

CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Unaudited Condensed Separate and Consolidated Interim Financial Statements for the Period 1 January – 30 June 2024

Zagreb, August 2024

This version of the Condensed Separate and Consolidated Interim Financial Statements is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the Condensed Separate and Consolidated Interim Financial Statements takes precedence over translation.

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Responsibilities of the Management and Supervisory Boards for the preparation and approval of the condensed separate and consolidated interim financial statements for the period 1 January – 30 June 2024

We confirm that, to the best of our knowledge, the condensed separate interim financial statements of the Croatian Bank for Reconstruction and Development ("the Bank" or "HBOR") and condensed consolidated interim financial statements of the Croatian Bank for Reconstruction and Development Group ("the Group") set out on pages 4 to 123 have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" applicable for the preparation of interim financial statements, and give a true and fair view of assets, liabilities, financial position, financial performance and cash flows for the reporting period.

The Management Board has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; making judgements 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 and the Group will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its Condensed interim financial statements which includes the condensed separate and consolidated interim financial statements. If the Supervisory Board approves the Condensed interim financial statements it is deemed confirmed by the Management Board and Supervisory Board.

The Condensed separate and consolidated interim financial statements on pages 4 to 123 have been approved by the Management Board on 22 August 2024 as confirmed by the signatures below.

For and on behalf of Croatian Bank for Reconstruction and Development:



Marin Pranjić

**Finance and Accounting
Division
Executive Director**



Hrvoje Čuvalo, MSc

**President of the Management
Board**



Alan Herjavec, MSc

**Member of the
Management Board**



Josip Pavković

**Member of the
Management Board**

Zagreb, 22 August 2024

Condensed Consolidated Interim Financial Statements of the Group
Income Statement
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2024		2023	
		Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Interest income calculated using the effective interest method	5	28,937	56,009	23,246	44,320
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		160	299	-	-
-Interest expense	6	(11,984)	(22,060)	(6,574)	(12,350)
Net interest income		17,113	34,248	16,672	31,970
Fee and commission income		590	1,079	1,030	2,749
Fee and commission expense		(119)	(338)	(149)	(390)
Net fee and commission income		471	741	881	2,359
Net (losses)/gains on financial operations		313	354	(5,177)	(2,710)
Other income		1,533	3,511	1,180	2,237
		19,430	38,854	13,556	33,856
Employee expenses	7 a)	(4,480)	(8,740)	(3,957)	(7,652)
Depreciation and amortisation	7 b)	(500)	(1,005)	(350)	(694)
Other expenses	7 c)	(2,847)	(5,595)	(2,629)	(4,873)
Subsidy cost at the expense of HBOR's operations		(50)	(314)	-	-
Impairment gains and provisions	8	9,346	15,289	4,495	9,141
Profit before income tax		20,899	38,489	11,115	29,778
Income tax		-	-	-	-
Profit for the period		20,899	38,489	11,115	29,778
Attributable to:					
Owner of the Bank		20,899	38,489	11,115	29,778

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Profit or Loss and Other Comprehensive Income
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	2024		2023	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Profit for the period	20,899	38,489	11,115	29,778
Total comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Net changes in financial assets at fair value through other comprehensive income	807	239	1,634	266
Deferred tax – other comprehensive income	(2)	4	-	-
Total items that may be reclassified subsequently to profit or loss	805	243	1,634	266
Other comprehensive (loss) after income tax	805	243	1,634	266
Total comprehensive income after income tax	21,704	38,732	12,749	30,044
Income attributable to:				
Owner of the Bank	21,704	38,732	12,749	30,044

The accompanying accounting policies and notes are an integral part of these financial statements

Condensed Consolidated Interim Financial Statements of the Group
Statement of Financial Position
as of

(All amounts are expressed in thousands of Euros)

	Notes	30 June 2024 EUR '000	31 December 2023 EUR '000
Assets			
Cash on hand and current accounts with banks	9	27,424	42,133
Deposits with other banks	10	99,079	71,761
Loans to financial institutions	11	1,245,007	1,248,881
Loans to other customers	12	2,347,683	2,351,196
Financial assets at fair value through profit or loss	13	55,698	52,922
Financial assets at fair value through other comprehensive income	14	250,630	235,199
Property, plant and equipment and intangible assets		4,867	4,868
Foreclosed assets	15	1,949	2,291
Other assets	16	7,923	12,285
Total assets		4,040,260	4,021,536
Liabilities			
Deposits from customers	17	231,343	194,876
Borrowings	18	2,213,810	2,251,176
Provisions for guarantees, commitments and other liabilities	19	20,713	24,382
Other liabilities	20	77,767	93,223
Total liabilities		2,543,633	2,563,657
Equity			
Founder's capital		958,889	958,889
Retained earnings and reserves		498,945	468,960
Other reserves		(1,334)	(1,555)
Profit for the year		38,489	29,947
Guarantee fund		1,638	1,638
Total equity		1,496,627	1,457,879
Total liabilities and total equity		4,040,260	4,021,536

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Cash Flows
for the period 1 January - 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2024 EUR '000	2023 EUR '000
Operating activities			
Profit before income tax		38,489	29,778
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		1,005	694
Income tax		-	-
Impairment gains and provisions		(15,289)	(9,141)
Accrued interest		(1,923)	(1,713)
Deferred fees		1,890	(545)
Net gain/(loss) from trading with derivative financial instruments		(162)	(96)
Other changes in assets at fair value		(377)	(23,756)
<i>Operating profit/(loss) before working capital changes</i>		23,633	(4,779)
<i>Changes in operating assets and liabilities:</i>			
Net (increase) in deposits with other banks, before impairment		(27,269)	(67,658)
Net decrease/(increase) in loans to financial institutions, before impairment		4,018	(50,926)
Net decrease/(increase) in loans to other customers, before loss impairment		24,834	(83,006)
Net decrease/(increase) in foreclosed assets		342	(47)
Net decrease/(increase) in other assets, before impairment		3,621	(2,683)
Net increase/(decrease) in deposits from banks and companies		36,373	(12,148)
Net (decrease)/increase in other liabilities, before provisions		(15,590)	527
Net cash provided from/(used in) operating activities		49,962	(220,720)
Investment activities			
Purchase of financial assets at fair value through profit or loss		(3,343)	(2,940)
Sale of financial assets at fair value through profit or loss		-	7
Purchase of financial assets at fair value through other comprehensive income		(45,552)	(83,290)
Sale of financial assets at fair value through other comprehensive income		29,010	127,666
Net purchase of property, plant and equipment and intangible assets		(907)	(319)
Net cash (used in)/provided from investment activities		(20,792)	41,124
Financing activities			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		306,220	221,000
Decrease in borrowings – repayments of principal		(346,088)	(190,583)
Other		(4,735)	4,108
Net cash (used in)/provided from financing activities		(44,603)	34,525
Effect of foreign currency to cash and cash equivalents			
Net foreign exchange		636	(684)
Net effect		636	(684)
Net (decrease) in cash and cash equivalents		(14,797)	(145,755)
Cash and cash equivalents balance as of 1 January, before impairment		42,292	229,343
Net (decrease) in cash and cash equivalents		(14,797)	(145,755)
Cash and cash equivalents balance as of 30 June before impairment	9	27,495	83,588
Additional note - Operational cash flows			
Interest paid		19,531	11,665
Interest received		44,622	36,408

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

Condensed Consolidated Interim Financial Statements of the Group
Statement of Changes in Equity
for the period 1 January - 30 June

(All amounts are expressed in thousands of Euros)

	Founder's capital	Retained earnings and reserves	Other reserves	Profit for the period	Guarantee fund	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January 2023	956,219	444,073	(4,947)	25,145	1,638	1,422,128
Profit for the period	-	-	-	29,778	-	29,778
Other comprehensive income	-	-	266	-	-	266
Total comprehensive income	-	-	266	29,778	-	30,044
Capital paid-in from the State Budget	-	-	-	-	-	-
Adjustments	-	42	(162)	(285)	-	(405)
Transfer of profit 2022 to retained earnings	-	24,860	-	(24,860)	-	-
Balance as of 30 June 2023	956,219	468,975	(4,843)	29,778	1,638	1,451,767
Balance as of 31 December 2023	958,889	468,960	(1,555)	29,947	1,638	1,457,879
Correction of opening balance	-	38	(22)	-	-	16
Balance as of 1 January 2024	958,889	468,988	(1,577)	29,947	1,638	1,457,895
Profit for the period	-	-	-	38,489	-	38,489
Other comprehensive income	-	-	243	-	-	243
Total comprehensive income	-	-	243	38,489	-	38,732
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,947	-	(29,947)	-	-
Balance as of 30 June 2024	958,889	498,945	(1,334)	38,489	1,638	1,496,627

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

Condensed Separate Interim Financial Statements of the Bank
Income Statement
for the period 1 January - 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2024		2023	
		Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Interest income calculated using the effective interest method	5	28,872	55,881	23,193	44,212
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		160	299	-	-
Interest expense	6	(11,983)	(22,057)	(6,573)	(12,349)
Net interest income		17,049	34,123	16,620	31,863
Fee and commission income		590	1,079	968	2,601
Fee and commission expense		(119)	(338)	(149)	(390)
Net fee and commission income		471	741	819	2,211
Net (losses)/gains on financial operations		313	354	(5,177)	(2,710)
Other income		866	2,131	551	940
		18,699	37,349	12,813	32,304
Employee expenses	7 a)	(4,334)	(8,453)	(3,819)	(7,384)
Depreciation and amortisation	7 b)	(479)	(964)	(338)	(671)
Other expenses	7 c)	(2,339)	(4,480)	(2,165)	(3,931)
Subsidy costs at the expense of HBOR's operations		(50)	(314)	-	-
Impairment gains and provisions	8	9,350	15,289	4,489	9,137
Profit before income tax		20,847	38,427	10,980	29,455
Income tax		-	-	-	-
Profit for the period		20,847	38,427	10,980	29,455
Attributable to:					
Owner of the Bank		20,847	38,427	10,980	29,455

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Profit or Loss and Other Comprehensive Income
for the period 1 January - 30 June

(All amounts are expressed in thousands of Euros)

	2024		2023	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Profit for the period	20,847	38,427	10,980	29,455
Other comprehensive income				
Items that may be reclassified				
subsequently to profit or loss:				
Net changes in financial assets at fair value through other comprehensive income	793	259	1,656	331
Total items that may be reclassified	793	259	1,656	331
Other comprehensive (loss) after income				
tax	793	259	1,656	331
Total comprehensive income after				
income tax	21,640	38,686	12,636	29,786
Profit attributable to:				
Owner of the Bank	21,640	38,686	12,636	29,786

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Financial Position
as of

(All amounts are expressed in thousands of Euros)

	Notes	30 June 2024 EUR '000	31 December 2023 EUR '000
Assets			
Cash on hand and current accounts with banks	9	27,149	41,543
Deposits with other banks	10	96,334	69,456
Loans to financial institutions	11	1,245,007	1,248,881
Loans to other customers	12	2,347,683	2,351,196
Financial assets at fair value through profit or loss	13	55,698	52,922
Financial assets at fair value through other comprehensive income	14	244,319	228,858
Investments in subsidiaries		7,449	7,449
Property, plant and equipment and intangible assets		4,616	4,723
Foreclosed assets	15	1,949	2,291
Other assets	16	7,094	11,365
Total assets		4,037,298	4,018,684
Liabilities			
Deposits from customers	17	231,343	194,876
Borrowings	18	2,213,810	2,251,176
Provisions for guarantees, commitments and other liabilities	19	20,713	24,380
Other liabilities	20	75,223	90,729
Total liabilities		2,541,089	2,561,161
Equity			
Founder's capital		958,873	958,873
Retained earnings and reserves		497,955	468,113
Other reserves		(684)	(943)
Profit for the year		38,427	29,842
Guarantee fund		1,638	1,638
Total equity		1,496,209	1,457,523
Total liabilities and total equity		4,037,298	4,018,684

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Cash Flows
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	Notes	2024 EUR '000	2023 EUR '000
Operating activities			
Profit before income tax		38,427	29,455
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		964	671
Impairment gains and provisions		(15,289)	(9,137)
Accrued interest		(1,884)	(1,697)
Deferred fees		1,890	(545)
Net (loss)/gains from trading with derivative financial instruments		(162)	(96)
Other changes in assets at fair value		(383)	(23,762)
<i>Operating profit/(loss) before working capital changes</i>		23,563	(5,111)
<i>Changes in operating assets and liabilities:</i>			
Net (increase) in deposits with other banks, before impairment		(26,868)	(68,578)
Net decrease/(increase) in loans to financial institutions, before impairment		4,018	(50,925)
Net decrease/(increase) in loans to other customers, before impairment		24,834	(83,006)
Net decrease/(increase) in foreclosed assets		342	(47)
Net decrease/(increase) in other assets, before impairment		3,523	(2,208)
Net increase/(decrease) in deposits from banks and companies		36,373	(12,148)
Net (decrease)/increase in other liabilities, before provisions		(15,506)	1,036
Net cash provided from/(used in) operating activities		50,279	(220,987)
Investment activities			
Purchase of financial assets at fair value through profit or loss income		(3,343)	(2,940)
Sale of financial assets at fair value through profit or loss		-	7
Purchase of financial assets at fair value through other comprehensive income		(45,552)	(83,290)
Sale of financial assets at fair value through other comprehensive income		29,010	127,666
Net purchase of property, plant and equipment and intangible assets		(440)	(210)
Net cash (used in)/provided from investment activities		(20,325)	41,233
Financing activities			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		306,220	221,000
Decrease in borrowings – repayments of principle		(346,088)	(190,583)
Other		(5,203)	4,061
Net cash (used in)/provided from financing activities		(45,071)	34,478
Effect of foreign currency to cash and cash equivalents			
Net foreign exchange		636	(684)
Net effect		636	(684)
Net (decrease) in cash and cash equivalents		(14,481)	(145,960)
Cash and cash equivalents balance as of 1 January, before impairment		41,701	228,625
Net (decrease) in cash and cash equivalents		(14,481)	(145,960)
Cash and cash equivalents balance as at 30 June, before impairment 9		27,220	82,665
Additional note – operating activities			
Interest paid		19,531	11,665
Interest received		44,533	36,319

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

Condensed Separate Interim Financial Statements of the Bank
Statement of Changes in Equity
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	Founder's capital EUR '000	Retained earnings and reserves EUR '000	Other reserves EUR '000	Profit for the period EUR '000	Guarantee fund EUR '000	Total EUR '000
Balance as at 1 January 2023	956,219	443,404	(4,429)	24,709	1,638	1,421,541
Profit for the period	-	-	-	29,455	-	29,455
Other comprehensive income	-	-	331	-	-	331
Total comprehensive income	-	-	331	29,455	-	29,786
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2022 to retained earnings	-	24,709	-	(24,709)	-	-
Balance as at 30 June 2023	956,219	468,113	(4,098)	29,455	1,638	1,451,327
Balance as at 1 January 2024	958,873	468,113	(943)	29,842	1,638	1,457,523
Profit for the period	-	-	-	38,427	-	38,427
Other comprehensive income	-	-	259	-	-	259
Total comprehensive income	-	-	259	38,427	-	38,686
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,842	-	(29,842)	-	-
Balance as at 30 June 2024	958,873	497,955	(684)	38,427	1,638	1,496,209

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

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

1. General information

1.1. Group:

The Croatian Bank for Reconstruction and Development („HBOR“ or „the Bank“) is the parent company of the Croatian Bank for Reconstruction and Development Group („Group“) that operates in the Republic of Croatia. The Group primarily performs banking activities and, to the lesser extent, insurance activities and credit risk assessment activities. These Financial Statements include separate and consolidated financial statements of the Bank and the Group („Financial Statements“).

The headquarters of the Bank is located at Strossmayerov trg 9, Zagreb, Croatia.

The Group was formed in 2010, the Bank's subsidiary companies are Hrvatsko kreditno osiguranje d.d. and Poslovni info servis d.o.o. that constitute the Hrvatsko kreditno osiguranje Group („HKO Group“).

The Croatian Bank for Reconstruction and Development is the 100% owner of HKO, which is 100% owner of Poslovni info servis d.o.o.

The legal address of the HKO Group is Zagreb, Bednjanska 12.

As of 30 June 2024, the Group had 447 employees (30 June 2023: 414 employees).

1.2. Bank:

The Croatian Bank for Reconstruction and Development („HBOR“ or „the Bank“) was established on 12 June 1992 under the Act on the Croatian Credit Bank for Reconstruction („HKBO“). In December 1995, the Bank changed its name to Croatian Bank for Reconstruction and Development. The founder and 100% owner of HBOR is the Republic of Croatia.

The Republic of Croatia guarantees HBOR's liabilities unconditionally, irrevocably and on first call, without issuing any particular guarantee. The responsibility of the Republic of Croatia as guarantor for HBOR's liabilities is joint and unlimited.

With the Act on the Croatian Bank for Reconstruction and Development passed in December 2006, HBOR's founding capital was EUR 929.1 million, the payment schedule of which is determined by the State budget.

Supervisory Board

By the end of the reporting period, the Government of the Republic of Croatia had not appointed the Supervisory Board of HBOR.

Luka Burilović, PhD, Chairman of the Croatian Chamber of Economy, is an ex officio member of the Supervisory Board.

At the meeting held on 12 July 2024, the Croatian Parliament adopted the Decision on the Appointment of Members of the Supervisory Board of the Croatian Bank for Reconstruction and Development from among the Members of the Parliament, and Boris Piližota, Predrag Štromar and Branka Juričev-Martinčev were appointed as members. The decision enters into force on the day it is adopted.

Management Board

On the date of preparing these statements, members of the Management Board of HBOR were as follows:

- Hrvoje Čuvalo, MSc, President of the Management Board,
- Alan Herjavec, MSc, Member of the Management Board, and
- Josip Pavković, Member of the Management Board.

As of 30 June 2024, HBOR had 427 employees (30 June 2023: 392 employees).

Audit Committee

The term of office of the members of the Audit Committee lasts as long as the term of office of the members of the Supervisory Board that has appointed them. On 17 May 2024, the term of office of the Audit Committee members expired, and new members of the Audit Committee were not appointed by the date of these financial statements.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

1. General information (continued)

1.2. Bank (continued):

1.2.1. Activities of the Bank:

The principal activities of the Bank comprise the following:

- financing of reconstruction and development of the Croatian economy,
- financing of infrastructure,
- promoting exports,
- providing support to the development of SMEs,
- promoting environmental protection, and
- providing domestic goods and services export insurance against non-market risks for and on behalf of the Republic of Croatia.

HBOR may perform other financial activities according to the decisions of the Government of the Republic of Croatia if, in their opinion, it is in the best interest of the Republic of Croatia.

1.3. The impact of the crisis caused by the Russian-Ukrainian war

Following the Russian invasion of Ukraine on 24 February 2022, the European Union imposed a package of sanctions against the Russian Federation and the Republic of Belarus that has economic consequences for the entire EU market, including the Croatian economy. Entrepreneurs are affected in multiple ways, both directly and indirectly, especially in the form of reduction in demand, termination of existing contracts and projects with the consequent loss of turnover, disruptions in supply chains, particularly of raw materials and semi-finished products, energy prices and other input materials. The crisis is disrupting supply chains, affecting the exporters and the importers of Russian, Ukrainian and Belarusian goods and services. The negative impact of price increases is already being felt throughout the Croatian economy.

Following the above, HBOR has started a programme of support to the Croatian economy affected by the new crisis under:

- HBOR's aid award programme aligned with the Temporary Crisis Framework for State Aid Measures to Support the Economy after Russia's Invasion of Ukraine - sections "2.1 and 2.3",
- Decision on the Adoption of a Temporary Crisis Measure under the Working Capital Loan Programme: Working Capital CRISIS 2022 – Measure, the implementation of which has been extended until 31 December 2023 and
- Ordinance on the Processing of Applications for Direct Loans under the loan programme Working Capital CRISIS 2022 – Measure that includes also financing under the risk-sharing model with financial institutions.

Although the long-term impact of this crisis on the Group's operations is currently difficult to quantify, the HBOR Group has a high level of capitalisation and liquidity and an appropriate level of provisions for exposures. Therefore, the Management Board of HBOR estimates that the continuity of business of the HBOR Group and HBOR is beyond doubt.

HBOR Group is comprised of HBOR as the parent company and of subsidiary companies: Hrvatsko kreditno osiguranje d.d. (hereinafter: HKO) and Poslovni info servis d.o.o. constituting HKO Group that represents 0.3% of the parent company's total assets. The Management Board of the subsidiary companies is taking the necessary measures to reduce the negative effects of the invasion of Ukraine.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

2. Basis of Preparation of the Financial Statements

2.1. Statement of compliance

The Condensed Interim Financial Statements of the Bank and HBOR Group for the period 1 January to 30 June 2024 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting.

The Condensed Interim Financial Statements for the period from 1 January to 30 June 2024 do not include all information and disclosures that are required in the annual financial statements and should be read in combination with the annual financial statements of the HBOR Group for the year ended 31 December 2023.

2.2. Measurement

The financial statements are prepared on the fair value basis for financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Other financial assets and liabilities, and non-financial assets and liabilities, are stated at amortised or historical cost.

The financial statements are prepared on an accrual and a going concern basis.

2.3. Functional and presentation currency

These financial statements of the Bank and the Group are presented in Euro (EUR), the Bank's and the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Use of judgements and estimates

For the preparation of separated and consolidated financial statements in accordance with IFRSs, the Management Board is required to give estimations and make assumptions that influence the reported balances of assets and liabilities and to disclose contingent assets and liabilities at the date of financial statements, and present income and expense for the reporting period. Estimations and related assumptions are based on historical experience and various other factors that are considered to be reasonable in the given circumstances and with available information as of the date of preparation of the financial statements, which together form the basis for estimating the carrying amount of assets and liabilities that cannot be easily identified from other sources. Actual results may differ from these estimations. Estimations and related assumptions are continuously reviewed. Changes in accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of change or future periods if the change affects the current and future periods.

Significant accounting judgements and estimates were the same as those described in the last annual financial statements.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

4. Summary of significant accounting policies

4.1. Adoption of new and amended International Financial Reporting Standards (“IFRS”) and Interpretations

First application of new and amendments to existing standards in force in the current reporting period

In the current reporting period, the following amendments to existing standards are in force, published by the International Accounting Standards Board (“IASB”) and adopted by the European Union:

- Amendments to IAS 1 Presentation of Financial Statements:
 - Classification of Liabilities as Current or Non-current – Deferral of Effective Date; and
 - Non-current liabilities with Covenants)(effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases: Lease obligation in case of sale with leaseback (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024).

The adoption of these amendments to existing standards did not result in significant changes in the Group's financial statements.

New standards and amendments to existing standards published by the IASB, but not yet adopted in the European Union

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 on 30 June 2024 has not yet decided (the effective dates set out below refer to IFRSs issued by the IASB):

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025);
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2026);
- New IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027);
- New IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027).

Group expects that the adoption of the following new standards and amendments to existing standards and new standards will not lead to significant changes in the Group's financial statements.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

5. Interest income calculated using the effective interest method

Interest income by borrowers:

	Group				Bank			
	2024		2023		2024		2023	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30 EUR '000	January 1 – June 30 EUR '000	April 1 – June 30 EUR '000	January 1 – June 30 EUR '000	April 1 – June 30 EUR '000	January 1 – June 30 EUR '000	April 1 – June 30 EUR '000	January 1 – June 30 EUR '000
Public sector	5,747	11,447	5,491	10,498	5,708	11,365	5,448	10,412
State-owned companies	1,786	3,737	2,017	3,834	1,786	3,737	2,017	3,834
Foreign companies	89	131	8	89	89	131	8	89
Domestic companies	12,874	25,425	10,799	20,969	12,870	25,421	10,799	20,969
Domestic financial institutions	6,107	11,735	3,249	6,019	6,085	11,693	3,239	5,997
Foreign financial institutions	531	1,025	416	895	531	1,025	416	895
Penalty interest	1,396	1,682	862	1,210	1,396	1,682	862	1,210
Other	407	827	404	806	407	827	404	806
	28,937	56,009	23,246	44,320	28,872	55,881	23,193	44,212

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

5. Interest income calculated using the effective interest method (continued)

Interest income by type of facility:

	Group				Bank			
	2024		2023		2024		2023	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Interest on loans								
- financial institutions	5,726	11,116	3,237	5,909	5,726	11,116	3,237	5,909
- other customers	20,838	40,304	18,359	35,378	20,838	40,304	18,359	35,378
	26,564	51,420	21,596	41,287	26,564	51,420	21,596	41,287
Investments in securities	1,462	2,945	1,220	2,024	1,419	2,859	1,176	1,937
- Bonds of the Republic of Croatia	1,319	2,548	943	1,635	1,279	2,466	901	1,551
- Corporate bonds	5	8	4	7	2	4	2	4
- Treasury bills of the Ministry of Finance	138	389	273	382	138	389	273	382
Deposits	911	1,644	430	1,009	889	1,602	421	988
	28,937	56,009	23,246	44,320	28,872	55,881	23,193	44,212

The main difference between interest income and interest received or collected (see Statement of Cash Flows) mostly relates to the income in respect to interest subsidies inflows that are recorded upon payment. The discounted amount of the interest subsidies provided for the final user is presented as deferred interest income (see Note 20 Other liabilities) and is recognised in profit or loss on a time basis during the repayment of the loan. Interest income earned on this basis for the period 1 January to 30 June 2024 amounts to EUR 8,660 thousand (1 January to 30 June 2023: EUR 5,635 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

6. Interest expense

Interest expense by type of payee:

	Group				Bank			
	2024		2023		2024		2023	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
EUR '000		EUR '000		EUR '000		EUR '000		
Domestic financial institutions	1,073	1,179	4	29	1,073	1,179	4	29
Foreign financial institutions	7,980	15,056	5,806	10,932	7,979	15,055	5,806	10,932
State units	2,921	5,802	759	1,381	2,921	5,802	759	1,381
Other	10	23	5	8	10	21	4	7
	11,984	22,060	6,574	12,350	11,983	22,057	6,573	12,349

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

6. Interest expense (continued)

Interest expense by type of facility:

	Group				Bank			
	2024		2023		2024		2023	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Borrowings	11,095	20,846	6,347	12,079	11,095	20,846	6,347	12,079
Deposits	878	1,190	222	263	878	1,190	222	263
Leases – interest expenses on long term contracts	11	24	5	8	10	21	4	7
	11,984	22,060	6,574	12,350	11,983	22,057	6,573	12,349

The difference between interest expense and interest paid (see the Statement of Cash Flows) mostly relates to the changes in the amount of the interest accrued in relation to the prior year.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

7. Operating expenses

Operating expenses can be shown as follows:

	Group				Bank			
	2024		2023		2024		2023	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
7 a) Employee expenses	4,480	8,740	3,957	7,652	4,334	8,453	3,819	7,384
7 b) Depreciation	500	1,005	350	694	479	964	338	671
7 c) Other expenses	2,847	5,595	2,629	4,873	2,339	4,480	2,165	3,931
Of which:								
<i>Administration expenses</i>	729	1,886	729	1,243	699	1,840	703	1,196
<i>Material and services</i>	1,299	2,268	1,281	2,365	1,205	2,079	1,215	2,217
<i>Other expenses</i>	819	1,441	619	1,265	435	561	247	518
	7,827	15,340	6,936	13,219	7,152	13,897	6,322	11,986

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

8. Impairment gains and provisions

The provision for impairment losses on placements may be summarised as follows:

a) Impairment gains and provisions on financial instruments in accordance with IFRS 9

	Group				Bank			
	2024		2023		2024		2023	
	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30	April 1 – June 30	January 1 – June 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Impairment losses on cash on hand and due from financial institutions	(214)	(88)	85	(547)	(213)	(87)	84	(547)
Impairment losses on deposits with other banks	25	9	(11)	14	21	9	(10)	15
Impairment losses on loans to financial institutions	183	46	(205)	(375)	183	46	(205)	(375)
Impairment losses on loans to other customers and interest	(16,343)	(20,575)	(9,318)	(17,263)	(16,343)	(20,575)	(9,318)	(17,263)
Modification loss/(gain) – financial institutions	(93)	(179)	(130)	(247)	(93)	(179)	(130)	(247)
Modification (gain)/loss – other customers	(794)	171	(753)	(45)	(794)	171	(753)	(45)
POCI assets – fair value adjustment at initial recognition	8,661	8,661	1,072	5,602	8,661	8,661	1,072	5,602
Impairment of financial assets at fair value through other comprehensive income	4	16	(30)	(44)	4	16	(31)	(45)
Impairment losses on other assets	414	331	(1)	(255)	413	330	3	(254)
Provisions for commitments	212	(2,013)	2,541	2,579	212	(2,013)	2,541	2,579
Provision for guarantees	(3,365)	(2,484)	2,432	1,691	(3,365)	(2,484)	2,432	1,691
Total	(11,310)	(16,105)	(4,318)	(8,890)	(11,314)	(16,105)	(4,315)	(8,889)

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

8. Impairment gains and provisions (continued)

b) Other impairment losses and provisions

	Group				Bank			
	2024		2023		2024		2023	
	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000	Current period April 1 – June 30 EUR '000	Cumulatively January 1 – June 30 EUR '000
Provision for other liabilities	1,988	874	(177)	(251)	1,988	874	(174)	(248)
Other adjustments	(24)	(58)	-	-	(24)	(58)	-	-
Total	1,964	816	(177)	(251)	1,964	816	(174)	(248)
Total	(9,346)	(15,289)	(4,495)	(9,141)	(9,350)	(15,289)	(4,489)	(9,137)

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

9. Cash on hand and current accounts with banks

	Group		Bank	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Account with the Croatian National Bank	291	286	291	286
Accounts with the domestic banks	26,934	41,685	26,659	41,094
Accounts with foreign banks	198	210	198	210
Foreign currency account – domestic banks	17	16	17	16
Foreign currency account – foreign banks	55	95	55	95
	27,495	42,292	27,220	41,701
Loss allowances	(71)	(159)	(71)	(158)
	27,424	42,133	27,149	41,543

The following tables sets out information about the credit quality of financial assets measured at amortised cost, The amounts in the table represent gross carrying amounts:

30 June 2024	Group				Bank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	27,495	-	-	27,495	27,220	-	-	27,220
Loss allowances	(71)	-	-	(71)	(71)	-	-	(71)
Balance as of 30 June 2024	27,424	-	-	27,424	27,149	-	-	27,149

31 December 2023	Group				Bank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Gross amount	42,292	-	-	42,292	41,701	-	-	41,701
Loss allowances	(159)	-	-	(159)	(158)	-	-	(158)
Balance as of 31 December 2023	42,133	-	-	42,133	41,543	-	-	41,543

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

9. Cash on hand and current accounts with banks (continued)

The movements in the loss allowances on amounts due from banks may be summarised as follows:

	Jan 1 - Jun 30, 2024	Group Jan 1 - Dec 31, 2023	Jan 1 - Jun 30, 2024	Bank Jan 1 - Dec 31, 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	159	805	158	804
Net (decrease) of loss allowances on amounts due from banks	(88)	(646)	(87)	(646)
<i>Total recognised through Income Statement (Note 8)</i>	(88)	(646)	(87)	(646)
Balance at the end of the reporting period	71	159	71	158

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

10. Deposits with other banks

	30 June 2024	Group 31 December 2023	30 June 2024	Bank 31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Deposits with foreign banks	31,494	33,647	31,494	33,647
Deposits with domestic banks	67,744	38,300	65,044	36,000
Accrued interest	71	35	23	27
	99,309	71,982	96,561	69,674
Loss allowances	(230)	(221)	(227)	(218)
	99,079	71,761	96,334	69,456

The following tables sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts:

30 June 2024	Group				Bank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	99,309	-	-	99,309	96,561	-	-	96,561
Loss allowances	(230)	-	-	(230)	(227)	-	-	(227)
Balance as of 30 June 2024	99,079	-	-	99,079	96,334	-	-	96,334

31 December 2023	Group				Bank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	71,982	-	-	71,982	69,674	-	-	69,674
Loss allowances	(221)	-	-	(221)	(218)	-	-	(218)
Balance as of 31 December 2023	71,761	-	-	71,761	69,456	-	-	69,456

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

10. Deposits with other banks (continued)

The movements in the loss allowances on deposits with other banks may be summarised as follows:

	Jan 1 - Jun 30, 2024	Group Jan 1 - Dec 31, 2023	Jan 1 – Jun 30, 2024	Bank Jan 1 - Dec 31, 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	221	5	218	-
Net increase of loss allowances on deposits with other banks	9	216	9	218
<i>Total recognised through Income Statement (Note 8)</i>	9	216	9	218
Balance at the end of the reporting period	230	221	227	218

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions

	Group and Bank	
	30 June 2024	31 December 2023
	EUR '000	EUR '000
Long-term loans under loan programmes	1,133,813	1,062,831
Short-term loans and reverse repo transactions	118,000	193,000
Accrued interest	2,912	2,384
Deferred recognition of loan origination fees	(2,945)	(2,607)
	<u>1,251,780</u>	<u>1,255,608</u>
Loss allowances	(6,773)	(6,727)
	<u>1,245,007</u>	<u>1,248,881</u>

The following tables sets out information about the credit quality of financial assets measured at amortised cost, The amounts in the table represent gross carrying amounts:

30 June 2024	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	1,233,828	16,850	1,102	1,251,780
Loss allowances	(4,116)	(1,819)	(838)	(6,773)
Balance as of 30 June 2024	<u>1,229,712</u>	<u>15,031</u>	<u>264</u>	<u>1,245,007</u>

31 December 2023	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	1,238,052	16,420	1,136	1,255,608
Loss allowances	(4,163)	(1,707)	(857)	(6,727)
Balance as of 31 December 2023	<u>1,233,889</u>	<u>14,713</u>	<u>279</u>	<u>1,248,881</u>

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions (continued)

The movements in the loss allowances on loans to financial institutions may be summarised as follows:

	Jan 1 - Jun 30, 2024 EUR '000	Group and Bank Jan 1 - Dec 31, 2023 EUR '000
Balance as of 1 January	6,727	8,078
Adjustment of initial balance	-	(5)
Net increase/(decrease) of loss allowances on loans to financial institutions	46	(1,346)
<i>Total recognised through Income Statement (Note 8)</i>	46	(1,346)
Balance at the end of the reporting period	6,773	6,727

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

11. Loans to financial institutions (continued)

Loans to financial institutions, impaired for loss allowances, by purpose of the loan programs:

	30 June 2024 EUR '000	Group and Bank 31 December 2023 EUR '000
EU Projects	53,791	54,217
Financial Restructuring	3,222	3,429
Pre-Export Finance	135	1,535
Public Sector Investment	159,421	147,368
Private Sector Investment	171,974	114,438
Youth, Female, Start-up Entrepreneurship	12,828	11,619
Working Capital	5,020	5,904
Working Capital – COVID 19 measures and CRISIS 2022	3,995	4,942
Loan programme for reconstruction and development of the economy	64,726	76,634
Export financing	136,032	144,858
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	86,415	96,535
Loan programme for small and medium-sized enterprises	436,051	401,093
Loan programme for war-torn and demolished housing and business facilities	203	259
Other	118,000	193,000
Accrued interest	2,912	2,384
Deferred recognition of loan fees	(2,945)	(2,607)
	1,251,780	1,255,608
Loss allowances	(6,773)	(6,727)
	1,245,007	1,248,881

Average interest rates for total loans to financial institutions are stated at 0.55% (1 January - 30 June 2023: 0.30%) and average interest rates for loans under HBOR loan programmes excluding the liquidity reserve are stated at 0.45% (1 January - 30 June 2023: 0.28%).

Average interest rates reflect the ratio of interest income generated from the mentioned placements and average assets.

Item "Other" refers to reverse repo agreements in the total amount of EUR 118,000 thousand (31 December 2023: EUR 193,000 thousand). The above placements are collateralized by securities in the amount of EUR 124,352 thousand (31 December 2023: EUR 207,190 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

12. Loans to other customers

Loans to other customers, impaired for loss allowances, may be summarised by sectors as follows:

	Group and Bank	
	30 June 2024 EUR '000	31 December 2023 EUR '000
Domestic companies	1,788,132	1,777,568
State-owned companies	182,560	217,424
Public sector	721,922	726,253
Foreign companies	6,641	-
Other	59,367	62,307
Accrued interest	51,403	47,646
Deferred recognition of loan origination fees	(10,660)	(9,245)
	<u>2,799,365</u>	<u>2,821,953</u>
Loss allowances	(451,682)	(470,757)
	<u>2,347,683</u>	<u>2,351,196</u>

The following tables sets out information about the credit quality of financial assets measured at amortised cost, The amounts in the table represent gross carrying amounts:

	Group and Bank					
	Stage 1	Stage 2	Stage 3	POCI		Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	EUR '000
30 June 2024						
Gross amount	1,830,568	307,113	435,142	11,783	214,759	2,799,365
Loss allowances	(46,560)	(93,336)	(278,823)	(637)	(32,326)	(451,682)
Balance as of 30 June 2024	<u>1,784,008</u>	<u>213,777</u>	<u>156,319</u>	<u>11,146</u>	<u>182,433</u>	<u>2,347,683</u>

	Group and Bank					
	Stage 1	Stage 2	Stage 3	POCI		Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	EUR '000
31 December 2023						
Gross amount	1,816,277	388,593	400,035	6,213	210,835	2,821,953
Loss allowances	(42,543)	(128,588)	(267,359)	(750)	(31,517)	(470,757)
Balance as of 31 December 2023	<u>1,773,734</u>	<u>260,005</u>	<u>132,676</u>	<u>5,463</u>	<u>179,318</u>	<u>2,351,196</u>

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

12. Loans to other customers (continued)

The movements in the loss allowances on loans to other customers may be summarised as follows:

	Jan 1 - Jun 30, 2024 EUR '000	Group and Bank Jan 1 - Dec 31, 2023 EUR '000
Balance as of 1 January	470,757	458,561
Adjustment of initial balance	-	489
Net (decrease)/increase of loss allowances on loans to other customers and interest	(20,575)	5,360
<i>Total recognised through Income Statement (Note 8)</i>	<u>(20,575)</u>	<u>5,360</u>
Net foreign exchange gain/loss on loss allowances	270	(353)
Write-offs	(1,929)	(3,392)
Transfer to off-balance sheet records	-	(2,311)
Unwinding – changes due to the lapse of time	1,754	3,996
Interest transferred from the off-balance sheet records and other	1,405	8,407
Balance at the end of the reporting period	<u>451,682</u>	<u>470,757</u>

Net foreign exchange gain/loss on loss allowances are shown within net gains/(losses) from financial activities in the Income Statement.

The write-off of receivables in the amount of EUR 1,929 thousand (31 December 2023: EUR 3,392 thousand) relates mostly to the permanent derecognition from the business records, partial discharge of debt in accordance with the Methodology for the Write-Off of Receivables and discharge of a part of penalty interest.

The transfer to the off-balance sheet records in the amount of EUR 0 thousand was (31 December 2023: EUR 2,311 thousand) performed on the basis of the prescribed criteria in the Methodology for the Write-off of Receivables.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

12. Loans to other customers (continued)

Loans to other customers, net of loss allowances, may be summarised by loan programme as follows:

	Group and Bank	
	30 June 2024 EUR '000	31 December 2023 EUR '000
EU Projects	78,796	72,901
Financial Restructuring	113,747	121,229
Pre-Export Finance	1,808	1,827
Public Sector Investment	313,301	292,790
Private Sector Investment	305,863	240,302
Youth, Female, Start-up Entrepreneurship	9,365	8,827
Working Capital	215,785	220,501
Working Capital – COVID 19 measures and CRISIS 2022	502,208	551,850
Loan programme for reconstruction and development of the economy	215,343	225,071
Export financing	397,570	410,396
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	475,218	505,595
Loan programme for small and medium-sized enterprises	89,789	97,821
Other	39,829	34,442
Accrued interest	51,403	47,646
Deferred recognition of loan origination fees	(10,660)	(9,245)
	2,799,365	2,821,953
Loss allowances	(451,682)	(470,757)
	2,347,683	2,351,196

Average interest rates on loans to other customers are stated at 2.01% (1 January – 30 June 2023: 1.82%). Average interest rates reflect the ratio of interest income from generated the mentioned placements and average asset.

Item "Other" refers to reverse repo agreements in the total amount of EUR 5,165 thousand (31 December 2023: EUR 0 thousand). The above placements are collateralized by securities in the amount of EUR 5,484 thousand (31 December 2023: EUR 0 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

13. Financial assets at fair value through profit or loss

	Group and Bank	
	30 June	31 December
	2024	2023
	EUR '000	EUR '000
<i>Loans at FVPL:</i>		
Mezzanine loans	33,279	33,698
	33,279	33,698
<i>Investments in investment funds:</i>		
Investments in investment funds at FVPL	22,369	19,171
	22,369	19,171
<i>Unlisted equity instruments:</i>		
Depository receipt - DR	42	42
	42	42
Derivative financial assets-positive fair value	8	11
	55,698	52,922

Non-listed equity securities in the amount of EUR 42 thousand (31 December 2023: EUR 42 thousand) relate to depository receipts (DR) of the Fortenova Group STAK Stichting taken over through the Settlement under the Extraordinary Administration Proceedings against the company Agrokor d.d. et al.

As at 30 June 2024, a positive fair value of derivative financial instruments was stated in the amount of EUR 8 thousand (31 December 2023: EUR 11 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income

	Group		Bank	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000
Debt instruments:				
Listed debt instruments:				
Bonds of the Republic of Croatia	219,600	185,225	213,645	179,243
Corporate bonds	300	303	-	-
Treasury bills of the Ministry of Finance	19,781	38,451	19,781	38,451
Accrued interest	2,602	3,177	2,546	3,121
	242,283	227,156	235,972	220,815
Unlisted debt instruments:				
Corporate bonds	77	81	77	81
Convertible bonds - CB	195	195	195	195
Accrued interest	2	2	2	2
	274	278	274	278
Equity instruments:				
Unlisted equity instruments:				
Investments in shares of foreign legal entities - SWIFT	8	8	8	8
Shares of foreign financial institutions – EIF	8,065	7,757	8,065	7,757
	8,073	7,765	8,073	7,765
	250,630	235,199	244,319	228,858

Non-listed convertible bonds (CB) of the Fortenova Group TopCo B.V. in the amount of EUR 195 thousand (31 December 2023: EUR 195 thousand) have been taken over through the Settlement under the Extraordinary Administration Proceedings against the company Agrokor d.d. et al.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income (continued)

The following tables sets out information about the credit quality of financial assets measured at FVOCI. The amounts in the table represent gross carrying amounts:

30 June 2024	Group							Bank
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	242,362	-	195	242,557	236,051	-	195	236,246
Balance as of 30 June 2024	242,362	-	195	242,557	236,051	-	195	236,246

31 December 2023	Group							Bank
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Gross amount	227,239	-	195	227,434	220,898	-	195	221,093
Balance as of 31 December 2023	227,239	-	195	227,434	220,898	-	195	221,093

Changes in the loss allowances of financial assets at fair value through other comprehensive income, do not impair the carrying value of financial assets, may be summarised as follows:

	Group		Bank	
	Jan 1 – Jun 30, 2024	Jan 1 – Dec 31, 2023	Jan 1 – Jun 30, 2024	Jan 1 – Dec 31, 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	454	618	442	606
Net increase/(release) of loss allowances	16	(163)	16	(164)
<i>Total recognised through Income Statement (Note 8)</i>	16	(163)	16	(164)
Other adjustments	-	(1)	-	-
Balance at the end of the reporting period	470	454	458	442

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

14. Financial assets at fair value through other comprehensive income (continued)

The following text contains investment breakdown:

	Date of issue	Date of maturity	Interest rate (%)	30 June 2024 EUR '000	Group 31 December 2023 EUR '000	30 June 2024 EUR '000	Bank 31 December 2023 EUR '000
Debt instruments:							
Listed debt instruments:							
<i>Bonds of the Republic of Croatia:</i>							
RHMF-O-247E	10.7.2013.	10.7.2024.	5.75	50,087	25,493	49,506	24,905
RHMF-O-267E	15.7.2022.	15.7.2026	2.13	20,643	20,687	20,643	20,687
XS1117298916	11.3.2015.	11.3.2025.	3.0	38,526	38,512	38,526	38,512
XS1843434876	19.6.2019.	19.6.2029.	1.125	1,804	1,812	1,804	1,812
RHMF-O-257A	9.7.2015.	9.7.2025.	4.5	1,129	1,118	-	-
RHMF-O-26CA	14.12.2015.	14.12.2026.	4.25	5,146	5,180	4,072	4,098
RHMF-O-282A	7.2.2017.	7.2.2028.	2.875	1,559	1,562	1,311	1,316
RHMF-O-297A	9.7.2018.	9.7.2029.	2.38	384	385	-	-
RHMF-O-34BA	27.11.2019.	27.11.2034.	1.00	1,691	1,710	-	-
RHMF-O-403E	3.3.2020.	3.3.2040.	1.25	848	852	-	-
RHMF-O-253A	3.3.2020.	3.3.2025.	0.25	15,112	10,225	15,112	10,225
RHMFO-24BA	27.11.2019.	27.11.2024.	0.25	1,253	1,243	1,253	1,243
RHMF-O-253B	8.3.2023.	8.3.2025.	3.65	37,009	37,172	37,009	37,172
RHMF-O-287A	5.7.2021.	5.7.2028.	0.50	5,496	-	5,496	-
RHMFO33BA3	24.11.2023.	24.11.2033.	3.75	38,913	39,274	38,913	39,274
<i>Corporate bonds:</i>							
JDGL-O-24XA	18.12.2019.	18.12.2024.	1.75	128	132	-	-
HRATGRO25CA5	11.12.2020.	11.12.2025.	0.88	172	172	-	-
Treasury bills up to 91 days			3.874	9,929	-	9,929	-
Treasury bills up to 182 days			-	-	4,976	-	4,976
Treasury bills up to 364 days			3.821	9,852	33,474	9,852	33,474
Accrued interest				2,602	3,177	2,546	3,121
				242,283	227,156	235,972	220,815
Unlisted debt instruments:							
<i>Corporate bonds:</i>							
LNGU-O-31AE	24.7.2015.	15.10.2031.	4.5	77	81	77	81
<i>Bonds of foreign corporate:</i>							
Fortenova Group TopCo B.V.	1.4.2019.	1.4.2029.	2.5	195	195	195	195
Accrued interest				2	2	2	2
				274	278	274	278
Equity instruments:							
<i>Unlisted equity instruments:</i>							
Investments in shares of foreign legal entities - SWIFT				8	8	8	8
Investments in shares of foreign financial institutions - EIF				8,065	7,757	8,065	7,757
				8,073	7,765	8,073	7,765
Total				250,630	235,199	244,319	228,858

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

15. Foreclosed assets

	30 June 2024 EUR '000	Group and Bank 31 December 2023 EUR '000
Foreclosed assets, net	1,949	2,291
	1,949	2,291

In the reporting period 2024, there was no acquisition of property (in 2023, acquisition of property took place with present value in the amount of EUR 74 thousand, acquisition value of EUR 74 thousand and provisions of EUR 0 thousand and relates to buildings).

In the first half 2024, sale of foreclosed assets took place with present value in the amount of EUR 188 thousand, acquisition value of EUR 408 thousand and provisions of EUR 220 thousand, and relates to land plot in the amount of EUR 2 thousand and buildings in the amount of EUR 186 thousand (in 2023, sale of foreclosed assets took place with present value in the amount of EUR 892 thousand, acquisition value of EUR 1,536 thousand and provisions of EUR 644 thousand and relates to land plot in the amount of EUR 836 thousand, buildings in the amount of EUR 27 thousand and apartments in the amount of EUR 29 thousand).

In 2024, foreclosed assets were transferred to lease on the item Investments in property in the amount of EUR 312 thousand (2023: EUR 140 thousand), which is presented under Other assets due to immaterial significance.

In the reporting period, this property was depreciated in the amount of EUR 6 thousand (2023: EUR 9 thousand).

The fair value of total foreclosed assets at the beginning of the reporting period stood at EUR 4,066 thousand and the end of the reporting period at EUR 3,307 thousand.

Adjustment increase amount for the Group and the Bank that has an effect on the profit or loss stood at EUR 0 thousand in 2024 (in 2023: EUR 0 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

16. Other assets

	30 June 2024 EUR '000	Group 31 December 2023 EUR '000	30 June 2024 EUR '000	Bank 31 December 2023 EUR '000
Fees receivable	3,433	3,540	3,433	3,540
Other receivables	2,556	1,925	2,556	1,925
Prepaid expenses	677	492	656	477
Accrued income	3,176	3,057	3,176	3,057
Assets related to reinsurance contracts	603	733	-	-
Receivables for risk assessment fees	57	35	-	-
Deferred tax assets	150	140	-	-
Leased assets	1,621	2,032	1,621	2,032
Other assets	344	4,724	337	4,719
	12,617	16,678	11,779	15,750
Loss allowances	(4,694)	(4,393)	(4,685)	(4,385)
	7,923	12,285	7,094	11,365

Lease assets are recognised in accordance with the application of the IFRS 16 and depreciation during the year stood at EUR 411 thousand for the Group and Bank.

The following tables sets out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent gross carrying amounts:

30 June 2024	Stage 1	Stage 2	Stage 3	POCI Stage 3	Group Total	Stage 1	Stage 2	Stage 3	POCI Stage 3	Bank Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	Gross amount	1,790	12	4,805	42	6,649	1,130	12	4,805	42
Loss allowances	(11)	(1)	(4,647)	(35)	(4,694)	(2)	(1)	(4,647)	(35)	(4,685)
Balance as of 30 June 2024	1,779	11	158	7	1,955	1,128	11	158	7	1,304

31 December 2023	Stage 1	Stage 2	Stage 3	POCI Stage 3	Group Total	Stage 1	Stage 2	Stage 3	POCI Stage 3	Bank Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	Gross amount	1,644	12	4,535	42	6,233	876	12	4,535	42
Loss allowances	(27)	(1)	(4,330)	(35)	(4,393)	(19)	(1)	(4,330)	(35)	(4,385)
Balance as of 31 December 2023	1,617	11	205	7	1,840	857	11	205	7	1,080

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

16. Other assets (continued)

The following text contains the breakdown of positions stated as credit risk:

	30 June 2024 EUR '000	Group 31 December 2023 EUR '000	30 June 2024 EUR '000	Bank 31 December 2023 EUR '000
Fees receivable	3,433	3,540	3,433	3,540
Other receivables	2,556	1,925	2,556	1,925
Assets related to reinsurance contracts	603	733	-	-
Receivables for risk assessment fees	57	35	-	-
	<u>6,649</u>	<u>6,233</u>	<u>5,989</u>	<u>5,465</u>
Loss allowance	(4,694)	(4,393)	(4,685)	(4,385)
Subtotal – assets exposed to credit risk	<u>1,955</u>	<u>1,840</u>	<u>1,304</u>	<u>1,080</u>

The movements in the loss allowances on other assets may be summarised as follows:

	Jan 1 - Jun 30, 2024 EUR '000	Group Jan 1 - Dec 31, 2023 EUR '000	Jan 1 - Jun 30, 2024 EUR '000	Bank Jan 1 - Dec 31, 2023 EUR '000
Balance as of 1 January	4,393	4,691	4,385	4,669
Net increase/(release) of loss allowances on other assets	331	(195)	330	(193)
<i>Total recognised through Income statement (Note 8)</i>	<u>331</u>	<u>(195)</u>	<u>330</u>	<u>(193)</u>
Write-offs	(35)	(93)	(35)	(93)
Net foreign exchange gain/loss on loss allowances	4	(2)	4	(2)
Other adjustments	1	(8)	1	4
Balance at the end of the reporting period	<u>4,694</u>	<u>4,393</u>	<u>4,685</u>	<u>4,385</u>

Net foreign exchange gain/loss on loss allowances are shown within net gains/(losses) from financial activities in the Income Statement.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

17. Deposits from customers

	30 June 2024 EUR '000	Group and Bank 31 December 2023 EUR '000
Bank deposits and deposits of foreign financial institutions	88,434	56,500
Regular accounts of companies	-	3
Account of the Ministry of Finance of the Republic of Croatia	5,573	24,385
Special purpose accounts of the companies	19,969	28,238
Special accounts of foreign financial institutions	-	2
State institutions' deposits	70,862	64,349
Other deposits	46,319	21,307
	<u>231,157</u>	<u>194,784</u>
Accrued interest	186	92
	<u>231,343</u>	<u>194,876</u>

Bank deposits in 2024 relate to loro deposits of the Erste&Steirmarkische Bank d.d. and Bulgarian Development Bank AD, while at the end of 2023 they related to loro deposits of Unicredit bank Austria AG and Bulgarian Development Bank AD.

The account of the Ministry of Finance of the Republic of Croatia relates to the Export Insurance Guarantee Fund comprising of reinsurance premiums paid for export insurance operations of EUR 5,573 thousand (31 December 2023: EUR 24,385 thousand).

State institution's demand deposits relate to the Bank's operations carried out for and on behalf of the Ministry of Finance, the Ministry of the Sea, Transport and Infrastructure, the Ministry of Agriculture, the Ministry of Regional Development and EU Funds, the company Vodovod i kanalizacija d.o.o., Split and the Croatian Agency for SMEs, Innovations and Investments ("HAMAG-BICRO").

Special purpose accounts of the companies relate to the inflow of funds and disposition of the advance payment funds paid to the company's account in relation to the issued guarantees of HBOR for the repayment of advance for export transactions. The funds of the advance are used exclusively for the specified purpose of implementation of an export contract, with the consent of HBOR.

Special accounts of foreign financial institutions relate to the proceeds of ELENA grant, and it relates to the first tranche of 40% of ELENA grant amount upon signing of the Finance Contract in the amount of EUR 839 thousand, reduced by funds used for the intended purpose and account balance on 30 June 2024 amounted to EUR 0 thousand (31 December 2023: EUR 2 thousand).

The ELENA project was officially completed on 30 April 2024. Currently, the implementation of the project audit by an independent auditor is in progress, which HBOR is obliged to implement in accordance with the Finance Contract concluded with the EIB. Upon completion of the audit, the audit report will be submitted to the EIB, which will submit a final report on the success of the project to HBOR after review. Final information from the EIB is expected by the end of the third quarter of 2024.

HBOR does not pay interest on the above deposits.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

18. Borrowings

	Group and Bank	
	30 June 2024	31 December 2023
	EUR '000	EUR '000
Balance as of 1 January	2,248,771	2,189,811
New borrowings	306,220	653,112
Repayments	(346,088)	(593,361)
Net foreign exchange gain/loss	636	(791)
	<u>2,209,539</u>	<u>2,248,771</u>
Accrued interest	7,466	5,737
Deferred fees	(3,195)	(3,332)
	<u>2,213,810</u>	<u>2,251,176</u>

	Group and Bank	
	30 June 2024	31 December 2023
	EUR '000	EUR '000
Borrowings from foreign financial institutions	1,845,039	1,833,548
Borrowings from domestic institutions	364,500	415,223
	<u>2,209,539</u>	<u>2,248,771</u>
Accrued interest	7,466	5,737
Deferred recognition of fees	(3,195)	(3,332)
	<u>2,213,810</u>	<u>2,251,176</u>

(a) Borrowings from foreign financial institutions relate to long-term loans from special financial institutions, mainly the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

(b) Borrowings from domestic institutions, for the most part, relate to loans from the Ministry of Finance of the Republic of Croatia.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

19. Provisions for guarantees, commitments and other liabilities

	Group		Bank	
	30 June 2024 EUR '000	31 December 2023 EUR '000	30 June 2024 EUR '000	31 December 2023 EUR '000
Provisions for guarantees and commitments	10,096	14,637	10,096	14,637
Provisions for other liabilities	10,617	9,745	10,617	9,743
	20,713	24,382	20,713	24,380

The movements in the loss allowances on guarantees, commitments and other liabilities may be summarised as follows:

	Group		Bank	
	Jan 1 - Jun 30, 2024 EUR '000	Jan 1 - Dec 31, 2023 EUR '000	Jan 1 - Jun 30, 2024 EUR '000	Jan 1 - Dec 31, 2023 EUR '000
Balance as of 1 January	14,637	10,714	14,637	10,714
Net (release)/increase of loss allowances on guarantees	(2,484)	2,375	(2,484)	2,375
<i>Total recognised through Income Statement (Note 8)</i>	(2,484)	2,375	(2,484)	2,375
Net (release)/increase of loss allowances on commitments	(2,013)	1,520	(2,013)	1,520
<i>Total recognised through Income Statement (Note 8)</i>	(2,013)	1,520	(2,013)	1,520
Net foreign exchange on loss allowances	(44)	28	(44)	28
Balance at the end of the reporting period - Provisions for guarantees and commitments	10,096	14,637	10,096	14,637
Balance as of 1 January	9,745	8,227	9,743	8,222
Net increase/(release) of loss allowances on other liabilities	874	71	874	71
<i>Total recognised through Income Statement (Note 8)</i>	874	71	874	71
Unrealised actuarial gains/(losses)	-	1,450	-	1,450
Other adjustments	(2)	(3)	-	-
Balance at the end of the reporting period - Provisions for other liabilities	10,617	9,745	10,617	9,743

Net foreign exchange gain/loss on loss allowances are shown within net gains/ (losses) from financial activities in the Income Statement.

Out of the total provisions for guarantees and commitments, the amount of EUR 291 thousand relates to financial institutions (31 December 2023: EUR 816 thousand), EUR 9,617 thousand relates to domestic companies (31 December 2023: EUR 13,524 thousand), EUR 50 thousand relates to the public sector (31 December 2023: EUR 44 thousand), EUR 15 thousand relates to state-owned companies (31 December 2023: EUR 0 thousand) and EUR 123 thousand relates to other (31 December 2023: EUR 253 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

20. Other liabilities

	Group		Bank	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Liabilities in respect of subsidized interest (a)	27,193	34,851	27,193	34,851
Deferred recognition of interest income (b)	43,366	50,515	43,366	50,515
Accrued salaries	1,482	1,363	1,444	1,327
Liabilities to suppliers	185	184	165	159
Liabilities for prepaid receivables	741	870	741	870
Liabilities for remaining coverage	1,010	1,049	-	-
Liabilities for incurred losses	1,298	1,291	-	-
Deferred tax liabilities	-	20	-	-
Corporate income tax-current liability	-	10	-	-
Lease liabilities	1,752	2,043	1,648	2,042
Other liabilities	568	927	494	865
Derivative financial liabilities	172	100	172	100
	77,767	93,223	75,223	90,729

(a) Liabilities in respect of subsidized interest represent advances taken in respect of interest subsidies on loans, which are provided for final customers at a lower interest rate in accordance with the following programmes implemented by HBOR for and on behalf of the Republic of Croatia. These liabilities include:

- EUR 24,021 thousand in respect of the Programme of Preferential Financing through HBOR's Loan Programmes (31 December 2023: EUR 18,429 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to micro, small and medium-sized business entities in the amount of EUR 94 thousand (31 December 2023: EUR 4,950 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to mid-cap entities and large business entities in the amount of EUR 29 thousand (31 December 2023: EUR 5,393 thousand),
- Financial instrument of the Interest Subsidy Fund for loans to public sector entities in the amount of EUR 49 thousand (31 December 2023: EUR 6,079 thousand),
- Working Capital financial instrument – Measure for Entrepreneurs in Wood Processing and Furniture Production Activities in the amount of EUR 3,000 thousand (31 December 2023: EUR 0 thousand)

(b) Deferred recognition of interest income of EUR 43,366 thousand (31 December 2023: EUR 50,515 thousand) consists of state subsidies for interest in respect of loans which are provided and drawn down by final borrowers at lower interest rates but are not yet in repayment stage, amounting to EUR 0 thousand (31 December 2023: EUR 13,532 thousand), and in respect of those already in repayment stage amounting to EUR 43,366 thousand (31 December 2023: EUR 36,983 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

21. Guarantees and commitments

In its regular activities, the Group contracts various commitments and contingent liabilities. The purpose of these instruments is to ensure that the funds are available to a customer when required.

These obligations contain credit risk and are therefore part of the overall risk of the Group although they are not recognised in the Statement of financial position.

Group and Bank

	30 June 2024	31 December 2023
	EUR '000	EUR '000
Guarantees issued	49,909	52,623
Guarantees issued in foreign currency	5,446	7,716
Undrawn loans	550,964	445,273
EIF – subscribed, not called up capital	10,400	10,400
EIF CROGIP Contracted Liability	28,460	31,460
EIF FRC2 Contracted Liability	62	81
	<u>645,241</u>	<u>547,553</u>
Provisions for guarantees and commitments	(10,096)	(14,637)
	<u>635,145</u>	<u>532,916</u>

The following tables set out information about the credit quality of guarantees and commitments. For loan commitments and financial guarantee contracts, the amounts in the tables represent the amount committed or guaranteed:

30 June 2024

	Group and Bank						
	Stage 1	Stage 2	Stage 3	POCI		Without stage	Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	EUR '000	EUR '000
Gross amount	580,089	20,848	3,984	-	1,398	-	606,319
Loss allowances	(3,268)	(5,299)	(1,455)	-	(74)	-	(10,096)
Balance as of 30 June 2024	<u>576,821</u>	<u>15,549</u>	<u>2,529</u>	<u>-</u>	<u>1,324</u>	<u>-</u>	<u>596,223</u>

31 December 2023

	Group and Bank						
	Stage 1	Stage 2	Stage 3	POCI		Without stage	Total
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	EUR '000	EUR '000
Gross amount	445,908	21,676	25,014	-	13,014	-	505,612
Loss allowances	(4,243)	(5,380)	(4,574)	-	(440)	-	(14,637)
Balance as of 31 December 2023	<u>441,665</u>	<u>16,296</u>	<u>20,440</u>	<u>-</u>	<u>12,574</u>	<u>-</u>	<u>490,975</u>

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

21. Guarantees and commitments (continued)

Guarantees

Issued guarantees and open letters of credit represent the liability to the Bank to make payments on behalf of customers if the customer is unable to honour its commitments towards third parties or in the event of a specific act, generally related to the export or import of goods and other purposes specified in the contracts with the customers. Guarantees and letters of credit bear the same credit risk as loans.

Bank guarantees are, to the extent of 3%, collateralized by the guarantees, deposits and bank guarantees.

Commitments upon undrawn loans

The Bank has an obligation to disburse funds for loans and revolving loans upon committed undrawn loans. The expiry date of disbursement or other termination clause is determined by the contract. Disbursements are exercised in several withdrawals, depending on the purpose of the loan, phase of the project or documentation needed for disbursement. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future loan debt to be repaid.

Committed undrawn loans include less potential credit risk than loans, since most commitments depend upon meeting specific terms and conditions by the customers in order to use the funds. The Bank monitors the terms to maturity of loan commitments.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

22. Related-party transactions

Related parties are companies that directly or indirectly, through one or more intermediaries, control, or are controlled by, the reporting company.

The majority of related-party transactions relate to the transactions with the Republic of Croatia, the 100% owner of the Bank and state-owned companies over which the Republic of Croatia has the controlling influence.

All transactions stated were carried out under usual/regular conditions of the Bank.

As of 30 June 2024 and 31 December 2023 balances arising from transactions with related parties, including the Bank's key management personnel, include the following:

a) Related-party transactions

Group	Assets	Liabilities	Assets	Liabilities
	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	289,833	338,856	280,436	506,144
Government funds, executive authorities and agencies	645,726	31,880	672,036	18,982
State-owned companies	156,991	1,009	181,913	988
Key management personnel	255	417	272	423
Total	1,092,805	372,162	1,134,657	526,537

Group	Income	Expense	Income	Expense
	Jan 1 – Jun 30 2024	Jan 1 – Jun 30 2024	Jan 1 – Jun 30 2023	Jan 1 – Jun 30 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	4,153	5,923	3,616	1,273
Government funds, executive authorities and agencies	7,216	38	7,857	114
State-owned companies	10,070	2,233	4,902	1,788
Key management personnel	5	699	5	790
Total	21,444	8,893	16,380	3,965

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

22. Related-party transactions (continued)

a) Related-party transactions (continued)

Bank	Assets	Liabilities	Assets	Liabilities
	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	289,833	338,856	280,436	506,144
Government funds, executive authorities and agencies	639,691	31,869	665,950	18,973
State-owned companies	156,990	1,007	181,912	987
Subsidiary companies	7,449	-	7,449	-
Key management personnel	255	398	272	403
Total	1,094,218	372,130	1,136,019	526,507

Bank	Income	Expense	Income	Expense
	Jan 1 – Jun 30 2024	Jan 1 – Jun 30 2024	Jan 1 – Jun 30 2023	Jan 1 – Jun 30 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	4,153	5,923	3,616	1,273
Government funds, executive authorities and agencies	7,126	27	7,519	103
State-owned companies	10,070	2,226	4,902	1,783
Key management personnel	5	592	5	666
Total	21,354	8,768	16,042	3,825

Assets include loans to other customers, debt instruments at amortised cost, financial assets at fair value through other comprehensive income, other assets and off-balance sheet exposure relating to commitments.

Liabilities include liabilities for deposits, salaries, provisions on behalf of retirement and jubilee awards of key management and other liabilities.

Income includes interest income, fee income and reversal of impairment losses and provisions.

Expenses include expenses for key management salaries, impairment loss and provisions.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

22. Related-party transactions (continued)

b) Collateral received

	Group		Bank	
	30 June 2024 EUR '000	31 December 2023 EUR '000	30 June 2024 EUR '000	31 December 2023 EUR '000
The Republic of Croatia	997,728	1,132,205	995,110	1,129,860
State agencies	98,515	106,553	98,515	106,553
Total	1,096,243	1,238,758	1,093,625	1,236,413

Collateral received relates to first-class collateral instruments received as security for HBOR's placements comprising the Republic of Croatia guarantees, HAMAG-BICRO guarantees, insurance policies of export transactions against political and/or commercial risks and statutory guarantees in cases when the Republic of Croatia or other state executive body guarantees the liabilities of certain borrowers pursuant to provisions of certain laws.

Pursuant to the Quota Reinsurance Contract between HBOR, in the name and for the account of the Republic of Croatia, and HKO d.d., reinsurance is carried out, i.e. cover is provided for a proportional part (quota reinsurance) of political and commercial risks under export loans and receivables arising from the export of goods and services. The Reinsurer covers all non-marketable (non-market) risks assumed by the Insurer, i.e. Croatian Credit Insurance, joint stock insurance company, in the range from 15% to 90% of the insured amount.

c) Salaries of key management personnel

Key members of the Group's and the Bank's management include members of the Management Board, senior executive directors, head of the Management Board Office, executive directors, assistant director, advisors to the Management Board and an authorised agent (proxy).

Salaries include compensation paid for regular work, annual vacation, national holidays, paid leave, sick leave, benefits payable for past service and payments under contractual agreements. Salaries for the Group in the reporting period amounted to EUR 692 thousand (1 January to 30 June 2023: EUR 777 thousand), and for the Bank EUR 592 thousand (1 January to 30 June 2023: EUR 666 thousand).

Remuneration for the work of the members of the Supervisory Board in 2024 amounted to EUR 7 thousand for the Group (1 January to 30 June 2023: EUR 13 thousand) and for the Bank EUR 0 thousand (1 January to 30 June 2023: EUR 0 thousand) and it relates to the members of supervisory boards at associates and subsidiaries who were appointed by HBOR.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management

Based on the Act on the Croatian Bank for Reconstruction and Development, the Bank is obliged to mitigate business risks directed by the principles of banking operations.

In the process of risk management, the Bank continuously identifies, estimates, measures, monitors, contains and controls the risks to which it is or might be exposed in the course of business and reports about them to the relevant authorities. By the mentioned procedures and corresponding internal documents, a comprehensive and complete risk management system is provided.

The most significant risks the Bank is exposed in its day-to-day business are credit risk, liquidity risk, interest rate risk, foreign exchange risk, operational risk and outsourcing risk. These risks are managed daily in accordance with the policies, ordinances, methodologies, instructions and systems of limits, controls and decisions/conclusions of the Supervisory Board, the Management Board and the risk management committees.

The Bank implements sensitivity analyses and scenario analyses, provided that one or several risk factors are changed in regular or stressful circumstances, and HBOR's bodies in charge are informed of the respective results. The systems of pro-active risk management are continuously developed for the purpose of reducing possible future risks.

23.1. Overview of the most important risks

Credit risk

The Bank controls credit risk through its credit policy and prescribed the credit risk management ordinance, which prescribe internal control systems with aim of acting on the risk preventively.

The credit risk management system is the most important part of the HBOR business policy and is an important factor of its operation strategy.

Liquidity risk, currency risk and interest rate risk

The Bank ensures quality management of liquidity, currency and interest rate risks through the Asset and Liability Management Committee. The management of these risks implies a reduction of interest rate risk, currency risk and liquidity risk to the lowest possible level. The majority of the Bank's organisational units are included, directly and indirectly, in the operations of the Asset and Liability Management Committee in order to ensure a high-quality, integrated and comprehensive system for the management of these risks.

Liquidity risk

The basic principles for managing HBOR's liquidity risk are determined in the internal documents as well as in the decisions and conclusions made by the Supervisory Board, the Management Board and the Asset and Liability Management Committee.

In order to manage liquidity risk, the Bank has established a system of limits and early warning signals, monitors and controls limit utilisation, maintains the adequate level of liquidity reserve, continuously monitors current and planned liquidity, ensures Euro and foreign currency funds necessary for timely settlement of liabilities and for disbursements of approved loans and planned loan approvals. In terms of liquidity risk management, the maturity matching of existing and planned placements and their sources is strived to be achieved. The Bank does not hold deposits of citizens and is therefore not exposed to wide daily fluctuations in liquidity.

The Bank monitors liquidity risk by implementing the sensitivity analyses and scenario analyses in regular or stressful business conditions. Procedures for liquidity crisis indication or occurrence are determined by the Ordinance on Liquidity Risk Management.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.1. Overview of the most important risks (continued)

Interest rate risk

The basic principles for managing the Bank's interest rate risk are determined in the internal documents as well as in the decisions and conclusions made by the Management Board and the Asset and Liability Management Committee. For the purpose of measurement and monitoring of interest rate risk, the Bank carries out interest rate gap analysis. Interest rate gap is calculated for certain periods according to the possibilities of interest rate changes and is used for presenting the sensitivity of the Bank to the changes in interest rates under regular and stress conditions. The BPV (basis point value) and the economic value of the bank's book are calculated, and projections of developments in average weighted interest rates on sources and placements are made. Furthermore, in addition to harmonising interest rates on sources and placements, current market conditions and movements in forecasted market indicators are also monitored.

Currency risk

The basic principles for managing HBOR's currency risk are determined in the internal acts as well as in the decisions and conclusions made by the Management Board and the Asset and Liability Management Committee. Methods for the measurement, i.e. assessment, monitoring and management of currency risk have been established, limits and early warning signals as well as proceedings both for cases of crisis indication and occurrence have been determined, and reports necessary for comprehensive perception of this risk have been defined.

For the purposes of measuring exposure to currency risk, the open foreign currency position is monitored. In addition to the daily monitoring of the open foreign currency position and the projections of its developments, for the purposes of assessing and measuring the currency risk, the risk value is calculated, and reports are regularly submitted to the bodies in charge on maximum possible losses on significant currencies. Sensitivity analyses in regular or stressful business conditions are also performed.

Operational risk

HBOR has an established framework for the management of operational risk that is aligned with the regulations prescribed by the Croatian National Bank to the extent applicable to the operations of the Bank as a special financial institution and with good banking practices in the area of risk management.

The basic principles of operational risk management were identified in the umbrella act, Operational Risk Management Policies, the structure of management and accountability in the system was set up, the approach for the calculation of capital requirements for operational risk was determined, the reporting system was established as well as the manners of establishing, managing and monitoring the exposure to operational risk. The management system covers also the operational risk at business changes, new products and significant changes to the existing products included, and the operational risk at outsourcing of activities.

The Committee for IT management is in charge of monitoring IT system performance with the purpose of IT resources management by setting the appropriate level of efficiency and security of IT for providing, among other things, appropriate management of risks arising from IT technology utilisation. The Head of IT System Security function is in charge of monitoring the security of the IT system. Within this function, a system for the management of HBOR's business continuity was established.

In 2024, no new operational risk events were identified that would significantly affect HBOR's exposure to operational risk. An event from the previous period (earthquake in Zagreb in 2020, which damaged HBOR's main office building) will have an impact in 2024 because preparatory works for the reconstruction of the building have started, and the effects of that event have been continuously recorded in the operational risk event database.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.1. Overview of the most important risks (continued)

Outsourcing risk

HBOR manages the outsourcing risk on the basis of internal documents that are in compliance with the regulations prescribed by the Croatian National Bank to the extent applicable to HBOR as a special financial institution. The internal documents that determine the management of this risk determine also the procedures for carrying out the outsourced activities, the rules for managing relations with service providers and minimizing of outsourcing risks.

The central records of outsourced activities have been established and reports on materially significant outsourced activities are submitted to the Management Board and the Supervisory Board of the Bank on annual basis.

In the first half of 2024, the activities of updating internal documents and improving outsourcing risk management system were carried out in accordance with good business practice and regulations for credit institutions to the extent applicable to HBOR as a special financial institution, which are planned to be completed by the end of 2024.

23.2. Strategy and risk management systems

The Supervisory Board is responsible for monitoring the appropriateness and effectiveness of the risk management process in the Group. The Supervisory Board adopts HBOR's Risk Management Strategy that lays out the main principles and standards of risk management and defines the tendency towards risk-taking.

The Management Board of the Bank is responsible for implementing the risk management strategy and establishing an effective and reliable risk management system. In order to accomplish its task, the Management Board delegated their risk management authority to three committees.

Risk management committees

- **Assets and Liabilities Management Committee (ALCO)** – manages liquidity risk, interest rate risk and currency risk within the framework of the Liquidity Risk Management Ordinance, the Currency Risk Management Ordinance and the Interest Rate Risk Management Procedures, Trading Book Ordinance, the Assets and Liabilities Management Policies as well as other documents of the Bank that regulate this area,
- **Credit Risk Evaluation and Measurement Committee** – manages credit risk within the framework set through accepted Loan Policies, Credit Risk Management Ordinance, methodologies and other internal acts that cover issues related to credit risk,
- **HBOR Information System Management Committee** – manages the resources of the information system and adequately manages the risks that result from the use of information technology.

In the first quarter of 2024, the Sustainable Finance Committee was established and began its work.

- **The Sustainable Finance Committee** – manages the development of sustainable finance and compliance with regulatory requirements in the area of sustainable finance with an objective to facilitate the financing of the transition to a climate neutral and sustainable economy.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.2. Strategy and risk management systems (continued)

The Risk Management Division

The Risk Management Division is a permanent risk control function, which is functionally and organisationally independent of the business processes and activities in which the risk occurs or is monitored and supervised. It is responsible for controlling, determining, measuring, assessing and supervising the risks to which HBOR is exposed or could be exposed in its business operations.

The Risk Management Division carries out its role by performing risk analyses and evaluations or measurements, developing risk management ordinances, policies and methodologies, supervising and monitoring their application, recommending and controlling the accepted exposure limits, giving suggestions and recommendations for adequate risk management as well as reporting to the relevant authorities.

The risk management strategy is directed towards achieving and maintaining the system that would provide quality and efficiency in risk management, towards further developing and improving the system in line with the banking regulations and the relevant recommendations and guidelines by taking into account the specific features of HBOR as a development and export bank and a special financial institution.

Risk measurement and reporting systems

When assessing or measuring risk, historical data, business plans, current and expected market conditions and the specific characteristics of the Bank as a special financial institution are taken into account.

The results of risk assessments or measurements, analyses carried out and stress test are presented at the meetings of the Risk Management Committee, and the Management Board. For the purpose of risk monitoring and control, systems of limits are introduced for the management of credit risk, liquidity risk, interest rate risk and currency risk.

Bodies in charge are systematically reported on the quality of the loan portfolio, high exposure and the highest permissible exposure, capital adequacy, collection of receivables and risk placements, changes in internal ratings of commercial banks and measures taken in case of rating deterioration, a number of liquidity status indicators and projections of open foreign currency positions, the impact of changes in foreign exchange rates and interest rates on operating results, interest rate gap, economic value of the Bank's book, projections of average weighted interest rates on sources and placements of financial institutions, etc. The reporting dynamics and the risk measurement and assessment methodologies are prescribed by the Bank's internal acts.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk

The Bank controls credit risk by way of credit policies for the management of this risk that determine internal control systems aiming to act preventively.

The credit risk management system is the crucial part of the Bank's business policy and an important strategic factor of business conduct. Therefore this area is regulated by the Credit Risk Management Policy and the Credit Risk Management Ordinance that are applied on all phases of the credit process (from development of new bank products to loan applications monitoring of client's business operations and final loan repayments).

In addition to the Policy and Credit Risk Management Ordinance, methodologies have been adopted as separate internal documents intended for the assessment of operations of various client target groups.

In the case of direct lending, the Credit Risk Assessment Methodology is used to determine creditworthiness, and it consists of:

- Credit Rating Assessment Methodology for Companies,
- Methodology for the Assessment of Operations of Clients that Keep their Business Records in Accordance with the Income Tax Act,
- Credit Scoring Methodology,
- Methodology for Project Finance,
- Methodology for Risk Assessment of Branches of Activities and,
- Methodology for the Assessment of Collaterals.

The Credit Rating Assessment Methodology for Companies consists of three models for the assessment of credit risk of clients that is based on the size of a client and its existing operations, and the Methodology for the Assessment of Operations of Clients that Keep their Business Records in Accordance with the Income Tax Act is used for the assessment of credit risk of craftsmen, farmers, sole traders etc., also on the basis of their existing operations.

The Credit Scoring Methodology is used in the process of approving the placements to clients in the case of future gross exposure to clients and groups of connected clients to which HBOR will be exposed in the amount of up to EUR 400 thousand.

The Methodology for Project Finance is used for the assessment of the credit risk of a project based on the data from the client's investment study or the business plan, respectively. It is used in the process of approving placements to clients or groups of connected clients in the case of future gross exposure of HBOR above EUR 400 thousand on the basis of 3 models of assessment related to the investment activity:

- service activities (e.g. hotel construction, rental facilities),
- renewable energy sources,
- other industries that do not belong to the previous two models.

Pursuant to the HBOR Act, the Bank on-lends part of its placements via commercial banks or leasing companies. The assessment of commercial banks is based on the Methodology for the Evaluation and Selection of Banks and the Methodology for the Evaluation and Selection of Foreign Banks, whereas the assessment of leasing companies is based on the Methodology for Assigning Ratings to Leasing Companies. With an objective of facilitating the availability of HBOR's funds, Bank part of its placements is placed through the risk sharing model, under which commercial banks and HBOR participate in the financing of clients in accordance with in advance agreed proportions.

The Bank, as a developmental financial institution, supports growth and development of the Croatian economy through investment. For this reason, the clients most often come with applications for credit monitoring of development investment projects. In order to minimize risk and objectively estimate economic sustainability of the project as well as a return on investment, the Bank is constantly improving existing

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

organizational and technical solutions, reports and internal acts and proposes new organization regulations and implementation instructions.

Through continuous monitoring and evaluation of clients' business operations, HBOR tries to identify difficulties in their business operations in time. For clients with difficulties, the Bank tries to find appropriate ways to collect receivables by considering the possibilities of alternative repayment terms with a view to continue the production process and employment increase. Special emphasis is placed on identifying and monitoring reasons for bad debts, and procedures for prevention are built in operational procedures with a view to decreasing the share of high risk placements.

For the purpose of risk monitoring and control, the systems of limits have been established for the management of credit risk. High exposure limits and amounts of maximum permitted credit exposure to individual borrowers and persons related to borrowers have been established.

23.3.1. Risk related to loan commitments

Bank clients can issue guarantees and letters of credit (coverage also possible from loan proceeds) in accordance with the same procedure as prescribed for loan commitments to direct clients.

All guarantees are monitored on the basis of validity periods, whereas letters of credit with deferred payment terms are monitored on the basis of maturities. In the case of performance-related guarantees, the probability of payment under guarantees is monitored by keeping track of the fulfilment of payment terms and conditions under guarantees (under commercial contracts, control of use of funds for dedicated purposes, etc.).

In the case of calling for payment, the Bank shall make a payment on behalf of client. For the Bank, such obligations generate exposures to risks that are similar to credit risks and they are mitigated by the same procedures that are applied to loans.

23.3.2. Impairment assessment

Impairment is formed in accordance with the International Financial Reporting Standard 9, banking regulations applicable to HBOR, as well as internal ordinances and work methodologies.

On the basis of the assessed level of credit risk and the manner of calculating expected credit losses, exposures to clients are classified to the following categories:

- Stage 1 – includes all clients with low credit risk and clients with respect to which no significant increase in credit risk has been established,
- Stage 2 – includes all clients with respect to which a significant increase in credit risk since initial recognition has been established,
- Stage 3 – includes clients in default, i.e. clients with respect to which there is objective evidence of value impairment
- and separate category - Purchased or originated credit impaired asset, POCI.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

During the contractual relationship with a client, the level of expected credit losses of client is estimated. The estimation is carried out on the basis of the following three criteria:

- Debtor's creditworthiness
- Due fulfilment of obligations, and
- Quality of collateral.

For the entire duration of contractual relationship, debtor's creditworthiness is assessed in order to identify possible changes in the client's (debtor's) financial position, i.e. the probability of deterioration in its creditworthiness. When establishing client's creditworthiness, the group of related entities is also taken into account due to the effect of contamination, i.e. the possibility of the transfer of risk among related entities. Creditworthiness of client is monitored through:

- Changes in financial rating of client and entities related to client,
- Criteria whose objective is to identify financial difficulties of client,
- Criteria contained in the client watch list, and
- Criteria for identification of increased credit risk.

A client is considered to duly meet its obligations if it settles all of its obligations fully (principal, interest, commissions, fees and other charges) in the amounts and within the deadlines determined in the respective contracts, where all placements and off-balance sheet liabilities of a client are considered as one, and only exceptionally and occasionally upon the expiry of the maturity date, provided that:

- the delay in settling the debtor's obligations is not more than 90 days and
- is not materially significant.

Collateral assessment is based on the quality of collateral and the assessed value as well as expected period of collection through collateral.

23.3.2.1. Definition of default status and exit from default status

Default status of an individual client occurs when one or both of the following conditions are met:

- it is considered probable that client will not settle its obligations towards HBOR entirely without taking into account the possibility of collection through collateral activation,
- clients is more than 90 days overdue in settling its due obligation under any significant loan liability.

The materiality threshold is EUR 100 for citizens, and EUR 500 for other clients, and is calculated at the client level by summing up due liabilities for all client placements.

When assessing the probability of a debtor not settling its obligations entirely, the following elements are considered:

- impairment and provisions for expected credit losses have been recognized due to identified significant deterioration of the debtor's credit quality,
- selling of credit exposure at a considerable economic loss,
- rescheduling or restructuring of credit exposure owing to financial difficulties of debtor, bankruptcy or similar proceedings (pre-bankruptcy proceedings, liquidation, rehabilitation) against debtor,
- appointment of extraordinary administration, revoke of operating license, application of early intervention measures,
- cancellation of contract,

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.1. Definition of default status and exit from default status (continued)

- payment under the guarantee by HBOR,
- it is estimated that the default status of the connected client will cause the default status of the debtor.

When determining a default status, in addition to the aforementioned, the relations within a group of related entities are also considered if the default status has been established with regard to one of the debtors within the respective group of related entities that results in the spreading of the default status on other entities within the same group.

All financial instruments of client in default status are classified to Stage 3.

Placements to clients in default status due to a material delay in the payment of obligations for more than 90 days can be classified to the rehabilitated category if 150 days have lapsed from the moment of non-existence of the default status trigger. During the 150-day trial period, client must not be more than 30 days overdue in the payment of obligations in a materially significant amount.

After the lapse of 150 days, only those clients are considered to have been cured who are found not to be in financial difficulties. If there are signs of default status recurrence, the status is not changed until a genuine and permanent improvement in the credit quality of client.

Restructured exposures caused by financial difficulties and repayment problems of the client can be classified as cured/rehabilitated after one year from the last of the following events:

- restructuring day,
- default status establishment date,
- grace period expiry if approved under the restructuring process.

During the one-year trial period, the exposures that meet all of the following conditions can be classified to non-default status exposures:

- debtor has duly settled, upon maturity, at least the amount of restructured obligations in the amount of those due at the moment of the restructuring implementation,
- debtor has been regularly settling due obligations in accordance with the repayment schedule (or up to 30 days overdue),
- default status is not probable to occur,
- there are no overdue obligations after restructuring,
- there is no doubt that the debtor will continue to settle its obligations upon maturity.

All of the above conditions have to be satisfied also for the new placements to the same client. Only the placements to client that is not in financial difficulties can be reclassified to the cured category.

Financial instruments of rehabilitated/recovered clients are classified into performing exposures after all conditions of the probation period have been met. All placements of clients after forbearance /restructuring are considered forborne for two years from the moment when classified as performing exposures, and in that period, they are classified as Stage 2.

All clients that were not approved concessions due to financial difficulties, and HBOR's exposure to them ceased to be non-performing, are classified as Stage 1 after the recovery.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.2. Bank's procedure of internal rating and probability of default (PD) assessment

The approach used for the modelling of PD is based on TTC (Through-the-Cycle) migration matrices for exposures in homogenous groups of direct borrowers and others. Risk categories (bucket) have been identified, and the movements of exposures among the aforementioned categories are analysed.

Risk categories for the aforementioned exposures are defined on the basis of the days overdue and the restructured exposure status. Before the modelling of PD, the data for the preceding relevant period are collected.

On the occasion of the modelling of PD, the movement of exposures among the following categories is analysed:

- from 0 to 30 days overdue – category 1,
- from 31 to 90 days overdue – category 2,
- more than 90 days overdue and restructuring – default status event.

On the basis of the matrices of exposure movements from category to category, a PD 12-month value is calculated. PD marginal values are calculated by further multiplication of matrices and they are used for vector creation. PD borderline value vector is the basis for the calculation of a lifelong PD. The value of a lifelong PD depends on the tenor, i.e. the remaining period until maturity of individual exposure.

Approach based on external rating published by external credit rating agencies has been used for the calculation of PD for exposures from homogenous categories of financial institutions and central government and local and regional government.

For exposures to domestic financial institutions, owing to the fact that there is no external rating for all financial institutions in the Group portfolio, the existing internal ratings for domestic financial institutions have been mapped against the external rating, where a financial institution that has an external rating has been used as the mapping starting point, due to which the Group's internal rating has been made equal to the rating of S&P: "BBB+". In this way, the upper limit has been established for domestic financial institutions at the level of the government rating. Distribution of PD value for the other internal ratings is determined on the basis of the method of linear interpolation.

Ratings of external credit rating agencies are used for exposures to foreign financial institutions and, therefore, the appropriate PD value from their matrices is used, and if non-existing, the internal rating is used, i.e. the rules are applied that are identical to those applied to domestic financial institutions.

The value of 12-month PD is assessed by multiplying TTC matrix with itself. The value of lifelong PD is the cumulative value of marginal PD values or the sum of borderline PD values depending on the exposure tenor.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.3. Exposure at default

For the purpose of modelling exposures at the moment of the occurrence of default status (Exposure at Default, hereinafter: EAD), or for the purpose of calculating credit conversion parameter (Credit Conversion Factor, hereinafter: CCF) and prepayment ratio, the data for the preceding five-year period are taken into account.

Pursuant to the mentioned historical data, the established ratio of premature collection almost equals zero and the loan conversion factor equals 1.

EAD is calculated for each contract. There are two approaches to the calculation of EAD if there is:

- a repayment schedule for exposure – based on the cash flow from the repayment schedule,
- no repayment schedule for exposure – based on exposure amount on the reporting date.

For exposures classified in risk Stage 1 and for exposures due, EAD is equal to the current exposure.

For exposures not yet due, lifelong EAD is calculated based on the repayment schedule, taking into account the amounts and the maturity period, but not later than until the final date of exposure maturity (tenor).

23.3.2.4. Loss given default

For groups of direct borrowers and others, loss at the moment of occurrence of the status of non-fulfilment of obligations (Loss Given Default, hereinafter: LGD) is estimated based on transactions after the date of occurrence of loss given default. Each transaction is discounted on the date of occurrence of loss given default by an appropriate discount rate, and the discount factor depends on the time elapsed. All increases after the date of occurrence of loss given default are cumulated with an individual exposure. The result of the mentioned calculation is the collection rate for each exposure in a homogenous group, and the total collection rate for a single homogenous group is comprised of the weighted average of collection rates of all individual exposures.

The probability of exit from the loss given default status is also taken into consideration in the calculation of LGD.

A report of external credit rating agencies is used as foundation for determining LGDs for the groups central government and local and regional government and financial institutions. In the annual reports on the occurrence of loss given default and collection status, credit rating agencies publish both historical and market rates of collection. The market rate of collection is the market price of a bond as compared to its value immediately before or at the moment of bond default. Based on market rates of collection for senior unsecured debt, issuer-weighted recovery rate is determined.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23 Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.5. Significant increase in credit risk

For the purpose of identifying an increased credit risk, changes for all clients of the Bank are monitored continuously, but at least once a year. All placements to the client, where an increased credit risk has been identified or in case of individually significant clients, whose exposure exceeds EUR 400 thousand and are on the client watch list, on the next reporting date, all financial instruments of the client with increased credit risk are classified to Stage 2 based on the observed criteria such as:

- client's delay in the settlement of any significant obligation due towards HBOR more than 30 days (and less than 90 days),
- the client is in financial difficulties, but is not in LGD status,
- deterioration of rating, low credit rating of the client,
- non-compliance with contractual provisions
- loss of key buyers or suppliers etc.

Exit from the increased credit risk status is conditional on non-existence of all the criteria based on which the client has been grouped into the respective status upon the occurrence of the risk, and verification of all indicators is made at least once a year within the framework of the annual monitoring of the client. Deactivation of a portion of indicators can be carried out after six months. Indicators of an increased credit risk are active for a year, after which they have to be checked, and based on the monitoring results, either reactivated or deactivated. The result of any change is either the reclassification of financial instruments of the client to Stage 1 or its stay in Stage 2.

Financial instruments of the client with an investment rating of external credit rating agencies are deemed financial instruments of low credit risk. All exposures to the Republic of Croatia and units of local and regional government (ULRG), the Croatian National Bank, the European Investment Bank (EIB) and other development banks are also deemed financial instruments of clients with low credit risk. Financial instruments of clients with low credit risk are always grouped into Stage 1.

23.3.2.6. Grouping financial assets measured on a collective basis

Credit risk is assessed on a collective basis for all exposures to clients classified into risk Stages 1 and 2 and all financial instruments including POCl assets in Stage 3 belonging to the small loan portfolio. The risk of POCl assets of clients that are not in the default status is assessed on a collective basis.

For the purpose of identifying a significant increase in credit risk and recognition of loss allowances for impairment on a collective basis, financial instruments are grouped into the following groups, based on the common features of credit risk, for the purpose of easier evaluation of a significant increase in credit risk:

- financial institutions,
- central government and local and regional government,
- direct borrowers – large,
- direct borrowers – small and medium-sized,
- direct borrowers – micro,
- direct borrowers – citizens,
- others.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.2. Impairment assessment (continued)

23.3.2.6. Grouping financial assets measured on a collective basis (continued)

By grouping financial instruments into homogeneous groups, it is ensured that in case of a significant increase in credit risk, the goal of recognising expected credit losses during the entire lifetime of a financial instrument is attained, even if the evidence on such significant increase in credit risk is still not available on the level of an individual instrument.

23.3.3. Analysis of input for ECL model within the framework of impact of macroeconomic conditions on PD

When including any information about the future, available sources (Croatian National Bank, Croatian Bureau of Statistics) on macroeconomic conditions are used with a view to projecting their impact on the current value of risk parameters.

Based on a historical analysis of impact of macroeconomic conditions and the available macroeconomic forecasts, a potential impact of future movement of macroeconomic conditions on the value of risk parameters is established by using the scenarios with related probabilities of occurrence of an individual scenario.

When estimating expected credit losses through the application of previous experiences on credit losses, the data on earlier credit losses rates are applied to the entire portfolio of direct loans; and through the application of a certain method, connecting of a single group of financial instruments with the data on earlier experience on credit losses in the groups of financial instruments with similar characteristics of credit risk has been made possible as well as with important relevant data reflecting the current status.

The expected credit losses reflect the Bank's expectations in respect of credit losses. However, when the Group, during the estimation of such expected credit losses, considers all reasonable and reliable data that are available with no necessary costs and efforts, the Bank also considers appropriate market data on the credit risk of a certain financial instrument or similar financial instruments.

For the calculation of expected credit losses, the Bank uses a large number of macroeconomic conditions, for one of which (GDP real growth rate) correlations on total PDs have been established for the entire portfolio of direct loans.

In order to determine the impact of future macroeconomic conditions on expected credit losses, by analysis based on historical data, the connection between macroeconomic conditions and PD is identified. After that, the impact of macroeconomic forecasts on PD values is estimated and the ratio is calculated, by means of which the estimated value of PD in two scenarios, an optimistic and a pessimistic one, is corrected.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.4. Quantitative analysis of the reliability of the information used to calculate the ECL allowance

For the application of macroeconomic factors, the Bank uses a methodology with the level of reliability of 90%.

23.3.5. Overview of modified and restructured loans

Any amendment to the contractual provisions resulting in the conversion of contractual cash flows from financial assets is deemed to be modification.

A change of placement terms and conditions includes changes to certain contractual terms defined, mostly for the purpose of adaptation to changes during the implementation of an investment, and possibly also during repayments, and not caused by financial difficulties of the client. The amended terms would most frequently be accepted when approved if known or are the result of circumstances not controlled by the client.

Any changes in contractual obligations, by which a concession is made to the client that is considered to be in financial difficulties, are deemed to be rescheduling or restructuring. Concession may relate to any of the following measures:

- change of earlier contractual terms and conditions that are considered impossible to be met by the client and lead to the loss of its ability to settle liabilities and which would not be approved if the borrower had no financial difficulties (e.g. interest rate reduction, reduction or cancellation of interest income, change in principal amount, change or prolongation of repayment terms etc.)
- complete or partial refinancing of placements that would not be approved if the debtor had no financial difficulties.

Evidence on concession includes the following:

- the difference in favor of the client between the changed terms and conditions of the contract and former terms and conditions of the contract,
- inclusion of more favorable terms and conditions in the changed contract as compared to the terms and conditions that other debtors with a similar risk profile in the Bank portfolio could have obtained.

Rescheduling is considered any change of the originally agreed loan terms and conditions due to temporary financial difficulties of the client. Restructuring is considered any change of the originally agreed loan terms and conditions due to significant financial difficulties of the client that needs financial, business and operational restructuring, i.e. the client that is already in default.

31.3.6. Analysis of risk concentration

Through its development loan programmes, the Bank encompasses the area of the entire Republic of Croatia with emphasis on supported areas. Credit risk is spread across geographic areas, industries, sectors and loan programmes. The Bank seeks to avoid excessive concentration of credit risk and support the development of less developed areas of the Republic of Croatia through more favorable terms and conditions and new loan programmes (products) in accordance with the national strategy of development of certain activities.

Through financing of different sectors by stimulating production and development with the purpose of developing the Croatian economy, the Bank is creating a better base for repayment of loans and minimization of risk.

As of 30 June 2024, the highest credit exposure of the Group to one debtor EUR 307,149 thousand (31 December 2023: EUR 272,844 thousand) and for the Bank equalled EUR 304,130 (31 December 2023: EUR 269,949 thousand) without considering the effect of mitigation through collateral received.

As a special financial institution, the Bank performs its development role by granting loans to final borrowers via commercial banks with which it has entered into co-operation agreements.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.7. Risk-Sharing Model

The Risk-Sharing Model covers the manner of implementing HBOR's loan programmes in cooperation with commercial banks, where HBOR assumes a portion of direct lending risk (e.g. 50%), whereas the commercial bank assumes the risk associated with the other part of the loan (irrespective of whether it is financed from HBOR's funds or from commercial bank's funds).

Loans according to the risk-sharing models under HBOR loan programmes (primarily loans for investments and restructuring, and to a lesser extent for liquidity) are implemented in such a way that commercial banks involved in such transactions are still agents (administrative, payment and collateral agents), but HBOR conducts the usual procedure as for any other direct loan and enters, both exposures and collateral, into the business records after contracting or implementing the collateral for placements.

HBOR monitors its clients to which it has a gross exposure of more than EUR 400 thousand under the procedure for direct loans, however, taking into account that very often HBOR does not have a direct contact with its clients, HBOR uses quarterly reports or obtain necessary information from commercial banks.

23.3.8. Collaterals and other credit quality (creditworthiness) improvement

Collateral for the Bank's placements are:

1. obligatory (bills of exchange and promissory notes),
2. ordinary (property, ships, airplanes, bank guarantees, guarantees from the Republic of Croatia, guarantees from the local and regional authorities, guarantees from HAMAG-BICRO (Croatian Agency for SMSs, Innovation and Investment), insurance policy against political and/or commercial risks), and
3. other collateral (movable property, bills of exchange or guarantees from other companies with solid creditworthiness, fiduciary or pledge of companies' equity instruments, repossession of cash receivables or assignment for collectible receivables, deposit repossession, restriction of transferability on insurance policy of assets and/or person, pledge on a trademark, etc.).

All Bank placements have to be secured with obligatory collateral. Low amount placements must be secured with one obligatory instrument of collateral at least. The selection of eligible collaterals does not depend on the insurance ratio achieved only, but also on the risks identified, with marketable and more valuable collaterals being preferred.

Acceptable ordinary and other collateral are classified according to quality in five groups. The evaluation of collateral is based on quality, estimated based on marketability, documentation and possibility of supervision by the Bank as well as the possibility of enforced collection.

When deciding on loan approval, weak creditworthiness cannot be replaced by quality collateral, except when the security instruments are first class instruments: guarantees from the Republic of Croatia, guarantees of local/regional authorities (JLPS), guarantees from HAMAG-BICRO, loan insurance policy and when the Republic of Croatia, JLPS or other government authorities guarantee for clients implicitly.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.8. Collateral and other credit enhancements (creditworthiness) improvement (continued)

For the purpose of mitigation of credit risk and reduction of business costs, and in compliance with the Act on the Croatian Bank for Reconstruction and Development, the Bank approves part of its placements through financial institutions. As collateral for placements approved to final customers through financial institutions, the Bank uses mandatory collateral from commercial banks/leasing companies. The financial institution is obliged to deliver them based on the Mutual business cooperation agreement, but not for each individual placement to the final customer based on that Agreement. In the individual contracts for placements to the final customers, the use of obligatory collateral delivered with the Agreement on mutual business cooperation is contracted. As the financial institutions take on the risk of default by the final customer, they are given the option to contract sufficient collateral with the final customer/leasing company.

Where the loan is approved through a commercial bank, depending on the financial institution's internal rating, the Bank contracts a sub-mortgage. In this case, either the commercial bank transfers the ownership over the collateral, while the Bank takes a mortgage over the same collateral, or the commercial bank forms a mortgage on the collateral, while the Bank takes a sub-mortgage on the same collateral.

By signing the Agreement on mutual business cooperation, a transfer of any claims the commercial bank may have towards the final customer is made to HBOR. Pursuant to the Agreement, the commercial bank authorises HBOR to unilaterally inform the bank in written form that, in the case of the commercial bank's insolvency or threat of liquidation, untimely repayments or default on the commitments agreed in the individual contract on interbank loan or actual (insolvent or regular) liquidation, the Bank assumes the receivable towards the final customer from the commercial bank, with the effect of assignment of receivables instead of contract fulfilment.

Additionally, based on the Agreement on mutual business cooperation and based on the said unilateral statement, the commercial bank authorises HBOR that HBOR may, without having to obtain any further consent or approval from the commercial bank, enter itself into all public registers, books or records as the creditor instead of the commercial bank under any security arrangements for assigned receivables as well as under any other proceedings.

From the moment of the assignment, the final customer is obliged to make all payments related to the assigned receivable directly to HBOR. Should the commercial bank receive any payments in the name of collection of receivables per particular placement, the bank is obliged to immediately transfer the funds to HBOR.

All direct placements are mainly secured with a transfer of ownership or with a mortgage over real estate and, if is possible, the Bank obtains as security against credit risk a guarantee from HAMAG-BICRO, a guarantee from EIF (European Investment Fund), a guarantee from the local and regional authority, a guarantee from the Republic of Croatia, etc.

The Bank has the right to verify the appraisal of the collateral value and such a confirmed appraisal is considered as the final collateral value.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

23.3.8. Collateral and other credit enhancements (creditworthiness) improvement (continued)

Depending on the type of collateral, the credit programme, the general terms of security or the decision of an authorised body, the Bank has determined the necessary ratio of placements and collateral.

In case of the real estate, the necessary ratio of placement and estimated market value of the real estate should be 1:1.3, except in case of investments on the islands, supported areas where such ratio is 1:1.2. In case of moveable property, the necessary ratio of placement and estimated market value of moveable property should be 1:2. If a lower ratio of the collateral value than those prescribed is proposed, reasons and justifications of deviations from the prescribed ratio are explained.

The Bank continually monitors the value of collaterals by re-estimation or confirmation/verification of the value. Monitoring of the value of mortgaged real estate is performed once a year for business real estate, and every three years for residential buildings. The Bank has formed a special organizational unit for:

- evaluation and verification of already appraised and offered collateral (real estate and movables),
- technical and technological analysis of investment projects, and
- financial supervision over the withdrawal of loan funds for the purpose of the implementation of the investment project.

In the event that it is not possible for the Bank to collect from regular operations, the Bank starts collection from the collateral at its disposal. This encompasses initiating collection from the obligatory collateral, then from first-class, unconditional collateral payable on first demand and then from the mortgage or fiduciary ownership of the real estate or movable property, including their repossession with a view to decreasing or fully settling the Bank's receivables. The Bank does not use repossessed assets for business purposes.

In the case of risk-sharing models, collateral is created by commercial banks depending on the type of the model:

- in accordance with their own internal documents and good banking practices, and, consequently, HBOR's documents and collateral ratios prescribed in them do not apply,
- or collateral is created by commercial banks and HBOR for their respective shares in the loan in accordance with their own documents, decisions and/or procedures.

Write-offs

Write-off is performed in accordance with the Methodology for Write-Off of Receivables.

The criteria for considering the write-off of receivables can be classified into 3 main groups:

- A. exhaustion of all available forms of regular and compulsory collection;
- B. implementation of settlement, sale of receivables or restructuring of placements;
- C. difficult social and/or medical condition of the debtor (and/or the co-debtor, guarantor).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure

The table below shows the highest net credit risk exposures in the Statement of Financial Position and in guarantees and commitments as of the reporting date, before the effect of mitigation through collateral received:

	Highest exposure 30 June 2024 EUR '000	Group Highest exposure 31 December 2023 EUR '000	Highest exposure 30 June 2024 EUR '000	Bank Highest exposure 31 December 2023 EUR '000
Assets				
Cash on hand and current accounts with banks	27,424	42,133	27,149	41,543
Deposits with other banks	99,079	71,761	96,334	69,456
Loans to financial institutions	1,245,007	1,248,881	1,245,007	1,248,881
Loans to other customers	2,347,683	2,351,196	2,347,683	2,351,196
Financial assets at fair value through profit or loss	33,287	33,709	33,287	33,709
Financial assets at fair value through other comprehensive income	242,557	227,434	236,246	221,093
Other assets	1,955	1,840	1,304	1,080
Total	3,996,992	3,976,954	3,987,010	3,966,958
Guarantees and commitments				
Issued guarantees	43,621	44,545	43,621	44,545
Issued guarantees in foreign currency	3,826	5,357	3,826	5,357
Undrawn loans	548,776	441,073	548,776	441,073
Total	596,223	490,975	596,223	490,975
Total credit risk exposure	4,593,215	4,467,929	4,583,233	4,457,933

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received, is as follows:

Group	Republic of Croatia EUR '000	EU countries EUR '000	Other countries EUR '000	Total EUR '000
30 June 2024				
Assets				
Cash on hand and current accounts with banks	27,171	205	48	27,424
Deposits with other banks	67,590	31,489	-	99,079
Loans to financial institutions	1,245,007	-	-	1,245,007
Loans to other customers	2,341,158	-	6,525	2,347,683
Financial assets at fair value through profit or loss	33,287	-	-	33,287
Financial assets at fair value through other comprehensive income	242,362	195	-	242,557
Other assets	921	1,034	-	1,955
Total	3,957,496	32,923	6,573	3,996,992
Guarantees and commitments				
Issued guarantees	43,621	-	-	43,621
Issued guarantees in foreign currency	3,826	-	-	3,826
Undrawn loans	546,749	806	1,221	548,776
Total	594,196	806	1,221	596,223
Total credit risk exposure	4,551,692	33,729	7,794	4,593,215

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received, is as follows (continued):

Group	Republic of Croatia	EU countries	Other countries	Total
31 December 2023	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	41,828	215	90	42,133
Deposits with other banks	38,119	33,642	-	71,761
Loans to financial institutions	1,248,881	-	-	1,248,881
Loans to other customers	2,351,196	-	-	2,351,196
Financial assets at fair value through profit or loss	33,709	-	-	33,709
Financial assets at fair value through other comprehensive income	227,239	195	-	227,434
Other assets	1,153	683	4	1,840
Total	3,942,125	34,735	94	3,976,954
Guarantees and commitments				
Issued guarantees	44,545	-	-	44,545
Issued guarantees in foreign currency	5,357	-	-	5,357
Undrawn loans	432,651	821	7,601	441,073
Total	482,553	821	7,601	490,975
Total credit risk exposure	4,424,678	35,556	7,695	4,467,929

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received (continued):

Bank 30 June 2024	Republic of Croatia EUR '000	EU countries EUR '000	Other countries EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	26,896	205	48	27,149
Deposits with other banks	64,845	31,489	-	96,334
Loans to financial institutions	1,245,007	-	-	1,245,007
Loans to other customers	2,341,158	-	6,525	2,347,683
Financial assets at fair value through profit or loss	33,287	-	-	33,287
Financial assets at fair value through other comprehensive income	236,051	195	-	236,246
Other assets	270	1,034	-	1,304
Total	3,947,514	32,923	6,573	3,987,010
Guarantees and commitments				
Issued guarantees	43,621	-	-	43,621
Issued guarantees in foreign currency	3,826	-	-	3,826
Undrawn loans	546,749	806	1,221	548,776
Total	594,196	806	1,221	596,223
Total credit risk exposure	4,541,710	33,729	7,794	4,583,233

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, net exposure, according to geographical segments, before the effect of mitigation through collateral received (continued):

Bank 31 December 2023	Republic of Croatia EUR '000	EU countries EUR '000	Other countries EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	41,238	215	90	41,543
Deposits with other banks	35,814	33,642	-	69,456
Loans to financial institutions	1,248,881	-	-	1,248,881
Loans to other customers	2,351,196	-	-	2,351,196
Financial assets at fair value through profit or loss	33,709	-	-	33,709
Financial assets at fair value through other comprehensive income	220,898	195	-	221,093
Other assets	393	683	4	1,080
Total	3,932,129	34,735	94	3,966,958
Guarantees and commitments				
Issued guarantees	44,545	-	-	44,545
Issued guarantees in foreign currency	5,357	-	-	5,357
Undrawn loans	432,651	821	7,601	441,073
Total	482,553	821	7,601	490,975
Total credit risk exposure	4,414,682	35,556	7,695	4,457,933

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, according to industry, net exposure, before and after the effect of mitigation through collateral received:

Group	Highest exposure	Highest exposure after the effect of mitigation through collateral received	Highest exposure	Highest exposure after the effect of mitigation through collateral received
	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,641,975	-	1,567,846	-
Water and electric supply and other infrastructure	228,235	98,143	336,728	178,496
Tourism	398,669	13,146	421,616	15,995
Transport, warehousing and connections	339,628	18,540	386,616	62,267
Shipbuilding	158,721	104,327	162,243	17,674
Agriculture and fishery	116,833	39,383	100,210	31,167
Food industry	127,673	15,918	141,837	32,135
Construction industry	392,626	12,032	405,426	25,985
Other industry	161,381	45,424	174,079	56,170
Public administration	396,547	397,884	238,315	237,890
Education	7,921	7,555	10,128	9,737
Manufacture of basic metals and fabricated metal products, except machinery and equipment	53,528	11,375	51,337	6,961
Manufacture of chemicals and chemical products	13,621	1,229	14,881	1,239
Manufacture of other non-metallic mineral products	35,082	8,524	36,124	8,176
Pharmaceutical industry	65,308	5,669	67,491	7,555
Manufacture of motor vehicles, trailers and semi - trailers	12,025	404	13,173	454
Manufacture of electrical equipment	40,560	27,925	18,582	6,264
Manufacture of machinery and equipment	33,017	2,945	30,898	3,016
Other	369,865	158,474	290,399	80,471
Total credit risk exposure	4,593,215	968,897	4,467,929	781,652

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

Concentration of assets and guarantees and commitments, according to industry, net exposure, before and after the effect of mitigation through collateral received:

Bank	Highest exposure	Highest exposure after the effect of mitigation through collateral received	Highest exposure	Highest exposure after the effect of mitigation through collateral received
	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,638,956	-	1,564,952	-
Water and electric supply and other infrastructure	228,235	98,143	336,728	178,496
Tourism	398,669	13,146	421,616	15,995
Transport, warehousing and connections	339,623	18,535	386,609	62,260
Shipbuilding	158,721	104,327	162,243	17,674
Agriculture and fishery	116,831	39,381	100,207	31,165
Food industry	127,655	15,901	141,809	32,107
Construction industry	392,502	11,908	405,272	25,832
Other industry	161,321	45,364	174,015	56,106
Public administration	390,235	391,573	231,974	231,548
Education	7,921	7,555	10,128	9,737
Manufacture of basic metals and fabricated metal products, except machinery and equipment	53,519	11,367	51,331	6,955
Manufacture of chemicals and chemical products	13,621	1,229	14,881	1,239
Manufacture of other non-metallic mineral products	35,082	8,524	36,124	8,176
Pharmaceutical industry	65,223	5,584	67,371	7,435
Manufacture of motor vehicles, trailers and semi - trailers	12,025	404	13,173	454
Manufacture of electrical equipment	40,560	27,925	18,582	6,264
Manufacture of machinery and equipment	33,017	2,945	30,898	3,016
Other	369,517	158,125	290,020	80,092
Total credit risk exposure	4,583,233	961,936	4,457,933	774,551

Concentration of assets and guarantees and commitments according to industry for both years has been compiled in accordance with the National Classification of Activities 2007 ("NKD 2007").

In the preparation of the Note, a combined approach is applied, which takes into consideration business activities of a debtor, retains the names of activities different from those in the National Classification of Activities and unites similar business activities.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Concentration of risk and maximum credit risk exposure (continued)

The fair value of collateral for the Group as of 30 June 2024 amounted to EUR 3,624,318 thousand (31 December 2023: EUR 3,686,277 thousand) and for the Bank EUR 3,621,297 thousand (31 December 2023: EUR 3,683,382 thousand).

Net highest exposure as of 30 June 2024 for the Group amounted to EUR 968,897 thousand (31 December 2023: EUR 781,652 thousand) and for the Bank EUR 961,936 thousand (31 December 2023: EUR 774,551 thousand).

In the total net highest exposure after the effect of mitigation through collateral received as of 30 June 2024, the credit risk of EUR 452,055 thousand for the Group (31 December 2023: EUR 418,339 thousand) and EUR 464,044 thousand for the Bank (31 December 2023: EUR 412,301 thousand) is not covered with ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia for the Group and the Bank of EUR 53,106 thousand (31 December 2023: EUR 58,915 thousand), from local (regional) authorities of EUR 141,030 thousand (31 December 2023: EUR 115,038 thousand), state-owned companies for whose commitments the Republic of Croatia guarantees jointly and unconditionally of EUR 15,935 thousand (31 December 2023: EUR 17,529 thousand), government funds of EUR 1 thousand (31 December 2023: EUR 4 thousand), government bonds and Treasury bills of the Ministry of Finance of EUR 241,983 thousand for the Group and EUR 235,972 thousand for the Bank (31 December 2023: EUR 226,853 thousand for the Group and EUR 220,815 thousand for the Bank).

Part of the placements with net exposure relates to placements provisionally and partially covered with collateral and the further increase in exposure has been stopped pending the submission of the full collateral necessary for compliance with the requested collateral coverage ratio.

Financial intermediation includes mainly commercial banks.

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows:

Group 30 June 2024	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk POCI		Not subject to IFRS 9	Net exposure of total portfolio	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3	Net exposure of portfolio after the effect of mitigation through collateral received		Not subject to IFRS 9 after the effect of mitigation through collateral received	Net exposure of total portfolio after the effect of mitigation through collateral received	
	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000	EUR '000
Assets															
Cash on hand and current accounts with banks	27,424	-	-	-	-	-	27,424	-	-	-	-	-	-	-	-
Deposits with other banks	99,079	-	-	-	-	-	99,079	-	-	-	-	-	-	-	-
Loans to financial institutions	1,229,712	15,031	264	-	-	-	1,245,007	-	-	-	-	-	-	-	-
Loans to other customers	1,784,008	213,777	156,319	11,146	182,433	-	2,347,683	382,039	28,818	8,181	46	94,843	-	513,927	
Financial assets at fair value through profit or loss	-	-	-	-	-	33,287	33,287	-	-	-	-	-	-	6	6
Financial assets at fair value through other comprehensive income	242,362	-	195	-	-	-	242,557	242,362	-	195	-	-	-	-	242,557
Other assets	1,779	11	158	-	7	-	1,955	717	11	75	-	7	-	-	810
Total	3,384,364	228,819	156,936	11,146	182,440	33,287	3,996,992	625,118	28,829	8,451	46	94,850	6	757,300	
Guarantees and commitments															
Issued guarantees	32,565	8,542	2,514	-	-	-	43,621	32,190	1,206	1,948	-	-	-	-	35,344
Issued guarantees in foreign currency	55	3,771	-	-	-	-	3,826	16	1,398	-	-	-	-	-	1,414
Undrawn loans	544,201	3,236	15	-	1,324	-	548,776	171,448	2,073	14	-	1,304	-	-	174,839
Total	576,821	15,549	2,529	-	1,324	-	596,223	203,654	4,677	1,962	-	1,304	-	-	211,597
Total credit risk exposure	3,961,185	244,368	159,465	11,146	183,764	33,287	4,593,215	828,772	33,506	10,413	46	96,154	6	968,897	

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows (continued):

Group 31 December 2023	Net exposure of portfolio -			Net exposure of portfolio of		Not subject to IFRS 9 EUR '000	Net exposure of total portfolio EUR '000	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1 EUR '000	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2 EUR '000	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3 EUR '000	Net exposure of portfolio after the effect of mitigation through collateral received POCI		Not subject to IFRS 9 after the effect of mitigation through collateral received EUR '000	Net exposure of total portfolio after the effect of mitigation through collateral received EUR '000
	risk Stage 1	risk Stage 2	risk Stage 3	risk Stage 2	risk Stage 3						risk Stage 2	risk Stage 3		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000						EUR '000	EUR '000		
Assets														
Cash on hand and current accounts with banks	42,133	-	-	-	-	-	42,133	-	-	-	-	-	-	-
Deposits with other banks	71,761	-	-	-	-	-	71,761	-	-	-	-	-	-	-
Loans to financial institutions	1,233,889	14,713	279	-	-	-	1,248,881	-	-	-	-	-	-	-
Loans to other customers	1,773,734	260,005	132,676	5,463	179,318	-	2,351,196	330,589	29,668	8,431	66	9,546	-	378,300
Financial assets at fair value through profit or loss	-	-	-	-	-	33,709	33,709	-	-	-	-	-	158	158
Financial assets at fair value through other comprehensive income	227,239	-	195	-	-	-	227,434	227,239	-	195	-	-	-	227,434
Other assets	1,617	11	205	-	7	-	1,840	869	11	79	-	8	-	967
Total	3,350,373	274,729	133,355	5,463	179,325	33,709	3,976,954	558,697	29,679	8,705	66	9,554	158	606,859
Guarantees and commitments														
Issued guarantees	17,929	6,176	20,440	-	-	-	44,545	17,537	1,344	14,348	-	-	-	33,229
Issued guarantees in foreign currency	53	5,304	-	-	-	-	5,357	15	2,919	-	-	-	-	2,934
Undrawn loans	423,683	4,816	-	-	12,574	-	441,073	135,627	2,938	-	-	65	-	138,630
Total	441,665	16,296	20,440	-	12,574	-	490,975	153,179	7,201	14,348	-	65	-	174,793
Total credit risk exposure	3,792,038	291,025	153,795	5,463	191,899	33,709	4,467,929	711,876	36,880	23,053	66	9,619	158	781,652

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows (continued):

Bank 30 June 2024	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk POCI		Not subject to IFRS 9	Net exposure of total portfolio	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3	Net exposure of portfolio after the effect of mitigation through collateral received POCI		Not subject to IFRS 9 after the effect of mitigation through collateral received	Net exposure of total portfolio after the effect of mitigation through collateral received
	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000
Assets														
Cash on hand and current accounts with banks	27,149	-	-	-	-	-	27,149	-	-	-	-	-	-	-
Deposits with other banks	96,334	-	-	-	-	-	96,334	-	-	-	-	-	-	-
Loans to financial institutions	1,229,712	15,031	264	-	-	-	1,245,007	-	-	-	-	-	-	-
Loans to other customers	1,784,008	213,777	156,319	11,146	182,433	-	2,347,683	382,039	28,818	8,181	46	94,843	-	513,927
Financial assets at fair value through profit or loss	-	-	-	-	-	33,287	33,287	-	-	-	-	-	6	6
Financial assets at fair value through other comprehensive income	236,051	-	195	-	-	-	236,246	236,051	-	195	-	-	-	236,246
Other assets	1,128	11	158	-	7	-	1,304	67	11	75	-	7	-	160
Total	3,374,382	228,819	156,936	11,146	182,440	33,287	3,987,010	618,157	28,829	8,451	46	94,850	6	750,339
Guarantees and commitments														
Issued guarantees	32,565	8,542	2,514	-	-	-	43,621	32,190	1,206	1,948	-	-	-	35,344
Issued guarantees in foreign currency	55	3,771	-	-	-	-	3,826	16	1,398	-	-	-	-	1,414
Undrawn loans	544,201	3,236	15	-	1,324	-	548,776	171,448	2,073	14	-	1,304	-	174,839
Total	576,821	15,549	2,529	-	1,324	-	596,223	203,654	4,677	1,962	-	1,304	-	211,597
Total credit risk exposure	3,951,203	244,368	159,465	11,146	183,764	33,287	4,583,233	821,811	33,506	10,413	46	96,154	6	961,936

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

Credit risk analysis, net exposure, before and after the effect of mitigation through collateral received, according to the type of financial assets on positions of assets and guarantees and commitments by risk category, is as follows (continued):

Bank 31 December 2023	Net exposure of portfolio - risk Stage 1	Net exposure of portfolio - risk Stage 2	Net exposure of portfolio - risk Stage 3	Net exposure of portfolio of risk POCI		Not subject to IFRS 9	Net exposure of portfolio	Net exposure of portfolio after the effect of mitigation through collateral received Stage 1	Net exposure of portfolio after the effect of mitigation through collateral received Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received Stage 3	Net exposure of portfolio after the effect of mitigation through collateral received POCI		Not subject to IFRS 9 after the effect of mitigation through collateral received	Net exposure of total portfolio after the effect of mitigation through collateral received
	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	risk Stage 2 EUR '000	risk Stage 3 EUR '000	EUR '000
Assets														
Cash on hand and current accounts with banks	41,543	-	-	-	-	-	41,543	-	-	-	-	-	-	-
Deposits with other banks	69,456	-	-	-	-	-	69,456	-	-	-	-	-	-	-
Loans to financial institutions	1,233,889	14,713	279	-	-	-	1,248,881	-	-	-	-	-	-	-
Loans to other customers	1,773,734	260,005	132,676	5,463	179,318	-	2,351,196	330,589	29,668	8,431	66	9,546	-	378,300
Financial assets at fair value through profit or loss	-	-	-	-	-	33,709	33,709	-	-	-	-	-	158	158
Financial assets at fair value through other comprehensive income	220,898	-	195	-	-	-	221,093	220,898	-	195	-	-	-	221,093
Other assets	857	11	205	-	7	-	1,080	110	10	79	-	8	-	207
Total	3,340,377	274,729	133,355	5,463	179,325	33,709	3,966,958	551,597	29,678	8,705	66	9,554	158	599,758
Guarantees and commitments														
Issued guarantees	17,929	6,176	20,440	-	-	-	44,545	17,537	1,344	14,348	-	-	-	33,229
Issued guarantees in foreign currency	53	5,304	-	-	-	-	5,357	15	2,919	-	-	-	-	2,934
Undrawn loans	423,683	4,816	-	-	12,574	-	441,073	135,627	2,938	-	-	65	-	138,630
Total	441,665	16,296	20,440	-	12,574	-	490,975	153,179	7,201	14,348	-	65	-	174,793
Total credit risk exposure	3,782,042	291,025	153,795	5,463	191,899	33,709	4,457,933	704,776	36,879	23,053	66	9,619	158	774,551

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

Credit risk quality according to type of financial assets (continued)

As at 30 June 2024 in the total net highest exposure of the Group and the Bank after the effect of mitigation through collateral received, the amount of loans to other customers of EUR 210,041 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 53,077 thousand, local and regional authorities of EUR 141,030 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 15,935 thousand.

As at 30 June 2024 the amount of financial assets at fair value through other comprehensive income is not covered by ordinary collateral but it relates to government bonds and treasury bills of the Ministry of Finance of EUR 241,983 thousand for the Group and EUR 235,972 thousand for the Bank.

As at 30 June 2024 other assets of EUR 31 thousand are not covered by ordinary collateral, but relate to receivables from the Republic of Croatia and the government funds.

As at 31 December 2023 in the total net highest exposure of the Group and the Bank after the effect of mitigation through collateral received, the amount of loans to other customers of EUR 191,406 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 58,839 thousand, local and regional authorities of EUR 115,038 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 17,529 thousand.

As at 31 December 2023 the amount of financial assets at fair value through other comprehensive income is not covered by ordinary collateral but it relates to government bonds and treasury bills of the Ministry of Finance of EUR 226,853 thousand for the Group and EUR 220,815 thousand for the Bank.

As at 31 December 2023 other assets of EUR 80 thousand are not covered by ordinary collateral, but relate to receivables from the Republic of Croatia and the government funds.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument by risk category:

Cash on hand and current accounts with banks

Group 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	159	-	-	-	159
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net(release) of loss allowance	(88)	-	-	-	(88)
Balance at 30 June 2024	71	-	-	-	71

Group 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	805	-	-	-	805
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(646)	-	-	-	(646)
Balance at 31 December 2023	159	-	-	-	159

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Cash on hand and current accounts with banks (continued)

Bank					
30 June 2024	Stage 1	Stage 2	Stage 3	POCI	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2024	158	-	-	-	158
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(87)	-	-	-	(87)
Balance at 30 June 2024	71	-	-	-	71

Bank					
31 December 2023	Stage 1	Stage 2	Stage 3	POCI	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2023	804	-	-	-	804
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(646)	-	-	-	(646)
Balance at 31 December 2023	158	-	-	-	158

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Deposits with other banks

Group

30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	221	-	-	-	221
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	9	-	-	-	9
Balance at 30 June 2024	230	-	-	-	230

Group

31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	5	-	-	-	5
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	216	-	-	-	216
Balance at 31 December 2023	221	-	-	-	221

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

ii. Allowances (continued)

Deposits with other banks

Bank

30 June 2024

	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	218	-	-	-	218
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	9	-	-	-	9
Balance at 30 June 2024	227	-	-	-	227

Bank

31 December 2023

	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	218	-	-	-	218
Balance at 31 December 2023	218	-	-	-	218

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Loans to financial institutions

**Group and Bank
30 June 2024**

	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	4,163	1,707	857	-	6,727
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(47)	112	(19)	-	46
Balance at 30 June 2024	4,116	1,819	838	-	6,773

**Group and Bank
31 December 2023**

	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	3,544	3,635	899	-	8,078
Correction of opening balance	-	-	(5)	-	(5)
Transfer to Stage 1	558	(558)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	61	(1,370)	(37)	-	(1,346)
Balance at 31 December 2023	4,163	1,707	857	-	6,727

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Loans to other customers

Group and Bank 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	42,543	128,588	267,359	32,267	470,757
Transfer to Stage 1	4,584	(4,060)	(524)	-	-
Transfer to Stage 2	(1,039)	4,837	(3,798)	-	-
Transfer to Stage 3	-	(26,105)	19,682	6,423	-
Net increase/(release)/increase of loss allowance	759	(9,680)	(3,923)	(7,731)	(20,575)
Write-offs	(288)	-	(1,641)	-	(1,929)
Unwinding – changes due to the lapse of time	-	(244)	1,295	703	1,754
Other	-	-	-	1,405	1,405
Net foreign exchange gain/loss on loss allowances	1	-	373	(104)	270
Balance at 30 June 2024	46,560	93,336	278,823	32,963	451,682

Group and Bank 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	47,280	104,067	277,638	29,576	458,561
Correction of opening balance	-	-	472	17	489
Transfer to Stage 1	47,177	(43,608)	(3,569)	-	-
Transfer to Stage 2	(8,890)	9,767	(877)	-	-
Transfer to Stage 3	(4)	(4,446)	(3,576)	8,026	-
Net (release)/increase of loss allowance	(41,292)	62,943	226	(16,517)	5,360
Write-offs	(1,652)	-	(3,969)	(82)	(5,703)
Unwinding – changes due to the lapse of time	(76)	(135)	1,428	2,779	3,996
Other	-	-	-	8,407	8,407
Net foreign exchange gain/loss on loss allowances	-	-	(414)	61	(353)
Balance at 31 December 2023	42,543	128,588	267,359	32,267	470,757

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Financial assets at fair value through other comprehensive income

Group 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	223	-	231	-	454
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	16	-	-	-	16
Balance at 30 June 2024	239	-	231	-	470

Group 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	339	48	231	-	618
Transfer to Stage 1	44	(44)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(160)	(4)	-	-	(164)
Balance at 31 December 2023	223	-	231	-	454

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Financial assets at fair value through other comprehensive income (continued)

Bank 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	211	-	231	-	442
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase of loss allowance	16	-	-	-	16
Balance at 30 June 2024	227	-	231	-	458

Bank 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	327	48	231	-	606
Transfer to Stage 1	44	(44)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release) of loss allowance	(160)	(4)	-	-	(164)
Balance at 31 December 2023	211	-	231	-	442

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Other assets

Group 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	27	1	4,330	35	4,393
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(16)	-	348	(1)	331
Write-offs	-	-	(35)	-	(35)
Net foreign exchange gain/loss on loss allowances	-	-	4	-	4
Other adjustments	-	-	-	1	1
Balance at 30 June 2024	11	1	4,647	35	4,694

Group 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	25	-	4,631	35	4,691
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	14	1	(206)	(4)	(195)
Write-offs	-	-	(93)	-	(93)
Net foreign exchange gain/loss on loss allowances	-	-	(2)	-	(2)
Other adjustments	(12)	-	-	4	(8)
Balance at 31 December 2023	27	1	4,330	35	4,393

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Other assets (continued)

Bank 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	19	1	4,330	35	4,385
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(17)	-	348	(1)	330
Write-offs	-	-	(35)	-	(35)
Net foreign exchange gain/loss on loss allowances	-	-	4	-	4
Other adjustments	-	-	-	1	1
Balance at 30 June 2024	2	1	4,647	35	4,685

Bank 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	3	-	4,631	35	4,669
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	16	1	(206)	(4)	(193)
Write-offs	-	-	(93)	-	(93)
Net foreign exchange gain/loss on loss allowances	-	-	(2)	-	(2)
Other adjustments	-	-	-	4	4
Balance at 31 December 2023	19	1	4,330	35	4,385

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.3. Credit risk (continued)

i. Allowances (continued)

Guarantees and commitments

Group and Bank 30 June 2024	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2024	4,243	5,380	4,574	440	14,637
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(1)	1,201	(1,200)	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(975)	(1,237)	(1,919)	(366)	(4,497)
Net foreign exchange gain/loss on loss allowances	1	(45)	-	-	(44)
Balance at 30 June 2024	3,268	5,299	1,455	74	10,096

Group and Bank 31 December 2023	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	POCI EUR '000	Total EUR '000
Balance at 1 January 2023	1,387	1,670	7,093	564	10,714
Transfer to Stage 1	274	(274)	-	-	-
Transfer to Stage 2	(67)	2,277	(2,210)	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	2,649	1,679	(309)	(124)	3,895
Net foreign exchange gain/loss on loss allowances	-	28	-	-	28
Balance at 31 December 2023	4,243	5,380	4,574	440	14,637

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk

The table below provides an analysis of total assets, total liabilities and total guarantees and commitments as of 30 June 2024 and 31 December 2023 placed into relevant maturity groupings based on the remaining period as at the Statement of Financial Position date related to the contractual maturity date, as follows:

Group 30 June 2024	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
Assets						
Cash on hand and current accounts with banks	27,424	-	-	-	-	27,424
Deposits with other banks	97,776	-	400	-	903	99,079
Loans to financial institutions	145,392	40,110	136,845	337,720	584,940	1,245,007
Loans to other customers	249,179	72,141	286,584	616,887	1,122,892	2,347,683
Financial assets at fair value through profit or loss	42	8	-	33,279	22,369	55,698
Financial assets at fair value through other comprehensive income	242,367	2,548	128	2,401	3,186	250,630
Property, plant and equipment and intangible assets	-	-	-	-	4,867	4,867
Foreclosed assets	68	54	134	643	1,050	1,949
Other assets	2,089	207	3,077	2,392	158	7,923
Total assets	764,337	115,068*	427,168	993,322	1,740,365	4,040,260
Liabilities						
Deposits from customers	196,107	301	21,840	54	13,041	231,343
Borrowings	135,022	57,008	255,603	656,411	1,109,766	2,213,810
Provisions for guarantees, commitments and other liabilities	8,542	762	2,487	5,901	3,021	20,713
Other liabilities	31,023	2,969	11,373	21,431	10,971	77,767
Total liabilities	370,694	61,040	291,303	683,797	1,136,799	2,543,633
Liquidity gap	393,643	54,028	135,865	309,525	603,566	1,496,627
Guarantees and commitments						
Issued guarantees	49,909	-	-	-	-	49,909
Issued guarantees in foreign currency	5,446	-	-	-	-	5,446
Undrawn loans	550,964	-	-	-	-	550,964
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	1,208	1,062	5,970	14,800	5,420	28,460
EIF FRC2 Contracted Liability	13	-	20	22	7	62
Total guarantees and commitments	617,940	1,062	5,990	14,822	5,427	645,241

The items with undefined maturity are included in terms over 3 years.

*Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk

Group 31 December 2023	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
Assets						
Cash on hand and current accounts with banks	42,133	-	-	-	-	42,133
Deposits with other banks	68,254	2,203	-	-	1,304	71,761
Loans to financial institutions*	90,275	158,524	130,273	306,450	563,359	1,248,881
Loans to other customers	271,161	52,397	286,532	586,168	1,154,938	2,351,196
Financial assets at fair value through profit or loss	42	11	-	33,698	19,171	52,922
Financial assets at fair value through other comprehensive income	232,032	3,144	23	-	-	235,199
Property, plant and equipment and intangible assets	-	-	-	-	4,868	4,868
Foreclosed assets	2	148	149	820	1,172	2,291
Other assets	6,482	118	2,662	2,705	318	12,285
Total assets	710,381	216,545	419,639	929,841	1,745,130	4,021,536
Liabilities						
Deposits from customers	148,059	12,586	18,604	46	15,581	194,876
Borrowings	59,784	167,701**	262,670	640,802	1,120,219	2,251,176
Provisions for guarantees, commitments and other liabilities	10,561	851	3,205	6,343	3,422	24,382
Other liabilities	39,304	3,261	14,301	23,605	12,752	93,223
Total liabilities	257,708	184,399	298,780	670,796	1,151,974	2,563,657
Liquidity gap	452,673	32,146	120,859	259,045	593,156	1,457,879
Guarantees and commitments						
Issued guarantees	52,623	-	-	-	-	52,623
Issued guarantees in foreign currency	7,716	-	-	-	-	7,716
Undrawn loans	445,273	-	-	-	-	445,273
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	129	1,467	7,404	15,800	6,660	31,460
EIF FRC2 Contracted Liability	14	4	13	40	10	81
Total guarantees and commitments	516,155	1,471	7,417	15,840	6,670	547,553

The items with undefined maturity are included in terms over 3 years.

*Receivables of EUR 193,000 thousand relate to reverse REPO agreements. The maturity of part of receivables was prolonged after the Statement of Financial Position date, and an amount of EUR 128,000 thousand was placed in the 1 to 3 months maturity category.

**Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

The table below provides an analysis of total assets, total liabilities and total guarantees and commitments as of 30 June 2024 and 31 December 2023 placed into relevant maturity groupings based on the remaining period as at the Statement of Financial Position date related to the contractual maturity date, as follows:

Bank 30 June 2024	Up to 1 month EUR '000	1 to 3 months EUR '000	3 months to 1 year EUR '000	1 to 3 years EUR '000	Over 3 years EUR '000	Total EUR '000
Assets						
Cash on hand and current accounts with banks	27,149	-	-	-	-	27,149
Deposits with other banks	95,431	-	-	-	903	96,334
Loans to financial institutions	145,392	40,110	136,845	337,720	584,940	1,245,007
Loans to other customers	249,179	72,141	286,584	616,887	1,122,892	2,347,683
Financial assets at fair value through profit or loss	42	8	-	33,279	22,369	55,698
Financial assets at fair value through other comprehensive income	241,771	2,548	-	-	-	244,319
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	4,616	4,616
Foreclosed assets	68	54	134	643	1,050	1,949
Other assets	1,409	182	3,077	2,392	34	7,094
Total assets	760,441	115,043*	426,640	990,921	1,744,253	4,037,298
Liabilities						
Deposits from customers	196,107	301	21,840	54	13,041	231,343
Borrowings	135,022	57,008	255,603	656,411	1,109,766	2,213,810
Provisions for guarantees, commitments and other liabilities	8,542	762	2,487	5,901	3,021	20,713
Other liabilities	31,023	2,767	9,031	21,431	10,971	75,223
Total liabilities	370,694	60,838	288,961	683,797	1,136,799	2,541,089
Liquidity gap	389,747	54,205	137,679	307,124	607,454	1,496,209
Guarantees and commitments						
Issued guarantees	49,909	-	-	-	-	49,909
Issued guarantees in foreign currency	5,446	-	-	-	-	5,446
Undrawn loans	550,964	-	-	-	-	550,964
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	1,208	1,062	5,970	14,800	5,420	28,460
EIF FRC2 Contracted Liability	13	-	20	22	7	62
Total guarantees and commitments	617,940	1,062	5,990	14,822	5,427	645,241

The items with undefined maturity are included in terms over 3 years.

*Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

Bank 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets						
Cash on hand and current accounts with banks	41,543	-	-	-	-	41,543
Deposits with other banks	68,152	-	-	-	1,304	69,456
Loans to financial institutions*	90,275	158,524	130,273	306,450	563,359	1,248,881
Loans to other customers	271,161	52,397	286,532	586,168	1,154,938	2,351,196
Financial assets at fair value through profit or loss	42	11	-	33,698	19,171	52,922
Financial assets at fair value through other comprehensive income	225,735	3,123	-	-	-	228,858
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	4,723	4,723
Foreclosed assets	2	148	149	820	1,172	2,291
Other assets	5,703	117	2,662	2,705	178	11,365
Total assets	702,613	214,320	419,616	929,841	1,752,294	4,018,684
Liabilities						
Deposits from customers	148,059	12,586	18,604	46	15,581	194,876
Borrowings	59,784	167,701**	262,670	640,802	1,120,219	2,251,176
Provisions for guarantees, commitments and other liabilities	10,561	851	3,203	6,343	3,422	24,380
Other liabilities	39,304	3,167	11,921	23,605	12,732	90,729
Total liabilities	257,708	184,305	296,398	670,796	1,151,954	2,561,161
Liquidity gap	444,905	30,015	123,218	259,045	600,340	1,457,523
Guarantees and commitments						
Issued guarantees	52,623	-	-	-	-	52,623
Issued guarantees in foreign currency	7,716	-	-	-	-	7,716
Undrawn loans	445,273	-	-	-	-	445,273
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	129	1,467	7,404	15,800	6,660	31,460
EIF FRC2 Contracted Liability	14	4	13	40	10	81
Total guarantees and commitments	516,155	1,471	7,417	15,840	6,670	547,553

The items with undefined maturity are included in terms over 3 years.

*Receivables of EUR 193,000 thousand relate to reverse REPO agreements. The maturity of part of receivables was prolonged after the Statement of Financial Position date, and an amount of EUR 128,000 thousand was placed in the 1 to 3 months maturity category.

** Accrued interest on loans not yet due is allocated to the category from 1 to 3 months.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

The table below indicates the remaining contractual maturity of financial liabilities, whereas the guarantees and commitments of the Group are classified in the category “up to 1 month”, owing to the possibility of a premature call to meet a liability (undiscounted amounts):

Group 30 June 2024	Up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Financial liabilities						
Deposits from customers	196,107	301	21,840	54	13,041	231,343
Borrowings	140,211	54,791	290,201	738,388	1,240,182	2,463,773
Provisions for guarantees, commitments and other liabilities	8,542	762	2,487	5,901	3,021	20,713
Other liabilities	31,023	2,969	11,373	21,431	10,971	77,767
Total	375,883	58,823	325,901	765,774	1,267,215	2,793,596
Guarantees and commitments						
Issued guarantees	49,909	-	-	-	-	49,909
Issued guarantees in foreign currency	5,446	-	-	-	-	5,446
Undrawn loans	550,964	-	-	-	-	550,964
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	1,208	1,062	5,970	14,800	5,420	28,460
EIF FRC2 Contracted Liability	13	-	20	22	7	62
Total guarantees and commitments	617,940	1,062	5,990	14,822	5,427	645,241
Group 31 December 2023						
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	Over 3 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Financial liabilities						
Deposits from customers	148,059	12,586	18,604	46	15,581	194,876
Borrowings	61,798	166,698	296,933	723,743	1,268,546	2,517,718
Provisions for guarantees, commitments and other liabilities	10,561	851	3,205	6,343	3,422	24,382
Other liabilities	39,304	3,261	14,301	23,605	12,752	93,223
Total	259,722	183,396	333,043	753,737	1,300,301	2,830,199
Guarantees and commitments						
Issued guarantees	52,623	-	-	-	-	52,623
Issued guarantees in foreign currency	7,716	-	-	-	-	7,716
Undrawn loans	445,273	-	-	-	-	445,273
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	129	1,467	7,404	15,800	6,660	31,460
EIF FRC2 Contracted Liability	14	4	13	40	10	81
Total guarantees and commitments	516,155	1,471	7,417	15,840	6,670	547,553

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.4. Liquidity risk (continued)

The table below indicates the remaining contractual maturity of financial liabilities, whereas the guarantees and commitments of the Group are classified in the category “up to 1 month”, owing to the possibility of a premature call to meet a liability (undiscounted amounts):

Bank	Up to 1	1 - 3	3 - 12	1 - 3	Over 3	Total
30 June 2024	month	months	months	years	years	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Financial liabilities						
Deposits from customers	196,107	301	21,840	54	13,041	231,343
Borrowings	140,211	54,791	290,201	738,388	1,240,182	2,463,773
Provisions for guarantees, commitments and other liabilities	8,542	762	2,487	5,901	3,021	20,713
Other liabilities	31,023	2,767	9,031	21,431	10,971	75,223
Total	375,883	58,621	323,559	765,774	1,267,215	2,791,052
Guarantees and commitments						
Issued guarantees	49,909	-	-	-	-	49,909
Issued guarantees in foreign currency	5,446	-	-	-	-	5,446
Undrawn loans	550,964	-	-	-	-	550,964
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	1,208	1,062	5,970	14,800	5,420	28,460
EIF FRC2 Contracted Liability	13	-	20	22	7	62
Total guarantees and commitments	617,940	1,062	5,990	14,822	5,427	645,241
Bank						
31 December 2023	Up to 1	1 - 3	3 - 12	1 - 3	Over 3	Total
	month	months	months	years	years	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Financial liabilities						
Deposits from customers	148,059	12,586	18,604	46	15,581	194,876
Borrowings	61,798	166,698	296,933	723,743	1,268,546	2,517,718
Provisions for guarantees, commitments and other liabilities	10,561	851	3,203	6,343	3,422	24,380
Other liabilities	39,304	3,167	11,921	23,605	12,732	90,729
Total	259,722	183,302	330,661	753,737	1,300,281	2,827,703
Guarantees and commitments						
Issued guarantees	52,623	-	-	-	-	52,623
Issued guarantees in foreign currency	7,716	-	-	-	-	7,716
Undrawn loans	445,273	-	-	-	-	445,273
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	129	1,467	7,404	15,800	6,660	31,460
EIF FRC2 Contracted Liability	14	4	13	40	10	81
Total guarantees and commitments	516,155	1,471	7,417	15,840	6,670	547,553

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk

Management of market risks at the Bank implies the reduction of interest rate risk and the currency risk to a minimal level.

23.5.1. Interest rate risk

The following tables demonstrate the sensitivity of the Group to the interest rate risk as of 30 June 2024 and 31 December 2023 on the basis of known dates of changes in prices of assets and liabilities to which floating and fixed interest rates are applied. Periods of interest rates changes are determined on the basis of residual maturity and contracted period when interest rates change, depending on which is shorter.

Assets and liabilities on which interest is not charged are placed into the non-interest bearing category. The tables below demonstrate the estimation of Group's interest rate risk exposure as of 30 June 2024 and 31 December 2023 which may not be indicative for the positions in other periods.

Group	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
30 June 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
Cash on hand and current accounts with banks	27,424	-	-	-	-	-	27,424	27,424
Deposits with other banks	97,753	-	400	-	-	926	99,079	98,153
Loans to financial institutions	142,619	55,363	134,481	331,957	577,707	2,880	1,245,007	1,225,613
Loans to other customers	227,497	108,032	329,082	553,204	1,103,726	26,142	2,347,683	2,206,125
Financial assets at fair value through profit or loss	-	-	-	33,279	-	22,419	55,698	33,279
Financial assets at fair value through other comprehensive income	599	9,929	151,393	27,137	50,895	10,677	250,630	239,953
Other assets	-	-	-	-	-	7,923	7,923	-
Total assets	495,892	173,324	615,356	945,577	1,732,328	70,967	4,033,444	3,830,547
Liabilities								
Deposits from customers	134,578	-	-	-	-	96,765	231,343	134,578
Borrowings	135,022	49,752	314,109	647,992	1,059,469	7,466	2,213,810	2,146,128
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	20,713	20,713	-
Other liabilities	-	-	-	-	-	77,767	77,767	-
Total liabilities	269,600	49,752	314,109	647,992	1,059,469	202,711	2,543,633	2,280,706
Interest rate gap	226,292	123,572	301,247	297,585	672,859	(131,744)	1,489,811	1,549,841

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Group	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
31 December 2023	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
Cash on hand and current accounts with banks	42,133	-	-	-	-	-	42,133	42,133
Deposits with other banks	70,431	-	-	-	-	1,330	71,761	70,431
Loans to financial institutions	87,993	168,026	128,016	301,413	561,073	2,360	1,248,881	1,235,651
Loans to other customers	239,908	94,026	284,057	574,254	1,136,498	22,453	2,351,196	2,200,795
Financial assets at fair value through profit or loss	-	-	-	33,698	-	19,224	52,922	33,698
Financial assets at fair value through other comprehensive income	13,332	4,976	52,642	110,714	42,647	10,888	235,199	224,311
Other assets	-	-	-	-	-	12,285	12,285	-
Total assets	453,797	267,028	464,715	1,020,079	1,740,218	68,540	4,014,377	3,807,019
Liabilities								
Deposits from customers	77,717	-	-	-	-	117,159	194,876	77,717
Borrowings	59,925	162,220	301,277	637,050	1,084,967	5,737	2,251,176	2,198,507
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	24,382	24,382	-
Other liabilities	-	-	-	-	-	93,223	93,223	-
Total liabilities	137,642	162,220	301,277	637,050	1,084,967	240,501	2,563,657	2,276,224
Interest rate gap	316,155	104,808	163,438	383,029	655,251	(171,961)	1,450,720	1,530,795

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

The following tables demonstrate the sensitivity of HBOR to the interest rate risk as of 30 June 2024 and 31 December 2023 on the basis of known dates of changes in prices of assets and liabilities to which floating and fixed interest rates are applied. Periods of interest rates changes are determined on the basis of residual maturity and contracted period when interest rates change, depending on which is shorter.

Assets and liabilities on which interest is not charged are placed into the non-interest bearing category. The tables below demonstrate the estimation of HBOR's interest rate risk exposure as of as of 30 June 2024 and 31 December 2023 which may not be indicative for the positions in other periods.

Bank	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
30 June 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
Cash on hand and current accounts with banks	27,149	-	-	-	-	-	27,149	27,149
Deposits with other banks	95,408	-	-	-	-	926	96,334	95,408
Loans to financial institutions	142,619	55,363	134,481	331,957	577,707	2,880	1,245,007	1,225,613
Loans to other customers	227,497	108,032	329,082	553,204	1,103,726	26,142	2,347,683	2,206,125
Financial assets at fair value through profit or loss	-	-	-	33,279	-	22,419	55,698	33,279
Financial assets at fair value through other comprehensive income	3	9,929	151,266	24,735	47,765	10,621	244,319	233,698
Other assets	-	-	-	-	-	7,094	7,094	-
Total assets	492,676	173,324	614,829	943,175	1,729,198	70,082	4,023,284	3,821,272
Liabilities								
Deposits from customers	134,578	-	-	-	-	96,765	231,343	134,578
Borrowings	135,022	49,752	314,109	647,992	1,059,469	7,466	2,213,810	2,146,128
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	20,713	20,713	-
Other liabilities	-	-	-	-	-	75,223	75,223	-
Total liabilities	269,600	49,752	314,109	647,992	1,059,469	200,167	2,541,089	2,280,706
Interest rate gap	223,076	123,572	300,720	295,183	669,729	(130,085)	1,482,195	1,540,566

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Bank	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Non- interest bearing	Total	Fixed interest rate
31 December 2023	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
Cash on hand and current accounts with banks	41,543	-	-	-	-	-	41,543	41,543
Deposits with other banks	68,126	-	-	-	-	1,330	69,456	68,126
Loans to financial institutions	87,993	168,026	128,016	301,413	561,073	2,360	1,248,881	1,235,651
Loans to other customers	239,908	94,026	284,057	574,254	1,136,498	22,453	2,351,196	2,200,795
Financial assets at fair value through profit or loss	-	-	-	33,698	-	19,224	52,922	33,698
Financial assets at fair value through other comprehensive income	6,991	4,976	52,642	110,714	42,647	10,888	228,858	217,970
Other assets	-	-	-	-	-	11,365	11,365	-
Total assets	444,561	267,028	464,715	1,020,079	1,740,218	67,620	4,004,221	3,797,783
Liabilities								
Deposits from customers	77,717	-	-	-	-	117,159	194,876	77,717
Borrowings	59,925	162,220	301,277	637,050	1,084,967	5,737	2,251,176	2,198,507
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	24,380	24,380	-
Other liabilities	-	-	-	-	-	90,729	90,729	-
Total liabilities	137,642	162,220	301,277	637,050	1,084,967	238,005	2,561,161	2,276,224
Interest rate gap	306,919	104,808	163,438	383,029	655,251	(170,385)	1,443,060	1,521,559

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Total assets and total liabilities on the basis of a possibility of changes in interest rates (fixed or variable):

	Group		Bank	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Fixed interest rate assets	3,830,547	3,807,019	3,821,272	3,797,783
Variable interest rate assets	131,930	138,818	131,930	138,818
Non-interest bearing	70,967	68,540	70,082	67,620
Total	4,033,444	4,014,377	4,023,284	4,004,221
Liabilities				
Fixed interest rate liabilities	2,280,706	2,276,224	2,280,706	2,276,224
Variable interest rate liabilities	60,216	46,932	60,216	46,932
Non-interest bearing	202,711	240,501	200,167	238,005
Total liabilities	2,543,633	2,563,657	2,541,089	2,561,161

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.1. Interest rate risk (continued)

Sensitivity analysis

Assumptions used in preparing the interest risk sensitivity analysis relate to possible changes in reference interest rates in order to assess the hypothetical effect on HBOR's profit.

Volatility of reference interest rates in the previous 12 months comparing to the reporting date has been determined using the standard deviation method on the daily changes of the reference interest rates linked to EUR and USD. On the basis of the above volatility, possible changes in reference interest rates linked to EUR and USD have been established and used in the sensitivity analysis.

The analysis presents the sensitivity of interest rates to reasonably expected changes in basis points of variable interest rates. All other variables remain constant.

The sensitivity of profit is influenced by hypothetical changes in interest rates during a period of one year based on interest bearing assets and liabilities with a variable interest rate.

Currency	Increase in b.p. Jun 30, 2024	Effect on profit Jun 30, 2024	Increase in b.p. Dec 31, 2023	Effect on profit Dec 31, 2023
		EUR '000		EUR '000
EUR	+0.3	1.5	+0.6	5
USD	+0.1	0.1	+0.4	0.4
Currency	Decrease in b.p. Jun 30, 2024	Effect on profit Jun 30, 2024	Decrease in b.p. Dec 31, 2023	Effect on profit Dec 31, 2023
		EUR '000		EUR '000
EUR	-0.3	(1.5)	-0.6	(5)
USD	-0.1	(0.1)	-0.4	(0.4)

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Total assets and total liabilities as of 30 June 2024 and 31 December 2023 in EUR and foreign currencies can be shown as follows:

Group	EUR	USD	Other foreign currencies	Total
30 June 2024	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	27,353	51	20	27,424
Deposits with other banks	98,145	934	-	99,079
Loans to financial institutions	1,245,007	-	-	1,245,007
Loans to other customers	2,296,120	29,157	22,406	2,347,683
Financial assets at fair value through profit or loss	51,375	4,323	-	55,698
Financial assets at fair value through other comprehensive income	250,630	-	-	250,630
Property, plant and equipment and intangible assets	4,867	-	-	4,867
Foreclosed assets	1,949	-	-	1,949
Other assets	7,923	-	-	7,923
Total assets	3,983,369	34,465	22,426	4,040,260
Liabilities				
Deposits from customers	215,550	15,793	-	231,343
Borrowings	2,194,340	19,470	-	2,213,810
Provisions for guarantees, commitments and other liabilities	19,093	-	1,620	20,713
Other liabilities	77,767	-	-	77,767
Total liabilities	2,506,750	35,263	1,620	2,543,633
Currency gap	1,476,619	(798)	20,806	1,496,627

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Group			Other foreign currencies	Total
31 December 2023	EUR EUR '000	USD EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	42,023	91	19	42,133
Deposits with other banks	69,318	2,443	-	71,761
Loans to financial institutions	1,248,881	-	-	1,248,881
Loans to other customers	2,302,547	26,458	22,191	2,351,196
Financial assets at fair value through profit or loss	48,034	4,888	-	52,922
Financial assets at fair value through other comprehensive income	235,199	-	-	235,199
Property, plant and equipment and intangible assets	4,868	-	-	4,868
Foreclosed assets	2,291	-	-	2,291
Other assets	12,285	-	-	12,285
Total assets	3,965,446	33,880	22,210	4,021,536
Liabilities				
Deposits from customers	180,779	14,097	-	194,876
Borrowings	2,230,910	20,266	-	2,251,176
Provisions for guarantees, commitments and other liabilities	21,957	66	2,359	24,382
Other liabilities	93,223	-	-	93,223
Total liabilities	2,526,869	34,429	2,359	2,563,657
Currency gap	1,438,577	(549)	19,851	1,457,879

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Total assets and total liabilities as of 31 March 2024 and 31 December 2023 in EUR and foreign currencies can be shown as follows:

Bank	EUR	USD	Other foreign currencies	Total
30 June 2024	EUR '000	EUR '000	EUR '000	EUR '000
Assets				
Cash on hand and current accounts with banks	27,078	51	20	27,149
Deposits with other banks	95,400	934	-	96,334
Loans to financial institutions	1,245,007	-	-	1,245,007
Loans to other customers	2,296,120	29,157	22,406	2,347,683
Financial assets at fair value through profit or loss	51,375	4,323	-	55,698
Financial assets at fair value through other comprehensive income	244,319	-	-	244,319
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	4,616	-	-	4,616
Foreclosed assets	1,949	-	-	1,949
Other assets	7,094	-	-	7,094
Total assets	3,980,407	34,465	22,426	4,037,298
Liabilities				
Deposits from customers	215,550	15,793	-	231,343
Borrowings	2,194,340	19,470	-	2,213,810
Provisions for guarantees, commitments and other liabilities	19,093	-	1,620	20,713
Other liabilities	75,223	-	-	75,223
Total liabilities	2,504,206	35,263	1,620	2,541,089
Currency gap	1,476,201	(798)	20,806	1,496,209

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk

Bank			Other foreign currencies	
31 December 2023	EUR EUR '000	USD EUR '000	EUR '000	Total EUR '000
Assets				
Cash on hand and current accounts with banks	41,433	91	19	41,543
Deposits with other banks	67,013	2,443	-	69,456
Loans to financial institutions	1,248,881	-	-	1,248,881
Loans to other customers	2,302,547	26,458	22,191	2,351,196
Financial assets at fair value through profit or loss	48,034	4,888	-	52,922
Financial assets at fair value through other comprehensive income	228,858	-	-	228,858
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	4,723	-	-	4,723
Foreclosed assets	2,291	-	-	2,291
Other assets	11,365	-	-	11,365
Total assets	3,962,594	33,880	22,210	4,018,684
Liabilities				
Deposits from customers	180,779	14,097	-	194,876
Borrowings	2,230,910	20,266	-	2,251,176
Provisions for guarantees, commitments and other liabilities	21,955	66	2,359	24,380
Other liabilities	90,729	-	-	90,729
Total liabilities	2,524,373	34,429	2,359	2,561,161
Currency gap	1,438,221	(549)	19,851	1,457,523

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

23. Risk management (continued)

23.5. Market risk (continued)

23.5.2. Currency risk (continued)

Sensitivity analysis

Sensitivity analysis of the Bank's total assets and total liabilities to fluctuations in foreign exchange rates is carried out for those foreign currencies that represent Bank's significant currencies as at the reporting date.

An assumption of reasonably possible fluctuations in USD exchange rates against EUR was used in the foreign currency risk sensitivity analysis, with the other variables remaining stable, in order to assess the hypothetical effect on HBOR's profit as of 30 June 2024.

Volatility of the exchange rate EUR/USD, determined using the standard deviation method on the changes of the foreign exchange rate EUR/USD, equalled 6.13%.

The effect of the assumed changes in the foreign exchange rate EUR/USD by total asset and total liabilities items denominated or indexed to USD on HBOR's profits is stated below.

	Change in currency rate Jun 30, 2024 %	Effect on profit Jun 30, 2024 EUR' 000	Change in currency rate Dec 31, 2023 %	Effect on profit Dec 31, 2023 EUR' 000
USD	+6.13	39	+7.39	27
USD	-6.13	(45)	-7.39	(52)

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities

The accounting policy on fair value measurements is discussed in Note 4.1.

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value

Below is a breakdown of the financial assets at fair value based on IFRS 9 classification on 30 June 2024 and 31 December 2023.

Group	30 June 2024		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	33,279
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	22,369	-	-
<i>Equity instruments:</i>			
<i>Listed equity instruments:</i>			
Investments in corporate shares	-	-	-
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	8	-
Total financial assets at fair value through profit or loss	22,369	8	33,321
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	219,600	-	-
Corporate bonds	300	-	-
Treasury bills of the Ministry of Finance	19,781	-	-
Accrued interest	2,602	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	77
Convertible bonds - CB	-	-	195
Accrued interest	-	-	2
Total debt instruments	242,283	-	274
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
Total equity instruments	-	8,073	274
Total financial assets at fair value through other comprehensive income	242,283	8,073	274
Derivative financial liabilities			
FX swap	-	172	-
Total liabilities	-	172	-

Treasury bills of the Ministry of Finance are presented at level 1 of the fair value hierarchy using the quoted purchase ("bid") prices on Bloomberg, and the market quoted price is applied as a valuation technique.

Debt Instruments: Corporate Bonds were classified within Level 3 of the fair value hierarchy. The valuation technique used was the method of the discounted cash flows based on market interest rates, spread linked to internal credit-rating and internally determined spread linked to financial instrument liquidity.

OTC FX swap is not quoted in the active market, and its price is calculated in accordance with the generally accepted model using current market parameters derived from the foreign exchange spot rate and the difference in interest rates of the contracted maturity for the foreign currencies that are the subject matter of the contract.

There were no transfers between the levels in the reporting period.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value (continued)

Group	31 December 2023		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	33,698
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	19,171	-	-
Equity instruments:			
<i>Unlisted equity instruments:</i>			
Investments in corporate shares	-	-	-
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	11	-
Total financial assets at fair value through profit or loss	19,171	11	33,740
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	185,225	-	-
Corporate bonds	303	-	-
Treasury bills of the Ministry of Finance	38,451	-	-
Accrued interest	3,177	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	81
Convertible bonds - CB	-	-	195
Accrued interest	-	-	2
Total debt instruments	227,156	-	278
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	7,757	-
Total equity instruments	-	7,765	-
Total financial assets at fair value through other comprehensive income	227,156	7,765	278
Derivative financial liabilities			
FX swap	-	100	-
Total liabilities	-	100	-

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value (continued)

Bank	30 June 2024		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit or loss:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	33,279
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	22,369	-	-
Equity instruments:			
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	8	-
Total financial assets at fair value through profit or loss	22,369	8	33,321
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	213,645	-	-
Treasury bills of the Ministry of Finance	19,781	-	-
Accrued interest	2,546	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	77
Convertible bonds - CB	-	-	195
Accrued interest	-	-	2
Total debt instruments	235,972	-	274
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
Total equity instruments	-	8,073	-
Total financial assets at fair value through other comprehensive income	235,972	8,073	274
Derivative financial liabilities			
FX swap	-	172	-
Total liabilities	-	172	-

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value (continued)

Bank	31 December 2023		
	Level 1	Level 2	Level 3
	EUR '000	EUR '000	EUR '000
Financial assets at fair value through profit or loss:			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	33,698
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	19,171	-	-
Equity instruments:			
<i>Unlisted equity instruments:</i>			
Investments in companies' shares	-	-	-
Depository receipt - DR	-	-	42
Derivative financial assets-positive fair value			
FX swap	-	11	-
Total financial assets at fair value through profit or loss	19,171	11	33,740
Financial assets at fair value through other comprehensive income:			
Debt instruments:			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	179,243	-	-
Treasury bills of the Ministry of Finance	38,451	-	-
Accrued interest	3,121	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	81
Convertible bonds - CB	-	-	195
Accrued interest	-	-	2
Total debt instruments	220,815	-	278
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	7,757	-
Total equity instruments	-	7,765	-
Total financial assets at fair value through other comprehensive income	220,815	7,765	278
Derivative financial liabilities			
FX swap	-	100	-
Total liabilities	-	100	-

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value (continued)

24.1.1. Level 3 - fair value

a) Mezzanine loans

For the assessment of fair value of mezzanine loans, the method of discounting expected future cash flows is used.

Due to their contractual characteristics, mezzanine loans do not pass the SPPI test. Characteristics due to which mezzanine loans do not pass the SPPI test are as follows:

- the debtor has the right of premature repayment of mezzanine debt to the creditor,
- in the case of realisation of contractually defined indicators of the debtor's performance (debtor's net debt to average EBITDA ratio for the previous three years must be lower than the limit) over the predetermined period, creditor of the mezzanine debt has the right, but not the obligation, to convert a mezzanine debt to a „senior debt“,
- the creditor of the mezzanine debt has the right, but not the obligation, to require from the debtor, to pay the due amount of mezzanine debt into the debtor's equity (increase in equity capital of the debtor by the entry of right-claim)
- the debtor has the option to close the debt through refinancing by another creditor
- if all the possibilities of mezzanine debt closing have not been implemented, the mezzanine debt can be closed from the sale of ships owned by the debtor and
- in case of premature closing of mezzanine debt by repayment, refinancing or converting the mezzanine debt into equity, interest on mezzanine debt is calculated from the date of premature closing of mezzanine debt, i.e. until mezzanine debt exists in such form.

Due to the above-mentioned characteristics of the mezzanine loan, the assessment of fair value of these loans was carried out in accordance with the precautionary principle, according to which income is recognised only when it is actually incurred, and expenses also when they are possible, under the assumption that the regular operations of debtor are continued in the future. This is a situation in which the Bank would, upon the final maturity of the mezzanine loan, convert its receivables into the debtor's equity.

On 30 June 2024, the market price of ordinary shares of the debtor that the Bank could subscribe amounted to EUR 4,323 thousand, assuming that the market price of the shares included all market expectations related to future operations of the issuer. Given that the calculation was made on the assumption that the debtor's mezzanine debt had been converted into the debtor's equity on 30 June 2024, there is no need to discount the market value of the debtor's ordinary shares that the Bank could subscribe and in this way of settlement, the estimated fair value of the mezzanine loan on 30 June 2024 amounted to EUR 4,323 thousand, i.e. USD 4,627 thousand at the exchange rate on 30 June 2024.

Based on the Decision in the pre-bankruptcy proceedings, HBOR took over 50% of the debtor's claims as senior debt and 50% of claims as mezzanine debt. Mezzanine debt is stated in the amount of EUR 4,323 thousand.

The Bank has placed a mezzanine loan in the amount of EUR 30,000 thousand. As at 30 June 2024, the fair value of this mezzanine debt stood at EUR 28,956 thousand (31 December 2023: EUR 28,810 thousand). The fair value was calculated using the data from the Bloomberg platform - the curves required for revaluation and the projection of variable interest rate with the use of liquidity risk premium.

As at 30 June 2024, the total fair value of the mezzanine debt stood at EUR 33,279 thousand (31 December 2023: EUR 33,698 thousand).

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value (continued)

24.1.1. Level 3 - fair value (continued)

b) Corporate bonds that are allocated to Level 3

(i) Techniques of valuation and significant input data that are not visible

For the assessment of fair value of illiquid corporate bonds in the HBOR portfolio, the method of discounted cash flow of bonds is used. The fair value of bonds is the present value of all future cash flows of bonds calculated by applying the discount rate defined as yield on risk-free investments increased by the premium of specific credit risk for the respective bond and the premium for bond liquidity risk.

The discount rate on risk-free investments is calculated as linearly interpolated/extrapolated yield of Croatian bonds of the same duration and of the same foreign currency as the bonds valued. The source of information on the yields on bonds of the Republic of Croatia is the Bloomberg information system.

The premium of the specific risk amount for the respective bond depends on HBOR's internal credit rating of the bond issuer, i.e. if the issuer is a member of a business group, the risk premium depends on internal credit rating of the parent company.

ii) Sensitivity analysis of corporate bond with the stated potential effect on profit/loss as at 30 June 2024, under the assumption of a change in discount rate (yield) of 2% and 10%

Under the assumption that the market interest rates change by 2% compared with those in effect as at 30 June 2024, the impacts would be as follows:

- a) In the case of a decrease in market yield on no-risk investment (linearly interpolated/extrapolated yield on bonds of the Republic of Croatia of the same duration and the same currency as the respective bond) by 2%, the discount rate would equal 15.78%, the bond price would be 14.22%, which would result in an increase in HBOR's generated profits of EUR 1 thousand.
- b) In the case of an increase in market yield on no-risk investment (linearly interpolated/extrapolated yield on bonds of the Republic of Croatia of the same duration and the same currency as the corporate bond) by 2%, the discount rate would equal 19.78%, the bond price would be 42.96%, which would result in a decrease in HBOR's generated profits of EUR 1 thousand.

The change in interest rates defined in the "Decision on the Management of Interest Rate Risk in the Bank Book", which is applied when calculating standard interest rate shock, is used as the basis for the change in the market interest rate of 2% compared with the market terms and conditions in effect as at 30 June 2024. "Standard interest rate shock is a parallel positive or negative change in interest rates on a reference yield curve of 200 basis points by applying the lower limit rate of 0%, except for the cases in which negative interest rate can be achieved."

In the case of a decrease in expected cash flows on corporate bonds of 10%, the generated profit of HBOR would decrease by EUR 8 thousand.

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

24. Fair value of financial assets and financial liabilities (continued)

24.1. Fair value of financial assets and financial liabilities initially recognised and measured at fair value (continued)

24.1.1. Level 3 - fair value (continued)

c) Adjustment of fair value of Level 3:

i) The fair value of Level 3 financial assets measured at fair value upon initial recognition – mezzanine loans:

Group and Bank	Jun 30, 2024 EUR '000	Jun 30, 2023 EUR '000
Balance as at 1 January	33,698	3,030
New loan	-	30,000
Increase/decrease in fair value through profit or loss	(570)	(2,670)
Net foreign exchange	151	(87)
Balance as of 30 June	33,279	30,273

ii) The fair value of Level 3 financial assets measured at fair value upon initial recognition – unlisted debt securities:

Group and Bank	Jun 30, 2024 EUR '000	Jun 30, 2023 EUR '000
Balance as at 1 January	278	261
Increase/decrease in fair value through other comprehensive income	6	2
Principal due date	(10)	(7)
Accrued interest	-	(2)
Balance as of 30 June	274	254

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

25. Reporting by segments

General information on segments is given in relation to business segments of the Group. Since the Group does not allocate administrative costs and interest by segments, the profitability of segments is not presented.

Assets and liabilities by segments are presented in net terms, i.e. gross after impairment and provisioning, and before the effect of mitigation through collateral received.

Business operations of segments are divided in terms of organisation and management. Each segment as a whole provides various products and services and operates in various markets.

Business segments:

The Group has following business segments:

Segment:	Business activities of the segment include:
Banking activities	Financing reconstruction and development of the Croatian economy, financing of infrastructure, export promotion, support for the development of small and medium-sized companies, environmental protection, and export credit insurance of Croatian goods and services against non-market risks for and on behalf of the Republic of Croatia.
Insurance activities	Insurance of foreign and domestic short-term receivables of business entities relating to deliveries of goods and services.
Other	Preparation of analyses, credit risk assessment and providing information on creditworthiness.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

25. Reporting by segments (continued)

	Banking activities	Insurance activities	Other activities	Unallocated	Total
Jan 1 – Jun 30, 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Net interest income	33,824	125	-	-	33,949
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	299	-	-	-	299
Net fee income	741	-	155	-	896
Net income/(expenses) from financial operations	354	-	-	-	354
Impairment gain	15,289	-	-	-	15,289
Income from insurance contracts	-	1,219	-	-	1,219
Other income	2,131	160	21	(20)	2,292
Income from operating activities	52,638	1,504	176	(20)	54,298
Operating costs	(13,897)	(640)	(159)	20	(14,676)
Subsidy cost at the expense of HBOR's operations	(314)	-	-	-	(314)
Expenses for insured cases	-	-	-	-	-
Net fee and commission income	-	(155)	-	-	(155)
Other expenses	-	(664)	-	-	(664)
Operating expenses	(14,211)	(1,459)	(159)	20	(15,809)
Profit before income tax	38,427	45	17	-	38,489
Income tax	-	-	-	-	-
Profit for the year	38,427	45	17	-	38,489
30 June 2024					
Assets of segment	4,037,298	10,300	180	(7,518)	4,040,260
Total assets	4,037,298	10,300	180	(7,518)	4,040,260
Liabilities of segment	2,541,089	2,518	29	(3)	2,543,633
Total equity	1,496,209	7,782	111	(7,475)	1,496,627
Total liabilities and total equity	4,037,298	10,300	140	(7,478)	4,040,260

Intra-group transactions are presented under "Unallocated".

The Group decided to apply a simple approach of stating operating segments by taking into consideration the main business model of each member of the Group as previously described in this Note.

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

25. Reporting by segments (continued)

	Banking activities	Insurance activities	Other activities	Unallocated	Total
Jan 1 – Jun 30, 2023	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Net interest income	31,863	107	-	-	31,970
Net fee income	2,211	-	148	-	2,359
Impairment gains	9,137	-	4	-	9,141
Income from insurance contracts	-	1,291	-	-	1,291
Other income	940	4	23	(21)	946
Income from operating activities	44,151	1,402	175	(21)	45,707
Operating costs	(11,986)	(363)	(152)	21	(12,480)
Net income/(expenses) from financial operations	(2,710)	-	-	-	(2,710)
Expenses for insured cases	-	-	-	-	-
Net change in provisions	-	-	-	-	-
Other expenses	-	(739)	-	-	(739)
Operating expenses	(14,696)	(1,102)	(152)	21	(15,929)
Profit before income tax	29,455	300	23	-	29,778
Income tax	-	-	-	-	-
Profit for the year	29,455	300	23	-	29,778
31 December 2023					
Assets of segment	4,018,684	10,222	149	(7,519)	4,021,536
Total assets	4,018,684	10,222	149	(7,519)	4,021,536
Liabilities of segment	2,561,161	2,484	16	(4)	2,563,657
Total equity	1,457,523	49	93	214	1,457,879
Total liabilities and total equity	4,018,684	2,533	109	210	4,021,536

Intra-group transactions are presented under "Unallocated".

Notes to the Financial Statements which include significant accounting policies and other explanations

for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

26. Capital management

The primary objectives of the Bank's capital management are to ensure the presumptions of going concern and to respect regulatory and contracted demands imposed by creditors regarding a certain capital adequacy level.

The Group has identified the regulatory capital as a manageable capital category.

Regulatory capital is the funding source amount that is maintained for the purpose of safe and stable operations, i.e. for the purpose of fulfilling the obligations towards the creditors.

HBOR's regulatory capital is the sum of the equity capital and the supplementary capital.

HBOR ensures that it has at all times an amount of capital adequate to the types, scope and complexity of operations it performs and the risks it is or could be exposed to in its operations.

HBOR's total capital ratio is calculated as the ratio between the regulatory capital and the total:

- 1. amount of credit risk weighted exposure (prescribed by the Methodology for the Calculation of HBOR's Total Capital Ratio), and
- 2. amount of initial capital requirements for market risks, settlement risk and operational risk (prescribed by the Methodology for the Calculation of HBOR's Total Capital Ratio) multiplied by 12.5.

The total capital ratio is calculated on the basis of the internal methodology based on the regulatory framework in accordance with Basel II calculation requirements, on the application of certain provisions of the banking regulations in effect depending on the possibilities of HBOR's system and with further strategic focus on its development in accordance with the banking regulations in effect as applicable to HBOR as a development and export bank of the Republic of Croatia.

Risk appetite relates to the level and type of risk that HBOR is willing to take in order to achieve the goals of its business strategy, and it is always determined within the defined risk bearing capacity that represents the highest level of risk that HBOR can take considering its capital base, its risk management and control ability and regulatory restrictions if prescribed and applicable to HBOR.

Within the framework of defining the risk appetite at the strategic level, a minimum acceptable total capital ratio of 20% was determined.

The text to follow contains a breakdown of capital adequacy ratio as at 30 June 2024 and 31 December 2023.

	30 June 2024 EUR '000	Group 31 December 2023 EUR '000	30 June 2024 EUR '000	Bank 31 December 2023 EUR '000
Total regulatory capital	1,490,693	1,452,021	1,490,713	1,452,008
Credit risk weighted exposure amount	2,734,081	2,528,975	2,732,161	2,527,125
Capital requirements for operating risk	136,878	136,878	132,563	132,563
Capital requirements for currency risk	-	-	-	-
Total capital requirements	2,870,959	2,665,853	2,864,724	2,659,688
Capital adequacy ratio	51.92	54.47	52.04	54.59
	EUR '000	EUR '000	EUR '000	EUR '000
Own funds needed for ensuring capital adequacy according to regulatory requirements	344,515	319,902	343,767	319,163

Notes to the Financial Statements which include significant accounting policies and other explanations
for the period 1 January – 30 June 2024 (continued)

(All amounts are expressed in thousands of Euros)

27. Events after the reporting period date

27.1. Fund raising

On 25 July 2024, HBOR entered into a Loan Contract with the Republic of Croatia – Ministry of Finance in the amount of EUR 100,000 for the purpose of ensuring liquidity and implementing lending activities, with a one-year grace period and a nine-year repayment period.

Appendix - Financial Performance of the HKO Group
Statement of Profit or Loss and Other Comprehensive Income
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	30 Jun, 2024 EUR '000	30 Jun, 2023 EUR '000
Income from insurance contracts	1,374	1,439
Premium earned		
Gross premium written	-	-
Premium impairment allowance originated and reserved on collection	-	-
Gross outward reinsurance premium	-	-
Net premium written	-	-
Changes in the gross unearned premium reserve	-	-
Changes in the gross unearned premium reserve, reinsurer's share	-	-
Net premium earned	-	-
Fee and commission income	-	-
Net investment income	125	107
Other operating income	6	9
Net income	1,505	1,555
Expenses from insurance contracts	(1,123)	(739)
Net result of (passive) reinsurance contracts	(319)	-
Gross expense for returned premiums	-	-
Reinsurer's share	-	-
Gross reserve for returned premiums	-	-
Reinsurer's share	-	-
Net expense and reserve for returned premiums	-	-
Claims incurred	-	-
Claims incurred, reinsurer's share	-	-
Change in the claims provision	-	-
Change in the claims provision, reinsurer's share	-	-
Net claims incurred	-	-
Marketing and provision expenses	-	(493)
Administrative expenses	-	-
Other operating expenses	-	-
Net exchange differences other than those on financial instruments	-	-
Profit before income tax	63	323
Income tax	-	-
Profit for the year	63	323
Other comprehensive income	-	-
Items that are not transferred subsequently to profit or loss:	-	-
Total items that are not transferred subsequently to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Gains on revaluation of financial assets available for sale	33	20
Decrease in the fair value of financial assets available for sale	(52)	(86)
Transfer of realized gains on asset available for sale to profit or loss	(1)	-
Deferred tax	3	12
Total items that may be reclassified subsequently to profit or loss:	(17)	(54)
Other comprehensive income after income tax	(17)	(54)
Total comprehensive income after income tax	46	269
Attributable to:		
Equity holder of the parent	46	269

Appendix - Financial Performance of the HKO Group
Statement of Financial Position
as of

(All amounts are expressed in thousands of Euros)

	Jun 30, 2024 EUR '000	Dec 31, 2023 EUR '000
Assets		
Non-current assets		
Property and equipment	169	53
Intangible assets	82	92
Deferred tax assets	149	140
Total non-current assets	400	285
Current assets		
Investments available for sale	6,312	6,342
Deposits with banks	2,745	2,305
Assets related to insurance contracts	603	733
Receivables from insurance operations	-	-
Other receivables	77	46
Cash and cash equivalents	274	590
Total current assets	10,011	10,016
Total assets	10,411	10,301
Equity and liabilities		
Equity		
Share capital	7,648	7,648
Retained earnings and reserves	806	663
Other reserves	(650)	(611)
Profit for the period	63	105
Total equity	7,867	7,805
Technical provisions		
Liabilities for remaining coverage	1,010	1,049
Liabilities for incurred claims	1,298	1,291
Gross technical provisions	-	-
Technical provisions, reinsurer's share	-	-
	2,308	2,340
Current liabilities		
Liabilities from insurance operations	-	-
Deferred and current tax liability	-	29
Other liabilities	236	127
Total liabilities	236	156
Total equity and liabilities	10,411	10,301

Appendix - Financial Performance of the HKO Group
Statement of Cash Flows
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	30 Jun, 2023 EUR '000	30 Jun, 2022 EUR '000
Operating activities		
Profit before income tax	63	323
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation	41	23
Impairment gains and provisions	(1)	(4)
Income tax	(7)	-
Accrued interest	(39)	(16)
Other	-	-
Premium/discount from FVOCI	6	-
<i>Operating profit before working capital changes</i>	<i>63</i>	<i>326</i>
Changes in operating assets and liabilities:		
Net decrease in deposits with other banks, before impairment	(401)	920
Decrease of discount in assets available for sale and assets held to maturity	-	6
Premium receivables	130	(469)
Net (increase) in other assets	(31)	(6)
Net decrease of assets and liabilities from insurance operations	-	-
Net (decrease) in technical provisions	(32)	(516)
Net increase/(decrease) in other liabilities	115	7
Net cash provided from operating activities	(156)	268
Investment activities		
Net purchase of property, plant and equipment and intangible assets	(148)	(109)
Net cash (used in) investment activities	(148)	(109)
Financing activities		
Net increase in founder's capital	-	-
Other adjustments	(12)	-
Net cash (used in) financing activities	(12)	-
Effect of foreign currency to cash and cash equivalents		
Net foreign exchange	-	-
Net effect	-	-
Net (decrease)/increase in cash and cash equivalents	(316)	159
Balance as of 1 January	590	717
Net (decrease)/increase in cash	(316)	159
Balance as of 30 June	274	876

Appendix - Financial Performance of the HKO Group
Statement of Changes in Equity
for the period 1 January – 30 June

(All amounts are expressed in thousands of Euros)

	Share capital EUR '000	Retained earnings and reserves EUR '000	Other reserves EUR '000	Profit/(loss) for the period EUR '000	Total equity attributable to the equity holders of the Company EUR '000	Total equity EUR '000
Balance as of 1 January 2023	7,632	669	(700)	436	8,037	8,037
Profit for the period	-	-	-	323	323	323
Other comprehensive income/loss	-	-	(54)	-	(54)	(54)
Total comprehensive income	-	-	(54)	323	269	269
Transfer of profit 2022 to retained earnings	-	436	-	(436)	-	-
Other adjustments	-	(426)	9	-	(417)	(417)
Balance as of 30 June 2023	7,632	679	(745)	323	7,889	7,889
Balance as of 1 January 2024	7,648	663	(611)	105	7,805	7,805
Profit for the period	-	-	-	63	63	63
Other comprehensive income	-	-	(17)	-	(17)	(17)
Total comprehensive income	-	-	(17)	63	46	46
Transfer of profit 2023 to retained earnings	-	105	-	(105)	-	-
Other adjustments	-	38	(22)	-	16	16
Balance as of 30 June 2024	7,648	806	(650)	63	7,867	7,867