29,450	24,468
FOREIGN EXCHANGE LETTERS OF CREDIT	-	19
LETTERS OF INTENT	-	3,404
	96,729	73,376

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 2025	31 DECEMBER 2024
UP TO 1 YEAR	11	11
TOTAL	11	11

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 2025 and 31 December 2024, 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	
	2025	2024	2025	2024
LOANS				
OPENING BALANCE	457	362	3,197	2,720
INCREASE / (DECREASE) DURING YEAR	(27)	95	(2,727)	477
CLOSING BALANCE	430	457	470	3,197
REALISED INTEREST INCOME	17	14	94	148
DEPOSITS RECEIVED				
OPENING BALANCE	351	350	467	183
INCREASE / (DECREASE) DURING YEAR	121	1	(67)	284
CLOSING BALANCE	472	351	400	467
REALISED INTEREST EXPENSE	4	3	3	3

Management remuneration

IN EUR THOUSANDS	2025	2024
GROSS SALARIES AND OTHER SHORT-TERM BENEFITS	2,048	1,996

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 2025 and 2024, no costs are foreseen for bonuses to management. Fees to members of the Supervisory Board 2025 amounts to 789 thousand euros (in 2024: 713 thousand euros).

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

	31 DECEMBER 2025	31 DECEMBER 2024
MANAGEMENT BOARD	10,727	10,727
SUPERVISORY BOARD	132,786	132,786
TOTAL:	143,513	143,513

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

IN EUR THOUSANDS	2025	2024
BANK ACCOUNTS		
OPENING BALANCE	21	85
INCREASE / (DECREASE) DURING YEAR	1	(64)
CLOSING BALANCE	22	21
LIABILITIES TO BANKS AND PER ISSUED SUBORDINATE INSTRUMENTS		
OPENING BALANCE	7,128	6,794
INCREASE / (DECREASE) DURING YEAR	1,840	334
CLOSING BALANCE	8,968	7,128
IN EUR THOUSANDS		
INTEREST INCOME	6	2
FEE AND COMMISSION INCOME	6	18
TOTAL INCOME	12	20
INTEREST EXPENSE	271	328
FEE AND COMMISSION EXPENSE	7	9
TOTAL EXPENSE	278	337

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.

Credit risk

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.

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 to 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.

Market risk

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.

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 the risk of loss arising from errors, breaches, disruptions or damage caused by internal processes, personnel, systems or externally driven events. This definition includes legal risk, but excludes strategic risk and reputational risk.

Effective management of operational risk is based on understanding the significance of the impact of operational risks on the Bank's operations, on the allocation of re-

sponsibilities, and on effective control within the process of identifying, assessing, monitoring and controlling operational risks.

Operational risk management falls under the responsibility of the Directorate for Market, Operational and Other Risks Management, which includes data collection, reporting, and the analysis of existing and potential operational risk events and operational risk causes, as well as ensuring the availability of data necessary for effective operational risk management.

Operational risk events are collected in a single operational risk database.

For the calculation of the capital requirement for operational risk, the Bank applies the standardised approach.

The Directorate for Market, Operational and Other Risks Management monitors the Bank's exposure to operational risk, collects data related to operational risk (operational risk events, key risk indicators, sensitivity analyses), provides proposals for minimising and/or avoiding operational risk events, monitors and reports on the risk profile from the perspective of operational risks, participates in the implementation of new products and significant business changes, conducts employee training on operational risk, and regularly reports to the Management Board, the Operational Risk Management Committee and the Bank's senior management on operational risk exposures.

The objectives and fundamental principles of taking and managing operational risk, as well as the Bank's risk appetite for operational risk, are defined in the Operational Risk Management Policy and other internal acts.

For the purpose of protecting against operational risk, the Bank has developed a risk map and established a system for monitoring operational risk. Given the nature of operational risk, control is carried out by comparing losses with the assessed level of risk. The risk assessment is defined by internal methodology or through recorded 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 man-

agement 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 2025, the total capital adequacy rate was 22.17% (2024: 20.56%), and the Tier 1 and Common Equity Tier 1 capital rate was 18.36% (2024: 16.59%).

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 Common Equity Tier 1 capital ratio of 4.5%;
- a Tier 1 capital ratio of 6%;
- 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% (2024: 1.5%) 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 13,259 thousand (in 2024: EUR 14,959 thousand).

IN EUR THOUSAND	2025	2024
REGULATORY CAPITAL		
TIER 1 CAPITAL	63,902	62,462
COMMON EQUITY TIER 1 CAPITAL	63,902	62,462
TIER 2 CAPITAL	13,259	14,959
TOTAL REGULATORY CAPITAL	77,162	77,421
CAPITAL ADEQUACY RATIO IN %	22.17%	20.56%
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 obtained on the measurement date by selling an asset or paying for the transfer of a liability in an orderly transaction in the principal or most favorable market under existing market conditions, regardless of whether it is directly observable or estimated using another valuation method.

In estimating the fair value of an asset or liability, the Bank considers the characteristics of the asset or liability that market participants would consider when determining its price on the measurement date.

For the purposes of financial reporting, fair value measures are classified into 1st, 2nd or 3rd category of input indicators according to their degree of availability, i.e. observability and significance in relation to the overall fair value measure, which are as follows:

- Level 1 inputs are (unadjusted) prices quoted in active markets for identical assets or liabilities and are available to the entity on the measurement date.
- Level 2 inputs are inputs other than quoted prices from Level 1 that are observable for the underlying asset or liability, either directly or indirectly.
- Level 3 inputs are inputs about the underlying asset or liability that are not observable.

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:

2025
IN EUR THOUSAND

ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
EQUITY SECURITIES	-	-	-	-
TOTAL	-	-	-	-

2025
IN EUR THOUSAND

ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
EQUITY SECURITIES	5,082	-	359	5,441
DEBT SECURITIES	29,704	-	-	29,704
UKUPNO	34,786	-	359	35,145

2024
IN EUR THOUSAND

ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
EQUITY SECURITIES	113	-	-	113
TOTAL	113	-	-	113

2024
IN EUR THOUSAND

ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
EQUITY SECURITIES	4,690	-	382	5,072
TOTAL	4,690	-	382	5,072

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

There were no changes in the levels for equity securities during the year.

Fair value measurement

a) Assets at fair value through profit or loss

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT DATE (IN THOUSANDS OF EUROS)		FAIR VALUE LEVEL	VALUATION METHOD AND MAIN INPUTS	SIGNIFICANT INPUTS THAT ARE NOT VISIBLE IN THE MARKET
	31.12.2025	31.12.2024			
EQUITY SECURITIES	-	113	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES FROM THE MARKET	NOT APPLICABLE
TOTAL EQUITY SECURITIES:	-	113			

b) Assets at fair value through other comprehensive income

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT DATE (IN THOUSANDS OF EUROS)		FAIR VALUE LEVEL	VALUATION METHOD AND MAIN INPUTS	SIGNIFICANT INPUTS THAT ARE NOT VISIBLE IN THE MARKET
	31.12.2025	31.12.2024			
EQUITY SECURITIES	5,082	4,690	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES FROM THE MARKET	NOT APPLICABLE
EQUITY SECURITIES	359	382	LEVEL 3	VALUATION ACCORDING TO VALUATION TECHNIQUES OR VALUATION AT PURCHASE PRICE BECAUSE IT IS NOT A TANGIBLE INVESTMENT	NOT APPLICABLE
TOTAL EQUITY SECURITIES:	5,441	5,072			
DEBT SECURITY	29,704	-	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES FROM THE MARKET	NOT APPLICABLE
TOTAL DEBT SECURITIES:	29,704	-			
TOTAL SECURITIES:	35,145	5,072			

c) Changes of financial assets in level 3

2025 IN EUR THOUSAND	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
INITIAL BALANCE	382
TOTAL GAINS AND LOSSES	(23)
RECLASSIFIED ASSETS	-
CLOSING BALANCE	359

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

35. INTEREST RATE RISK

The following tables show the Bank's sensitivity to interest rate risk as at 31 December 2025 and 2024 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 2025 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS TO MONTHS	OVER 1 YEAR 1 YEAR	NON- INTEREST BEARING	TOTAL	
ASSETS						
CASH AND BANK ACCOUNTS	237,679	-	-	-	15,711	253,390
PLACEMENTS WITH OTHER BANKS	11,664	-	-	5,747	-	17,411
LOANS TO CUSTOMERS	133,993	10,320	53,856	104,985	-	303,154
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	29,704	5,441	35,145
HELD-TO-MATURITY ASSETS	1,350	7,117	34,978	90,159	-	133,604
TOTAL ASSETS	384,686	17,437	88,834	230,595	21,152	742,704
LIABILITIES						
LIABILITIES TO BANKS	15,455	-	-	-	522	15,977
LIABILITIES TO CUSTOMERS	516,429	45,098	48,131	29,619	703	639,980
OTHER LIABILITIES	97	340	4,678	5,769	-	10,884
ISSUED SUBORDINATED INSTRUMENTS	-	-	-	15,431	-	15,431
TOTAL LIABILITIES	531,981	45,438	52,809	50,819	1,225	682,272
NET INTEREST EXPOSURE	(147,295)	(28,001)	36,025	179,776	19,927	60,432

AS AT 31 DECEMBER 2024 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS TO MONTHS	OVER 1 YEAR 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
LIABILITIES						
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

The weighted effective interest rates on loans given to clients in 2025 were 5.37% (in 2024 5.63%).

The weighted effective interest rates on deposits received from clients during 2025 were 0.77% (in 2024 0.74%).

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 2025 and 2024. 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 2025 PROFIT OR LOSS	IMPACT ON 2024 PROFIT OR LOSS
ASSETS	5% RELATIVE	367	458
LIABILITIES	5% RELATIVE	(151)	(137)
IMPACT ON THE NET INTEREST INCOME		216	321

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 2025 (IN EUR THOUSANDS)	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	EUR	TOTAL
ASSETS					
CASH AND BANK ACCOUNTS	12,844	4,407	17,251	236,139	253,390
PLACEMENTS WITH OTHER BANKS	1,696	-	1,696	15,715	17,411
LOANS TO CUSTOMERS	63	-	63	303,091	303,154
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	892	-	892	34,253	35,145
HELD-TO-MATURITY ASSETS	8,201	2,313	10,514	123,090	133,604
INTANGIBLE ASSETS	-	-	-	8,221	8,221
PROPERTY AND EQUIPMENT	-	-	-	3,648	3,648
RIGHT-OF-USE ASSETS	-	-	-	3,887	3,887
INVESTMENT PROPERTY	-	-	-	1,902	1,902
DEFERRED TAX ASSETS	-	-	-	1,426	1,426
OTHER ASSETS	3	13	16	5,954	5,970
TOTAL ASSETS	23,699	6,733	30,432	737,326	767,758
LIABILITIES AND SHAREHOLDERS EQUITY					
LIABILITIES					
LIABILITIES TO BANKS	1,900	340	2,240	13,737	15,977
LIABILITIES TO CUSTOMERS	22,079	6,315	28,394	611,586	639,980
OTHER BORROWINGS	-	-	-	10,884	10,884
OTHER LIABILITIES	3	2	5	11,981	11,986
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	-	-	-	1,594	1,594
ISSUED SUBORDINATED INSTRUMENTS	-	-	-	15,431	15,431
TOTAL LIABILITIES	23,982	6,657	30,639	665,213	695,852
EQUITY					
SHARE CAPITAL	-	-	-	36,781	36,781
SHARE PREMIUM	-	-	-	400	400
TREASURY SHARES	-	-	-	(157)	(157)
OTHER RESERVES	-	-	-	35,847	35,847
PROFIT FOR THE YEAR	-	-	-	(2,471)	(2,471)
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	1,506	1,506
TOTAL SHARE CAPITAL	-	-	-	71,906	71,906
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	23,982	6,657	30,639	737,119	767,758
NET FX EXPOSURE	(283)	76	(207)	207	-

AS AT 31 DECEMBER 2024 (IN EUR THOUSAND)	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	EUR	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)	-

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 2025 or gains for 2025. 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 2025 IN EUR THOUSAND	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON	IMPACT ON	IMPACT ON
		PROFIT OR LOSS	PROFIT OR LOSS	PROFIT OR LOSS
		ASSETS	LIABILITIES	NET
ASSETS	2.00%	609	-	609
LIABILITIES	2.00%	-	(613)	(613)
NET ASSETS / (LIABILITIES)		609	(613)	4

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

37. LIQUIDITY RISK

AS OF 31 DECEMBER 2025 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	253,390	-	-	-	-	253,390
PLACEMENTS WITH OTHER BANKS	11,664	-	-	5,747	-	17,411
LOANS TO CUSTOMERS	22,675	13,659	68,569	67,179	131,073	303,154
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5,441	-	-	2,539	27,165	35,145
HELD-TO-MATURITY ASSETS	1,350	7,118	34,978	41,641	48,517	133,604
FINANCIAL ASSETS	294,520	20,777	103,547	117,105	206,755	742,704
LIABILITIES						
LIABILITIES TO BANKS	15,977	-	-	-	-	15,977
LIABILITIES TO CUSTOMERS	516,632	45,098	48,631	5,991	23,628	639,980
OTHER BORROWINGS	97	340	4,678	3,048	2,721	10,884
ISSUED SUBORDINATE INSTRUMENTS	-	-	-	-	15,431	15,431
FINANCIAL LIABILITIES	532,706	45,438	53,309	9,039	41,780	682,272
CUMULATIVE GAP	(238,186)	(24,661)	50,238	108,066	164,975	60,432
AS OF 31 DECEMBER 2024 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	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

38. CREDIT RISK

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

IN EUR THOUSAND AS OF 31 DECEMBER 2025	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
PLACEMENTS WITH OTHER BANKS	17,467	(56)	17,411
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	36,477	(1,332)	35,145
HELD-TO-MATURITY FINANCIAL ASSETS	133,687	(83)	133,604
LOANS TO CUSTOMERS			
- STAGE 1	280,041	(2,487)	277,554
- STAGE 2	19,926	(1,225)	18,701
- STAGE 3	30,536	(23,637)	6,899
TOTAL BALANCE SHEET EXPOSURE	518,134	(28,820)	489,314
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- STAGE 1	95,168	(1,552)	93,616
- STAGE 2	1,544	(33)	1,511
- STAGE 3	17	(9)	8
TOTAL OFF-BALANCE SHEET EXPOSURE	96,729	(1,594)	95,135
TOTAL EXPOSURE (A+B)	614,863	(30,414)	584,449
IN EUR THOUSAND AS OF 31 DECEMBER 2024			
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

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 2025	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	636	165	186	520	823	503	2,775
CORPORATE	381	125	2,038	2,341	1,396	3,039	3,791
PUBLIC AND OTHER SECTORS	33	-	-	-	76	-	2,880
OTHER OVERDUE RECEIVABLES	272	26	44	45	72	52	207
TOTAL OUTSTANDING OVERDUE RECEIVABLES	1,322	316	2,268	2,906	2,367	3,594	9,653
IN EUR THOUSAND AS OF 31 DECEMBER 2024							
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

c) Coverage of placements by collaterals

IN EUR THOUSAND AS OF 31 DECEMBER 2025	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
PLACEMENTS WITH OTHER BANKS	-	-	-	-	17,411
LOANS TO CUSTOMERS	10,426	70,569	45,335	20,128	156,696
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	35,145
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	-	-	133,604
TOTAL BALANCE-SHEET EXPOSURE	10,426	70,569	45,335	20,128	342,856
B. OFF-BALANCE SHEET EXPOSURE					
STANDARD OFF-BALANCE SHEET ITEMS	3,912	8,771	11,805	4,906	65,741
TOTAL OFF-BALANCE SHEET EXPOSURE	3,912	8,771	11,805	4,906	65,741
TOTAL EXPOSURE (A+B)	14,338	79,340	57,140	25,034	408,597

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					
STANDARD OFF-BALANCE SHEET ITEMS	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

d) Impairment allowances share in loans to customers

IN EUR THOUSAND	LOANS TO CUSTOMERS (%)	IMPAIRMENT ALLOWANCES SHARE IN LOANS (%)
2025		
- STAGE 1	84.73	0.89
- STAGE 2	6.03	6.15
- STAGE 3	9.24	77.41
TOTAL	100.00	
2024		
- STAGE 1	84.96	0.92
- STAGE 2	5.48	6.21
- STAGE 3	9.57	75.61
TOTAL	100.00	

39. REPRICING RISK

The repricing risk in respect of equity financial instruments reflects 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 2025	3%	-	1,094
AS OF 31 DECEMBER 2024	3%	3	192

40. CONCENTRATION OF ASSETS AND LIABILITIES

There is a significant concentration of the Bank's assets to the Republic of Croatia on 31 December 2025, which is analysed as follows:

IN EUR THOUSAND	2025	2024
DEPOSIT AT CNB	211,948	194,958
BONDS OF REPUBLIC OF CROATIA	153,794	71,474
GIRO ACCOUNT AT CNB	5,119	4,158
TREASURY BILLS OF THE REPUBLIC OF CROATIA	2,259	370
CURRENT TAX ASSETS/LIABILITIES	1,574	(870)
DEFERRED TAX ASSETS/LIABILITIES	1,426	600
OTHER ASSETS	134	133
REPO LOANS FROM THE CNB	-	(33,573)
OTHER LIABILITIES	(7)	(6)
	376,247	237,244

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

IN EUR THOUSAND	2025	2024
LOANS TO CUSTOMERS GUARANTEED BY THE STATE	7,533	4,309
OTHER LOANS	5,750	1,948
BONDS OF LOCAL GOVERNMENT UNITS	691	345
RIGHT-OF-USE ASSETS	410	418
OTHER LIABILITIES	(425)	(439)
BORROWINGS FROM CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	(7,335)	(9,178)
RECEIVED DEPOSITS	(22,686)	(30,390)
	(16,062)	(32,987)

41. EVENTS AFTER BALANCE SHEET DATE

According to the Management Board, in 2026, 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 2026 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 MANAGEMENT AND ORGANIZATIONAL STRUCTURE

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

Supervisory Board

Miljan Todorović, chairman
 Sigilfredo Montinari, deputy chairman
 Antonio Moniaci, member
 Dario Montinari, member
 Dolly Predovic, member
 Michele Calcaterra Borri, member
 Višnja Car, 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 Vnućec
 Risk Control Unit – Hrvoje Miloš
 Compliance Unit – Vlatka Đipalo-Dergez
 Administration Unit – Mario Brajnić

Sectors/Executive Directors

Financial Markets Sector – Daniel Varga
 Corporate Customers Sector – Ivan Jelčić
 Retail Customers Sector – Dijana Vladislavić
 Risk Management Sector – Vedrana Cicvarić
 Collection Sector – Smilja Briški
 Legal Affairs and Non-Performing Loans Sector – Arina Pellarini Vujnović
 Accounting and Reporting Sector – Željka Artner-Pavković
 ICT and Operations Sector – Saša Lončarić



Legend

-  Commercial Centre
-  Branches

RETAIL CENTERS

Commercial Centre Zagreb

Zagreb, Green Gold – Ulica grada Vukovara 269f,
tel. 072 655 450, fax. 072 655 459

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 bb,
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 2,
tel. 072 655 354, fax. 072 655 355

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,
tel. 072 655 840, fax. 072 655 849

Đurđevac, Stjepana Radića 16,
tel. 072 655 370, fax. 072 655 379

Commercial Centre Požega

Požega, Republike Hrvatske 1b,
tel. 072 655 700, fax. 072 655 709

Pleternica, Ivana Šveara 4,
tel. 072 655 770, fax. 072 655 779

Kutjevo, Kralja Tomislava 2,
tel. 072 655 780, fax. 072 655 789

Osijek, Kapucinska 38,
tel. 072 655 790, fax. 072 655 799

Commercial Centre Rijeka

Rijeka, Ivana Zajca 18,
tel. 072 655 660, fax. 072 655 669

Commercial Centre Varaždin

Varaždin, Trg slobode 2,
tel. 072 655 600, fax. 072 655 609

Ludbreg, Petra Zrinskog 32,
tel. 072 655 620, fax. 072 655 629

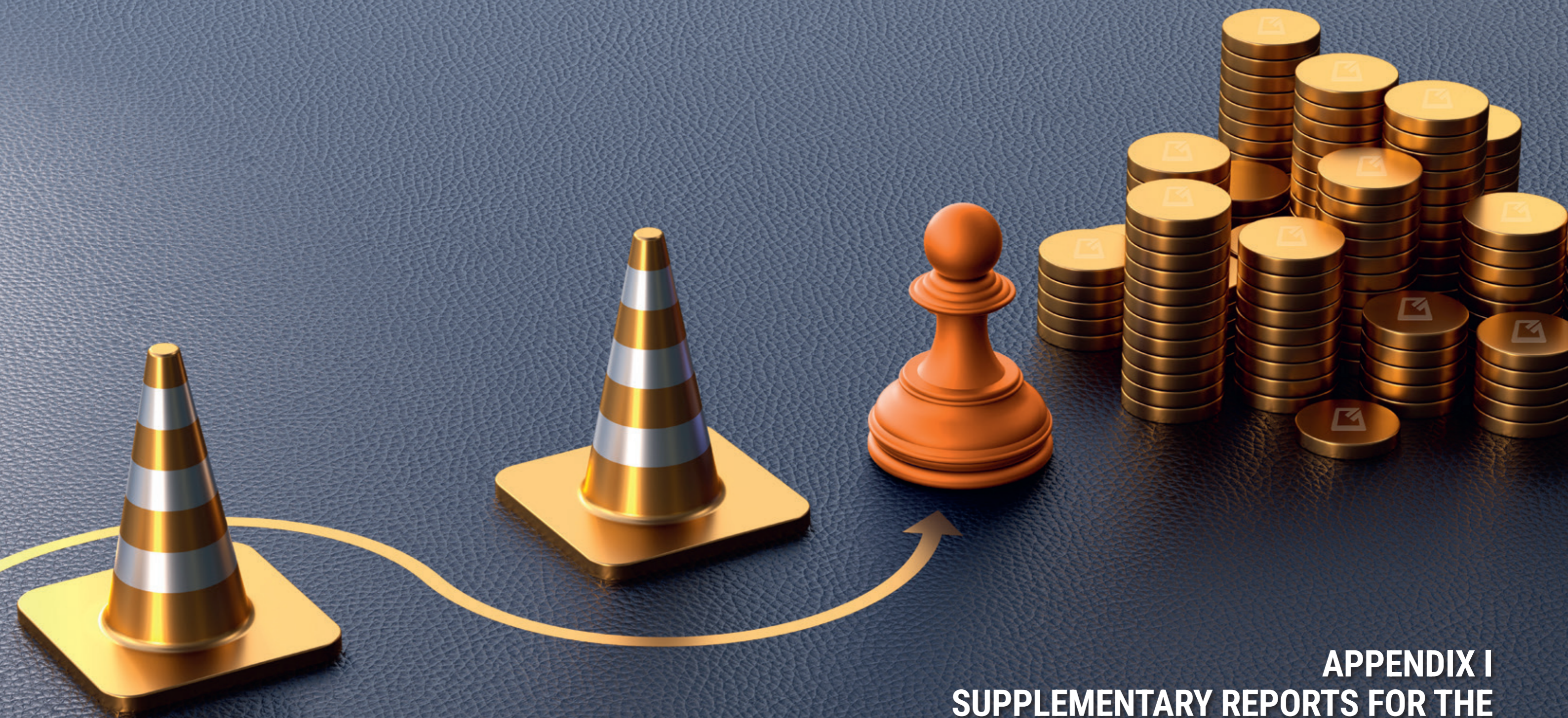
Commercial Centre Split

Split, Ulica slobode 33,
tel. 072 655 650, fax. 072 655 659

Commercial Centre Zadar

Zadar, Stjepana Radića 2f,
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**APPENDIX I
SUPPLEMENTARY REPORTS FOR THE
CROATIAN NATIONAL BANK
APPENDIX II
OTHER LEGAL AND REGULATORY
REQUIREMENTS**

Pursuant to Article 18, paragraph 14 of the Accounting Act (Official Gazette No. 85/2024) and Article 43, paragraph 2, item 10 of the Act on the Croatian National Bank (Official Gazette Nos. 75/2008, 54/2013 and 47/2020), the Croatian National Bank has adopted the Decision on the Structure and Content of the Annual Financial Statements of Credit Institutions (Official Gazette No. 80/2025). The following tables present the financial statements in accordance with the aforementioned decision.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2025

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	3	4
ASSETS			
CASH ON HAND AND BALANCES WITH CENTRAL BANKS	001	209,124	227,659
TREASURY BILLS AND OTHER SHORT-TERM SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS (003 + 004):	002	370	1,113
(A) TREASURY BILLS AND SIMILAR SECURITIES	003	370	1,113
(B) OTHER SHORT-TERM SECURITIES	004	0	0
LOANS AND ADVANCES TO CREDIT INSTITUTIONS (006 + 007):	005	31,368	34,125
(A) ON REQUEST	006	10,381	16,701
(B) OTHER LOANS AND ADVANCES	007	20,987	17,424
LOANS AND ADVANCES TO CUSTOMERS	008	316,583	313,109
DEBT SECURITIES, INCLUDING FIXED-INCOME SECURITIES (010 + 011):	009	140,020	164,010
(A) ISSUED BY GOVERNMENT AUTHORITIES	010	102,712	122,170
(B) OTHER DEBT SECURITIES	011	37,308	41,840
SHARES AND OTHER VARIABLE-YIELD SECURITIES	012	5,185	5,441
PARTICIPATING INTERESTS	013	0	0
INVESTMENTS IN AFFILIATED COMPANIES	014	0	0
INTANGIBLE ASSETS	015	8,103	8,221
TANGIBLE ASSETS (017 + 018):	016	9,262	9,437
(A) PROPERTY, PLANT AND EQUIPMENT	017	7,295	7,535
(B) REAL ESTATE INVESTMENT	018	1,967	1,902
TAX ASSETS (020 + 021):	019	617	3,046
(A) CURRENT TAX ASSETS	020	17	1,620
(B) DEFERRED TAX ASSETS	021	600	1,426
OTHER ASSETS	022	421	166
PREPAID EXPENSES AND OTHER ACCRUED INCOME	023	354	460
NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	024	1,664	971
TOTAL ASSETS (001 TO 024)	025	723,071	767,758

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) POSITION	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	3	4
LIABILITIES AND CAPITAL			
LIABILITIES TO CREDIT INSTITUTIONS (027 + 028):	026	46,628	19,664
(A) ON REQUEST	027	7,107	6,213
(B) WITH AN AGREED MATURITY DATE OR NOTICE PERIOD	028	39,521	13,451
LIABILITIES TO CLIENTS (030 + 033):	029	570,295	647,177
(A) INSURED DEPOSITS (031 + 032):	030	509,231	579,864
(AA) ON REQUEST	031	347,162	395,198
(AB) WITH AN AGREED MATURITY DATE OR NOTICE PERIOD	032	162,069	184,666
(B) OTHER OBLIGATIONS TO CLIENTS (034 + 035):	033	61,064	67,313
(BA) ON REQUEST	034	34,487	28,967
(BB) WITH AN AGREED MATURITY DATE OR NOTICE PERIOD	035	26,577	38,346
ISSUED DEBT SECURITIES	036	0	0
OTHER OBLIGATIONS	037	10,592	11,912
DEFERRED PAYMENT OF EXPENSES AND OTHER ACCRUED INCOME	038	47	71
RESERVATIONS (040 + 041):	039	1,046	1,594
(A) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	040	0	0
(B) OTHER PROVISIONS	041	1,046	1,594
TAX OBLIGATIONS (043 + 044):	042	865	3
(A) CURRENT TAX LIABILITIES	043	865	3
(B) DEFERRED TAX LIABILITIES	044	0	0
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	045	0	0
SUBORDINATED LIABILITIES	046	16,340	15,431
CAPITAL (048 + 049):	047	36,781	36,781
(A) PAID-IN CAPITAL	048	36,781	36,781
(B) UNPAID CAPITAL CALLED FOR PAYMENT	049	0	0
SHARE PREMIUM	050	400	400
OTHER CAPITAL ITEMS	051	0	0
(-) TREASURY SHARES	052	-157	-157
RESERVES (054 + 055 + 056 + 057):	053	30,883	35,077
(A) LEGAL RESERVES	054	28,527	32,721
(B) STATUTORY RESERVES	055	-555	-555
(C) RESERVES FOR TREASURY SHARES	056	2,234	2,234
(D) OTHER RESERVES	057	677	677
REVALUATION RESERVES	058	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	336	770
RETAINED EARNINGS	060	1,494	1,506
PROFIT OR LOSS FOR THE YEAR	061	7,521	-2,471
MINORITY INTERESTS	062	0	0
TOTAL LIABILITIES AND CAPITAL (026 TO 062)	063	723,071	767,758
OFF-BALANCE SHEET ITEMS			
LOAN COMMITMENTS	064	45,485	67,279
FINANCIAL GUARANTEES	065	24,487	29,450
OTHER COMMITMENTS	066	3,404	0
TOTAL OFF-BALANCE SHEET ITEMS (064 TO 066)	067	73,376	96,729

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.01.2025 TO 31.12.2025

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) POSITION	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	3	4
INTEREST INCOME AND SIMILAR INCOME	001	27,484	24,811
OF WHICH: INCOME FROM FIXED INCOME SECURITIES	002	3,487	3,791
INTEREST-BASED EXPENSES AND SIMILAR EXPENSES	003	4,992	5,283
INCOME FROM SECURITIES (005 + 006 + 007):	004	184	161
(A) INCOME FROM SHARES AND OTHER VARIABLE-YIELD SECURITIES	005	184	161
(B) INCOME FROM PARTICIPATING INTERESTS	006	0	0
(C) INCOME FROM SHARES IN ASSOCIATED COMPANIES	007	0	0
COMMISSION INCOME	008	7,318	7,637
COMMISSION EXPENSES	009	2,679	2,680
NET PROFIT OR LOSS FROM FINANCIAL ACTIVITIES	010	91	160
OTHER OPERATING INCOME	011	420	301
OF WHICH: GAINS AND LOSSES RESULTING FROM THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	012	0	0
GENERAL ADMINISTRATIVE EXPENSES (014 + 015):	013	14,436	15,608
(A) EXPENDITURE ON EMPLOYEES	014	8,076	8,461
(B) OTHER ADMINISTRATIVE COSTS	015	6,360	7,147
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS	016	0	0
OTHER EXPENSES FROM REGULAR BUSINESS	017	50	437
RESERVATIONS OR CANCELLATIONS (019 + 020):	018	-386	548
(A) PROVISIONS FOR COMMITMENTS AND GUARANTEES	019	-386	414
(B) OTHER PROVISIONS	020	0	134
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF LOANS AND ADVANCES	021	4,295	140
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF SECURITIES AND PARTICIPATING INTERESTS AND SHARES IN ASSOCIATED COMPANIES	022	-27	20
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (001 – 003 + 004 + 008 – 009 + 010 + 011 – 013 – 016 – 017 – 018 – 021 – 022)	023	9,458	8,354
TAX EXPENSE OR INCOME RELATING TO PROFIT OR LOSS FROM CONTINUING OPERATIONS	024	1,989	-922
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (023 – 024)	025	7,469	9,276
PROFIT OR (–) LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS	026	52	-11,747
TAX EXPENSES OR (–) INCOME RELATED TO OPERATIONS THAT WILL NOT CONTINUE	027	0	0
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (026 – 027)	028	52	-11,747
PROFIT OR LOSS FOR THE CURRENT YEAR (025 + 028; 030 + 031)	029	7,521	-2,471
IT BELONGS TO MINORITY INTEREST [NON-CONTROLLING INTERESTS]	030	0	0
BELONGS TO THE OWNERS OF THE PARENT COMPANY	031	7,521	-2,471

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) POSITION	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	3	4
STATEMENT OF OTHER COMPREHENSIVE INCOME			
PROFIT OR (–) LOSS FOR THE CURRENT YEAR	001	7,521	-2,471
OTHER COMPREHENSIVE INCOME (003 + 015)	002	691	446
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (004 DO 010 + 013 + 014)	003	691	582
TANGIBLE ASSETS	004	0	0
INTANGIBLE ASSETS	005	0	0
ACTUARIAL GAINS OR (–) LOSSES FROM EMPLOYER-SPONSORED PENSION PLANS	006	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	007	0	0
PART OF OTHER RECOGNIZED INCOME AND EXPENSES OF ENTITIES CALCULATED USING THE EQUITY METHOD	008	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	009	810	678
GAINS OR (–) LOSSES FROM HEDGE ACCOUNTING OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NET	010	0	0
CHANGES IN FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME [HEDGED ITEM]	011	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME [HEDGING INSTRUMENT]	012	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	013	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	014	-119	-96
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (016 TO 023)	015	0	-136
HEDGE OF NET INVESTMENT IN FOREIGN OPERATION [EFFECTIVE INTEREST]	016	0	0
FOREIGN CURRENCY EXCHANGE	017	0	0
CASH FLOW HEDGE RESERVE [EFFECTIVE PORTION]	018	0	0
HEDGING INSTRUMENTS [ELEMENTS NOT SPECIFIED]	019	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	020	0	-166
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	021	0	0
SHARE OF OTHER RECOGNIZED INCOME AND EXPENSES FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	022	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR (–) LOSS	023	0	30
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (001 + 002; 025 + 026)	024	8,212	-2,025
IT BELONGS TO THE MINORITY INTEREST [NON-CONTROLLING INTEREST]	025	0	0
BELONGS TO THE OWNERS OF THE PARENT COMPANY	026	0	0

CASH FLOW STATEMENT FOR THE PERIOD 01.01.2025 TO 31.12.2025

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) POSITION	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	3	4
BUSINESS ACTIVITIES ACCORDING TO THE DIRECT METHOD			
INTEREST COLLECTED AND SIMILAR RECEIPTS	001	0	0
CHARGED FEES AND COMMISSIONS	002	0	0
(INTEREST PAID AND SIMILAR EXPENSES)	003	0	0
(FEES AND COMMISSIONS PAID)	004	0	0
(BUSINESS EXPENSES PAID)	005	0	0
NET GAINS/LOSSES FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH 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	9,510	-3,393
ADJUSTMENTS:			
IMPAIRMENTS AND PROVISIONS	010	3,890	773
AMORTIZATION	011	1,874	1,962
NET UNREALIZED (GAIN)/LOSS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	012	871	0
(PROFIT)/LOSS FROM SALE OF TANGIBLE ASSETS	013	-7	-72
OTHER NON-CASH ITEMS	014	-809	51
CHANGES IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES			
FUNDS WITH THE CNB	015	0	0
DEPOSITS WITH FINANCIAL INSTITUTIONS AND LOANS TO FINANCIAL INSTITUTIONS	016	-509	4,948
LOANS AND ADVANCES TO OTHER CLIENTS	017	-22,720	-9,318
SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	018	20	-29,615
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 PROFIT OR LOSS	020	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE MANDATORILY CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS	021	516	113
DEBT SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT AMORTISED COST	022	-3,044	1,458
OTHER ASSETS FROM BUSINESS ACTIVITIES	023	-183	-1,613
DEPOSITS FROM FINANCIAL INSTITUTIONS	024	1,949	6,614
TRANSACTION ACCOUNTS OF OTHER CLIENTS	025	2,536	38,435
SAVINGS DEPOSITS OF OTHER CLIENTS	026	10,571	4,864
TERM DEPOSITS FROM OTHER CLIENTS	027	27,029	39,866

DERIVATIVE FINANCIAL LIABILITIES AND OTHER TRADING LIABILITIES	028	0	0
OTHER LIABILITIES FROM BUSINESS ACTIVITIES	029	-3,401	-606
COLLECTED INTEREST FROM BUSINESS ACTIVITIES [INDIRECT METHOD]	030	21,482	19,886
DIVIDENDS RECEIVED FROM BUSINESS ACTIVITIES [INDIRECT METHOD]	031	184	161
INTEREST PAID FROM BUSINESS ACTIVITIES [INDIRECT METHOD]	032	-3,613	-4,626
(PROFIT TAX PAID)	033	-1,621	-2,434
NET CASH FLOWS FROM BUSINESS ACTIVITIES (001 TO 033)	034	44,525	67,454

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) POSITION	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	3	4
INVESTMENT ACTIVITIES			
RECEIPTS FROM SALES/PAYMENTS FOR THE PURCHASE OF TANGIBLE AND INTANGIBLE ASSETS	035	-1,692	-1,707
PROCEEDS 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 FINANCIAL INSTRUMENTS HELD TO MATURITY	037	0	0
RECEIVED DIVIDENDS FROM INVESTMENT ACTIVITIES	038	0	0
OTHER RECEIPTS/PAYMENTS FROM INVESTMENT ACTIVITIES	039	4,935	641
NET CASH FLOWS FROM INVESTING ACTIVITIES (035 TO 039)	040	3,243	-1,066
FINANCIAL ACTIVITIES			
NET INCREASE/(DECREASE) IN LOANS RECEIVED FROM FINANCING ACTIVITIES	041	-1,940	-35,422
NET INCREASE/(DECREASE) IN ISSUED DEBT SECURITIES	042	0	-909
NET INCREASE/(DECREASE) IN TIER 2 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 (041 TO 046)	047	-1,940	-36,331
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (034 + 040 + 047)	048	45,828	30,057
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049	189,355	235,183
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	235,183	265,240

REPORT ON CHANGES IN CAPITAL IN THE PERIOD 01.01.2025 TO 31.12.2025

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) SOURCES OF CAPITAL CHANGES	AOP TAG	DISTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY											MINORITY INTEREST		TOTAL
		CAPITAL	SHARE PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	OTHER CAPITAL ITEMS	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	RETAINED EARNINGS	REVA- LUATION RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT OR (-) LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	() DIVIDENDS DURING THE BUSINESS YEAR	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	OTHER ITEMS	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
OPENING BALANCE [BEFORE ADJUSTMENT]	001	36,781	400	0	0	336	1,494	0	30,883	-157	7,521	0	0	0	77,258
EFFECTS OF ERROR CORRECTIONS	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPENING BALANCE [CURRENT PERIOD] (001 + 002 + 003)	004	36,781	400	0	0	336	1,494	0	30,883	-157	7,521	0	0	0	77,258
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
EXERCISE OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERSION OF RECEIVABLES INTO EQUITY INSTRUMENTS	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CAPITAL REDUCTION	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0	-3,327	0	0	0	0	0	0	0	-3,327
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 TO LIABILITIES	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES TO EQUITY	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF CAPITAL	016	0	0	0	0	0	3,327	0	4,194	0	-7,521	0	0	0	0
INCREASE OR (-) DECREASE IN CAPITAL THROUGH BUSINESS MERGERS	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SHARE-BASED PAYMENTS	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCREASES OR (-) DECREASES IN CAPITAL	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	434	12	0	0	0	-2,471	0	0	0	-2,025
CLOSING BALANCE [CURRENT PERIOD] (004 TO 020)	021	36,781	400	0	0	770	1,506	0	35,077	-157	-2,471	0	0	0	71,906

REPORT ON CHANGES IN CAPITAL IN THE PERIOD 01.01.2024 TO 31.12.2024

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN 000 EUROS) SOURCES OF CAPITAL CHANGES	AOP TAG	CAPITAL	SHARE PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	OTHER CAPITAL ITEMS	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	DISTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					MINORITY INTEREST		TOTAL	
							RETAINED EARNINGS	REVA- LUATION RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT OR (-) LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	() DIVIDENDS DURING THE BUSINESS YEAR	ACCUMULATED OTHER COMPRE- HENSIVE INCOME		OTHER ITEMS
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
OPENING BALANCE [BEFORE ADJUSTMENT]	001	36,781	400	0	0	-206	1,345	0	29,827	-157	4,051	0	0	0	72,041
EFFECTS OF ERROR CORRECTIONS	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OPENING BALANCE [CURRENT PERIOD] (001 + 002 + 003)	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
EXERCISE OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERSION OF RECEIVABLES INTO EQUITY INSTRUMENTS	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CAPITAL REDUCTION	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0	-2,994	0	0	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 TO LIABILITIES	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES TO EQUITY	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF CAPITAL	016	0	0	0	0	0	2,994	0	1,056	0	-4,051	0	0	0	-1
INCREASE OR (-) DECREASE IN CAPITAL THROUGH BUSINESS MERGERS	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SHARE-BASED PAYMENTS	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCREASES OR (-) DECREASES IN CAPITAL	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
CLOSING BALANCE [CURRENT PERIOD] (004 TO 020)	021	36,781	400	0	0	336	1,494	0	30,883	-157	7,521	0	0	0	77,258

Since the financial statements prepared in accordance with the decision of the Croatian National Bank (CNB) classify data differently from those in the financial statements prepared in accordance with the legal requirements for bank accounting in the Republic of Croatia, the tables below present comparative data.

COMPARATIVE BALANCE SHEET AS OF 31 DECEMBER 2025

POSITION NAME	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
CASH IN HAND AND BALANCES WITH CENTRAL BANKS	001	227,659	227,659	0
TREASURY BILLS AND OTHER SHORT-TERM SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS (003 + 004):				
(A) TREASURY BILLS AND SIMILAR SECURITIES	003	1,113	1,113	0
(B) OTHER SHORT-TERM SECURITIES	004	0	0	0
LOANS AND ADVANCES TO CREDIT INSTITUTIONS (006 + 007):				
(A) ON REQUEST	006	16,701	16,701	0
(B) OTHER LOANS AND ADVANCES	007	17,424	17,411	13
LOANS AND ADVANCES TO CUSTOMERS	008	313,109	312,184	925
DEBT SECURITIES, INCLUDING FIXED-INCOME SECURITIES (010 + 011):				
(A) ISSUED BY GOVERNMENTAL AUTHORITIES	010	122,170	122,170	0
(B) OTHER DEBT SECURITIES	011	41,840	40,025	1,815
SHARES AND OTHER VARIABLE-YIELD SECURITIES	012	5,441	5,441	0
PARTICIPATING INTERESTS	013	0	0	0
INVESTMENTS IN AFFILIATED COMPANIES	014	0	0	0
INTANGIBLE ASSETS	015	8,221	8,221	0
TANGIBLE ASSETS (017 + 018):				
(A) PROPERTY, PLANT AND EQUIPMENT	017	7,535	7,535	0
(B) REAL ESTATE INVESTMENT	018	1,902	1,902	0
TAX ASSETS (020 + 021):				
(A) CURRENT TAX ASSETS	020	1,620	0	1,620
(B) DEFERRED TAX ASSETS	021	1,426	1,426	0
OTHER ASSETS	022	166	5,970	-5,804
PREPAID EXPENSES AND OTHER ACCRUED INCOME	023	460	0	460
NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	024	971	0	971
TOTAL ASSETS (001 TO 024)	025	767,758	767,758	0

POSITION NAME	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES AND CAPITAL				
LIABILITIES TO CREDIT INSTITUTIONS (027 + 028):				
(A) ON REQUEST	027	6,213	6,213	0
(B) WITH AN AGREED MATURITY DATE OR NOTICE PERIOD	028	13,451	20,785	-7,334
LIABILITIES TO CLIENTS (030 + 033):				
(A) INSURED DEPOSITS (031 + 032):				
(AA) ON REQUEST	031	395,198	395,198	0
(AB) WITH AN AGREED MATURITY DATE OR NOTICE PERIOD	032	184,666	184,666	0
(B) OTHER LIABILITIES TO CUSTOMERS (034 + 035):				
(BA) ON REQUEST	034	28,967	28,967	0
(BB) WITH AN AGREED MATURITY DATE OR NOTICE PERIOD	035	38,346	31,012	7,334
ISSUED DEBT SECURITIES	036	0	0	0
OTHER OBLIGATIONS	037	11,912	11,986	-74
DEFERRED PAYMENT OF EXPENSES AND OTHER ACCRUED INCOME	038	71	0	71
PROVISIONS (040 + 041):				
(A) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	040	0	0	0
(B) OTHER PROVISIONS	041	1,594	1,594	0
TAX OBLIGATIONS (043 + 044):				
(A) CURRENT TAX LIABILITIES	043	3	0	3
(B) DEFERRED TAX LIABILITIES	044	0	0	0
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE				
SUBORDINATED LIABILITIES	045	0	0	0
CAPITAL (048 + 049):				
(A) PAID-IN CAPITAL	048	36,781	36,781	0
(B) UNPAID CAPITAL CALLED FOR PAYMENT	049	0	0	0
SHARE PREMIUM	050	400	400	0
OTHER CAPITAL ITEMS	051	0	0	0
(-) TREASURY SHARES	052	-157	-157	0
RESERVES (054 + 055 + 056 + 057):				
(A) LEGAL RESERVES	054	32,721	32,721	0
(B) STATUTORY RESERVES	055	-555	-555	0
(C) RESERVES FOR TREASURY SHARES	056	2,234	2,234	0
(D) OTHER RESERVES	057	677	1,447	-770
REVALUATION RESERVES	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	770	0	770
RETAINED EARNINGS	060	1,506	1,506	0
PROFIT OR LOSS FOR THE CURRENT YEAR	061	-2,471	-2,471	0
MINORITY INTERESTS	062	0	0	0
TOTAL LIABILITIES AND CAPITAL (026 TO 062)	063	767,758	767,758	0
OFF-BALANCE SHEET ITEMS				
LOAN COMMITMENTS	064	67,279	67,279	0
FINANCIAL GUARANTEES TAKEN OVER	065	29,450	29,450	0
OTHER COMMITMENTS	066	0	0	0
TOTAL OFF-BALANCE SHEET ITEMS (064 TO 066)	067	96,729	96,729	0

Assets

Differences in the Bank's balance sheet positions as of 31 December 2025 published in the annual financial statements compared to the balance sheet prepared in accordance with the structure and content prescribed by the CNB decision relate to the following positions and reclassifications:

In accordance with the CNB Decision, the bank's deposits in current accounts with other domestic and foreign banks in the amount of EUR 16,701 thousand are presented in the position Loans and advances to credit institutions - on demand, and in the annual report these deposits are included in the position Cash and accounts with banks as well as funds in the settlement account with FINA in the amount of EUR 9,030 thousand, which, in accordance with the CNB Decision, are presented in the position Loans and advances to clients.

The position Placements with other banks in the annual report includes term deposits with other banks, and in accordance with the CNB decision, they are presented in the position Loans and advances to credit institutions - other loans and advances, which also includes receivables from banks for deferred cards in the amount of EUR 10 thousand.

Receivables from fees and other assets are presented in the annual report under the item Other assets, while in the report, in accordance with the CNB decision, they are presented under the item Loans and advances to clients in the amount of EUR 2,750 thousand, and EUR 3 thousand under the item Loans and advances to credit institutions - other loans and advances.

Investments in securities are presented in the annual report in two separate positions depending on the purpose of holding and the method of valuation: Financial assets at fair value through other comprehensive income and Financial assets at amortized cost, while these investments in the reports are classified according to the CNB decision depending on the type of security, maturity and issuer into the positions Treasury bills and other short-term securities eligible for refinancing with central banks and Debt securities, including fixed-income securities. Receivables under bills of exchange are included in the annual report in the position Loans to customers and amount to EUR 1,815 thousand, and according to the CNB decision they are included in the position Debt securities, including fixed-income securities-other debt securities.

According to the CNB decision, the position Tangible assets - property, plant and equipment includes own tangible assets and leased assets, and in the annual report, leased assets in the amount of 3,887 thousand euros are included in a separate position Right-of-use assets.

According to the decision of the CNB, receivables for short-term tax assets in the amount of EUR 1,620 thousand are reported in a separate position, while in the annual report these receivables are included in the position Other assets.

Prepaid expenses and other accrued income in the amount of EUR 460 thousand are presented in a separate position in accordance with the CNB decision, and are included in the position Other assets in the annual report.

The portfolio of long-term tangible assets intended for sale is presented in a separate position in the report according to the CNB decision, and in the annual report it is included in the position Other assets.

Liabilities and capital

In the reports in accordance with the CNB decision, loans received from HBOR in the amount of EUR 7,334 thousand are included in the position Other liabilities to clients - with agreed maturity date or notice period, and in the annual report they are included in the position Other borrowed funds - Loans from HBOR.

Deferred payment of costs and other accrued income in the amount of EUR 71 thousand, as well as current tax liabilities in the amount of EUR 3 thousand, are presented in the report in separate positions according to the CNB decision, and in the annual report these liabilities are included in the position Other liabilities.

According to the decision of the CNB, accumulated other comprehensive income in the amount of 770 thousand euros is reported in a separate equity item, while in the annual report this amount is included in the position Other reserves.

COMPARATIVE STATEMENT OF INCOME AND LOSS AND STATEMENT OF OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2025

POSITION NAME	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME AND SIMILAR INCOME	001	24,811	24,811	0
OF WHICH: INCOME FROM FIXED INCOME SECURITIES	002	3,791	3,791	0
INTEREST-BASED EXPENSES AND SIMILAR EXPENSES	003	5,283	5,283	0
INCOME FROM SECURITIES (005 + 006 + 007):	004	161	0	161
(A) INCOME FROM SHARES AND OTHER VARIABLE-YIELD SECURITIES	005	161	0	161
(B) INCOME FROM PARTICIPATING INTERESTS	006	0	0	0
(C) INCOME FROM SHARES IN AFFILIATED COMPANIES	007	0	0	0
COMMISSION INCOME	008	7,637	7,637	0
COMMISSION EXPENSES	009	2,680	2,680	0
NET PROFIT OR LOSS FROM FINANCIAL ACTIVITIES	010	160	0	160
OTHER INCOME FROM REGULAR BUSINESS	011	301	1,007	-706
OF WHICH: GAINS AND LOSSES RESULTING FROM THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST	012	0	0	0
GENERAL ADMINISTRATIVE EXPENSES (014 + 015):	013	15,608	28,096	-12,488
(A) EMPLOYEE EXPENSES	014	8,461	8,798	-337
(B) OTHER ADMINISTRATIVE COSTS	015	7,147	19,298	-12,151
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS	016	0	0	0
OTHER OPERATING EXPENSES	017	437	0	437
RESERVATIONS OR CANCELLATIONS (019 + 020):	018	548	548	0
(A) PROVISIONS FOR COMMITMENTS AND GUARANTEES	019	414	414	0
(B) OTHER PROVISIONS	020	134	134	0
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF LOANS AND ADVANCES	021	140	241	-101
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF SECURITIES AND PARTICIPATING INTERESTS AND SHARES IN AFFILIATED COMPANIES	022	20	0	20
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (001 - 003 + 004 + 008 - 009 + 010 + 011 - 013 - 016 - 017 - 018 - 021 - 022)	023	8,354	-3,393	11,747
TAX EXPENSE OR INCOME RELATING TO PROFIT OR LOSS FROM CONTINUING OPERATIONS	024	-922	-922	0
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (023 - 024)	025	9,276	-2,471	11,747
PROFIT OR (-) LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS	026	-11,747	0	-11,747
TAX EXPENSES OR (-) INCOME RELATED TO OPERATIONS THAT WILL NOT CONTINUE	027	0	0	0
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (026 - 027)	028	-11,747	0	-11,747
PROFIT OR LOSS FOR THE CURRENT YEAR (025 + 028; 030 + 031)	029	-2,471	-2,471	0
IT BELONGS TO MINORITY INTEREST [NON-CONTROLLING INTERESTS]	030	0	0	0
BELONGS TO THE OWNERS OF THE PARENT COMPANY	031	-2,471	-2,471	0

POSITION	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
STATEMENT OF OTHER COMPREHENSIVE INCOME				
PROFIT OR LOSS FOR THE CURRENT YEAR	001	-2,471	-2,471	0
OTHER COMPREHENSIVE INCOME (003. + 015.)	002	446	446	0
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (004. TO 010. + 013. + 014.)	003	582	582	0
TANGIBLE ASSETS	004	0	0	0
INTANGIBLE ASSETS	005	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	006	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	007	0	0	0
SHARES OF OTHER RECOGNISED INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	008	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	009	678	678	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	010	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	011	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	012	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	013	0	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	014	-96	-96	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (016. TO 023.)	015	-136	-136	0
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	016	0	0	0
FOREIGN CURRENCY TRANSLATION	017	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	018	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	019	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	020	-166	-166	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	021	0	0	0
SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	022	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	023	30	30	0
TOTAL OTHER COMPREHENSIVE INCOME (001. + 002.; 025. + 026.)	024	-2,025	-2,025	0
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	025	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	026	0	0	0

Differences in the items of the income statement and the statement of other comprehensive income for 2025, as published in the annual financial statements, compared with the income statement and the statement of other comprehensive income in accordance with the structure and content prescribed by the CNB decision, relate to the following items and reclassifications:

According to the CNB decision, dividend income is presented in a separate item, whereas in the annual report this income is included under Other net operating income.

The total amount of income from the purchase and sale of foreign currencies, amounting to EUR 160 thousand, is included in the item Other net operating income in the annual report.

In accordance with the CNB decision, employee-related provisioning costs in the amount of EUR 337 thousand are included in the item Other operating income, while in the annual report they are included in the item Staff costs within Administrative expenses.

In accordance with the CNB decision, net impairment expenses for investment property in the amount of EUR 65 thousand and net gains from foreign exchange differences on value adjustments in the amount of EUR 8 thousand are included in the item Other operating income, whereas in the annual report these items are included in Impairment and provisioning expenses.

Under the CNB decision, expenses from the sale of repossessed assets in the amount of EUR 59 thousand are presented under Other operating expenses, while in the annual report these expenses are included in the item Net (loss)/gain on sale of repossessed assets within Other operating income.

Income from the collection of previously written-off placements in the amount of EUR 23 thousand is included in the item Other operating income in the annual report, whereas according to the CNB decision it is included in the item Impairment or reversal of impairment of loans and advances.

According to the CNB decision, extraordinary income in the amount of EUR 27 thousand is included in the item Profit or (–) loss before tax from discontinued operations, whereas in the annual report it is included in the item Other income within Other operating income.

Depreciation expenses amounting to EUR 1,962 thousand are included in a separate item Depreciation of tangible and intangible assets in the annual report, while according to the CNB decision these expenses are included under Other administrative expenses.

Premium expenses for deposit insurance in the amount of EUR 249 thousand are included in the item Administrative operating expenses in the annual report, whereas in accordance with the CNB decision they are included in the item Other operating expenses.

Court expenses in the amount of EUR 129 thousand are included in the annual report under Other expenses within Administrative operating expenses, while in the report prepared in accordance with the CNB decision these expenses are included in the item Other operating expenses.

According to the CNB decision, extraordinary expenses in the amount of EUR 11,774 thousand are included in the item Profit or (–) loss before tax from discontinued operations, whereas in the annual report they are included in the item Compensation expenses based on court rulings within Administrative operating expenses. Under the CNB decision, provisioning costs for assumed liabilities and guarantees in the

amount of EUR 414 thousand and other provisioning costs in the amount of EUR 134 thousand are included in separate items, while in the annual report these costs are included in the item Impairment and provisioning expenses. Likewise, according to the CNB decision, impairment expenses on debt securities (treasury bills, bonds and promissory notes) in the amount of EUR 20 thousand are included in the separate item Impairment or reversal of impairment of securities and participating interests and shares in affiliated undertakings, whereas in the annual report these costs are included in the item Impairment and provisioning expenses.

Reconciliation of the Statement of Cash Flows and the Statement of Changes in Equity

Differences in the positions of the statement of cash flows in the annual financial statements compared with the statement of cash flows prepared in accordance with the CNB decision arise from different methodologies, resulting from differences in structure and content, i.e. differences in the classification of individual assets, liabilities and equity items. The same applies to the Statement of Changes in Equity.

APPENDIX II – OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Law 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 Law, and in particular:

1. receiving deposits or other refundable funds from the public and approving loans from these funds, for one's own account
2. receiving deposits or other refundable funds
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 purchase with a discount and without recourse of long-term overdue receivables secured by financial instruments (forfeiting)
4. purchase of receivables with or without recourse (factoring)
5. financial lease (leasing),
6. issuing guarantees or other guarantees
7. trading for own account or for the account of a client:
 - money market instruments,
 - transferable securities,
 - foreign means of payment, including exchange transactions,
 - financial futures and options,
 - currency and interest rate instruments,
8. payment services, namely:
 - 1) services enabling the deposit of cash into a payment account as well as all procedures required for the management of a payment account;
 - 2) services enabling the withdrawal of cash from a payment account as well as all procedures required for the management of a payment account;
 - 3) services for the execution of payment transactions, including the transfer of funds to a payment account with the user's payment service provider or with another payment service provider:
 - execution of direct debits, including one-off direct debits,
 - execution of payment transactions via payment cards or similar means,
 - execution of credit transfers, including standing orders;

- 4) payment transaction execution services where funds are covered by a credit line for the payment service user:
 - execution of direct debits, including one-off direct debits,
 - execution of payment transactions via payment cards or similar means,
 - execution of credit transfers, including standing orders;
- 5) services for issuing and/or accepting payment instruments;
- 6) remittance services,
9. services related to credit operations, such as collecting data, preparing analyses and providing information on the creditworthiness of legal and natural persons who independently carry out activities,
10. issuing and managing other payment instruments if the provision of these services is not considered to be the provision of payment services in accordance with a special law
11. mediation in concluding transactions on the money market
12. advising legal persons on capital structure, business strategy and similar issues and providing services relating to business mergers and acquisition of shares and business interests in other companies
13. issuing electronic money
14. investment and ancillary services and activities prescribed by a special law regulating the capital market, namely:
 - receipt and transmission of orders in relation to one or more financial instruments
 - execution of orders for the account of a client
 - trading for own account
 - portfolio management
 - investment advisory
 - services for the execution of an offer, or sale of financial instruments with an obligation to redeem
 - services for the execution of an offer, or sale of financial instruments without an obligation to redeem
 - custody and administration of financial instruments for the account of clients, including custody and related services, such as the management of funds, i.e. insurance instruments
 - granting a credit or loan to an investor in order to enable him to conclude a transaction with one or more financial instruments, if the transaction involves a company granting the loan or credit
 - advising on capital structure, business strategies and related issues, as well as advising and services related to mergers and acquisitions of shares in companies
 - foreign exchange services, if related to the provision of investment services
 - investment research and financial analysis, as well as other recommendations related to transactions with financial instruments
 - services related to the execution of the offer, or sale of financial instruments with an obligation to repurchase
 - investment services and activities and ancillary services related to the underlying assets of derivatives referred to in Article 3, paragraph 1, item 2, subitem d), indents 2, 3, 4 and 7 of the Capital Market Act when these investment services and activities are linked to investment services or ancillary services,
15. performing activities related to the sale of insurance policies in accordance with the regulations governing insurance

	2025	2024
TOTAL INCOME	25,492	25,620
PROFIT BEFORE TAX	(3,393)	5,131
CORPORATE INCOME TAX	922	(1,080)
NUMBER OF EMPLOYEES BASED ON FULL-TIME EQUIVALENT (PAID WORKING HOURS) PER YEAR	172	187

In 2025 and 2024, the Bank did not receive any public subsidies.

