

# **CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

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

Zagreb, November 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.

## Contents

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	Page
Responsibilities of the Management and Supervisory Boards for the preparation and approval of the condensed separate and consolidated interim financial statements	3
Condensed Consolidated Interim Financial Statements of the Group:	4
Statement of Profit or Loss	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Condensed Separate Interim Financial Statements of the Bank:	9
Statement of Profit or Loss	9
Statement of Profit or Loss and Other Comprehensive Income	10
Statement of Financial Position	11
Statement of Cash Flows	12
Statement of Changes in Equity	13
Notes to the Condensed Interim Financial Statements which include significant accounting policies and other explanations	14-119
Appendix - Financial Performance of the HKO Group	120-122

## 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 September 2024

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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 122 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 122 have been approved by the Management Board on 21 November 2024 as confirmed by the signatures below.

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



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Hrvoje Čuvalo, MSc

**President of the Management Board**

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Alan Herjavec, MSc

**Member of the Management Board**

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Marin Pranjić

**Finance and Accounting Division Executive Director**

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Josip Pavković

**Member of the Management Board**

Zagreb, 21 November 2024

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

(All amounts are expressed in thousands of Euros)

	Notes	2024		2023	
		Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Interest income calculated using the effective interest method	5	31,949	87,958	23,956	68,276
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		135	434	-	-
Interest expense	6	(12,630)	(34,690)	(7,255)	(19,605)
<b>Net interest income</b>		<b>19,454</b>	<b>53,702</b>	<b>16,701</b>	<b>48,671</b>
Fee and commission income		502	1,581	995	3,744
Fee and commission expense		(456)	(794)	(253)	(643)
<b>Net fee and commission income</b>		<b>46</b>	<b>787</b>	<b>742</b>	<b>3,101</b>
Net (losses)/gains on financial operations		839	1,193	824	(1,886)
Other income		839	4,350	1,083	3,320
		<b>21,178</b>	<b>60,032</b>	<b>19,350</b>	<b>53,206</b>
Employee expenses	7 a)	(4,640)	(13,380)	(4,009)	(11,661)
Depreciation and amortisation	7 b)	(490)	(1,495)	(356)	(1,050)
Other expenses	7 c)	(1,910)	(7,505)	(1,890)	(6,763)
Subsidy cost at the expense of HBOR's operations		(129)	(443)	-	-
Impairment gains and provisions	8	(8,798)	6,491	7,895	17,036
<b>Profit before income tax</b>		<b>5,211</b>	<b>43,700</b>	<b>20,990</b>	<b>50,768</b>
Income tax					
<b>Profit for the period</b>		<b>5,211</b>	<b>43,700</b>	<b>20,990</b>	<b>50,768</b>
<b>Attributable to:</b>					
<b>Owner of the Bank</b>		<b>5,211</b>	<b>43,700</b>	<b>20,990</b>	<b>50,768</b>

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 September

(All amounts are expressed in thousands of Euros)

	2024		2023	
	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
<b>Profit for the period</b>	<b>5,211</b>	<b>43,700</b>	<b>20,990</b>	<b>50,768</b>
<b>Total comprehensive income</b>				
<b>Items that may be reclassified</b>				
<b>subsequently to profit or loss:</b>				
Net changes in financial assets at fair value through other comprehensive	2,444	2,683	308	574
Net foreign exchange on equity	-	-	-	-
Deferred tax – other comprehensive income	-	4	22	22
<b>Total items that may be reclassified</b>	<b>2,444</b>	<b>2,687</b>	<b>330</b>	<b>596</b>
<b>Other comprehensive income after</b>				
<b>income tax</b>	<b>2,444</b>	<b>2,687</b>	<b>330</b>	<b>596</b>
<b>Total comprehensive income after</b>				
<b>income tax</b>	<b>7,655</b>	<b>46,387</b>	<b>21,320</b>	<b>51,364</b>
<b>Income attributable to:</b>				
<b>Owner of the Bank</b>	<b>7,655</b>	<b>46,387</b>	<b>21,320</b>	<b>51,364</b>

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)

		30 September 2024	31 December 2023
	Notes	EUR '000	EUR '000
<b>Assets</b>			
Cash on hand and current accounts with banks	9	34,250	42,133
Deposits with other banks	10	124,473	71,761
Loans to financial institutions	11	1,167,204	1,248,881
Loans to other customers	12	2,361,477	2,351,196
Financial assets at fair value through profit or loss	13	66,032	52,922
Financial assets at fair value through other comprehensive income	14	252,483	235,199
Property, plant and equipment and intangible assets		5,239	4,868
Foreclosed assets	15	1,952	2,291
Other assets	16	7,935	12,285
<b>Total assets</b>		<b>4,021,045</b>	<b>4,021,536</b>
<b>Liabilities</b>			
Deposits from customers	17	223,067	194,876
Borrowings	18	2,195,890	2,251,176
Provisions for guarantees, commitments, and other liabilities	19	19,395	24,382
Other liabilities	20	78,411	93,223
<b>Total liabilities</b>		<b>2,516,763</b>	<b>2,563,657</b>
<b>Equity</b>			
Founder's capital		958,889	958,889
Retained earnings and reserves		498,945	468,960
Other reserves		1,110	(1,555)
Profit for the year		43,700	29,947
Guarantee fund		1,638	1,638
<b>Total equity</b>		<b>1,504,282</b>	<b>1,457,879</b>
<b>Total liabilities and total equity</b>		<b>4,021,045</b>	<b>4,021,536</b>

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 September

(All amounts are expressed in thousands of Euros)

	Notes	2024 EUR '000	2023 EUR '000
<b>Operating activities</b>			
Profit before income tax		43,700	50,768
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		1,495	1,050
Income tax		-	-
Impairment gains and provisions		(6,491)	(17,036)
Accrued interest		(724)	(2,729)
Deferred fees		2,001	(553)
Net gain/(loss) from trading with derivative financial instruments		297	(621)
Other changes in assets at fair value		(438)	(25,447)
<i>Operating profit before working capital changes</i>		<i>39,840</i>	<i>5,432</i>
<i>Changes in operating assets and liabilities:</i>			
Net (increase) in deposits with other banks, before impairment		(52,580)	(82,780)
Net decrease/(increase) in loans to financial institutions, before impairment		80,162	(129,627)
Net decrease/(increase) in loans to other customers, before loss impairment		2,141	(35,522)
Net decrease/(increase) in foreclosed assets		339	(47)
Net decrease/(increase) in other assets, before impairment		3,365	(3,145)
Net increase in deposits from banks and companies		27,946	42,914
Net (decrease)/increase in other liabilities, before provisions		(14,925)	4,475
<b>Net cash provided from/(used in) operating activities</b>		<b>86,288</b>	<b>(198,300)</b>
<b>Investment activities</b>			
Purchase of financial assets at fair value through profit or loss		(13,493)	(4,176)
Sale of financial assets at fair value through profit or loss		-	-
Purchase of financial assets at fair value through other comprehensive income		(105,386)	(88,212)
Sale of financial assets at fair value through other comprehensive income		89,391	155,587
Net purchase of property, plant and equipment and intangible assets		(1,558)	(447)
<b>Net cash (used in)/provided from investment activities</b>		<b>(31,046)</b>	<b>62,752</b>
<b>Financing activities</b>			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		457,220	269,000
Decrease in borrowings – repayments of principal		(514,722)	(289,307)
Other		(5,445)	2,216
<b>Net cash (used in) financing activities</b>		<b>(62,947)</b>	<b>(18,091)</b>
<b>Effect of foreign currency to cash and cash equivalents</b>			
Net foreign exchange		(198)	55
<b>Net effect</b>		<b>(198)</b>	<b>55</b>
Net (decrease) in cash and cash equivalents		(7,903)	(153,584)
Cash and cash equivalents balance as of 1 January, before impairment		42,292	229,343
Net (decrease) in cash and cash equivalents		(7,903)	(153,584)
<b>Cash and cash equivalents balance as of 30 September before impairment</b>	<b>9</b>	<b>34,389</b>	<b>75,759</b>
<b>Additional note - Operational cash flows</b>			
Interest paid		31,033	16,807
Interest received		71,123	53,324

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 September

(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
<b>Balance as of 1 January 2023</b>	<b>956,219</b>	<b>444,073</b>	<b>(4,947)</b>	<b>25,145</b>	<b>1,638</b>	<b>1,422,128</b>
Profit for the period	-	-	-	50,768	-	50,768
Other comprehensive income	-	-	596	-	-	596
Total comprehensive income	-	-	596	50,768	-	51,364
Capital paid-in from the State Budget	-	-	-	-	-	-
Adjustments	-	(7)	(173)	(236)	-	(416)
Transfer of profit 2022 to retained earnings	-	24,909	-	(24,909)	-	-
<b>Balance as of 30 September 2023</b>	<b>956,219</b>	<b>468,975</b>	<b>(4,524)</b>	<b>50,768</b>	<b>1,638</b>	<b>1,473,076</b>
<b>Balance as of 31 December 2023</b>	<b>958,889</b>	<b>468,960</b>	<b>(1,555)</b>	<b>29,947</b>	<b>1,638</b>	<b>1,457,879</b>
Correction of opening balance	-	38	(22)	-	-	16
<b>Balance as of 1 January 2024</b>	<b>958,889</b>	<b>468,998</b>	<b>(1,577)</b>	<b>29,947</b>	<b>1,638</b>	<b>1,457,895</b>
Profit for the period	-	-	-	43,700	-	43,700
Other comprehensive income	-	-	2,687	-	-	2,687
Total comprehensive income	-	-	2,687	43,700	-	46,387
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,947	-	(29,947)	-	-
<b>Balance as of 30 September 2024</b>	<b>958,889</b>	<b>498,945</b>	<b>1,110</b>	<b>43,700</b>	<b>1,638</b>	<b>1,504,282</b>

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 September

(All amounts are expressed in thousands of Euros)

	Notes	2024		2023	
		Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
Interest income calculated using the effective interest method	5	31,885	87,766	23,892	68,104
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations		135	434	-	-
Interest expense	6	(12,628)	(34,685)	(7,255)	(19,604)
<b>Net interest income</b>		<b>19,392</b>	<b>53,515</b>	<b>16,637</b>	<b>48,500</b>
Fee and commission income		502	1,581	939	3,540
Fee and commission expense		(456)	(794)	(253)	(643)
<b>Net fee and commission income</b>		<b>46</b>	<b>787</b>	<b>686</b>	<b>2,897</b>
Net (losses)/gains on financial operations		839	1,193	824	(1,886)
Other income		174	2,305	451	1,391
		<b>20,451</b>	<b>57,800</b>	<b>18,598</b>	<b>50,902</b>
Employee expenses	7 a)	(4,482)	(12,935)	(3,869)	(11,253)
Depreciation and amortisation	7 b)	(470)	(1,434)	(337)	(1,008)
Other expenses	7 c)	(1,454)	(5,934)	(1,358)	(5,289)
Subsidy costs at the expense of HBOR's operations		(129)	(443)	-	-
Impairment gains/(losses) and provisions	8	(8,778)	6,511	7,897	17,034
<b>Profit before income tax</b>		<b>5,138</b>	<b>43,565</b>	<b>20,931</b>	<b>50,386</b>
Income tax		-	-	-	-
<b>Profit for the period</b>		<b>5,138</b>	<b>43,565</b>	<b>20,931</b>	<b>50,386</b>
<b>Attributable to:</b>					
<b>Owner of the Bank</b>		<b>5,138</b>	<b>43,565</b>	<b>20,931</b>	<b>50,386</b>

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 September

(All amounts are expressed in thousands of Euros)

	2024		2023	
	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000	Current period July 1 – September 30 EUR '000	Cumulatively January 1 – September 30 EUR '000
<b>Profit for the period</b>	<b>5,138</b>	<b>43,565</b>	<b>20,931</b>	<b>50,386</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified</b>				
<b>subsequently to profit or loss:</b>				
Net changes in financial assets at fair value through other comprehensive income	2,447	2,706	367	698
<b>Total items that may be reclassified</b>	<b>2,447</b>	<b>2,706</b>	<b>367</b>	<b>698</b>
<b>Other comprehensive income after</b>				
<b>income tax</b>	<b>2,447</b>	<b>2,706</b>	<b>367</b>	<b>698</b>
<b>Total comprehensive income after</b>				
<b>income tax</b>	<b>7,585</b>	<b>46,271</b>	<b>21,298</b>	<b>51,084</b>
<b>Profit attributable to:</b>				
<b>Owner of the Bank</b>	<b>7,585</b>	<b>46,271</b>	<b>21,298</b>	<b>51,084</b>

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)

		30 September 2024	31 December 2023
	Notes	EUR '000	EUR '000
<b>Assets</b>			
Cash on hand and current accounts with banks	9	34,087	41,543
Deposits with other banks	10	120,610	69,456
Loans to financial institutions	11	1,167,204	1,248,881
Loans to other customers	12	2,361,477	2,351,196
Financial assets at fair value through profit or loss	13	66,032	52,922
Financial assets at fair value through other comprehensive income	14	246,774	228,858
Investments in subsidiaries		7,449	7,449
Property, plant and equipment and intangible assets		5,007	4,723
Foreclosed assets	15	1,952	2,291
Other assets	16	7,149	11,365
<b>Total assets</b>		<b>4,017,741</b>	<b>4,018,684</b>
<b>Liabilities</b>			
Deposits from customers	17	223,067	194,876
Borrowings	18	2,195,890	2,251,176
Provisions for guarantees, commitments and other liabilities	19	19,395	24,380
Other liabilities	20	75,595	90,729
<b>Total liabilities</b>		<b>2,513,947</b>	<b>2,561,161</b>
<b>Equity</b>			
Founder's capital		958,873	958,873
Retained earnings and reserves		497,955	468,113
Other reserves		1,763	(943)
Profit for the year		43,565	29,842
Guarantee fund		1,638	1,638
<b>Total equity</b>		<b>1,503,794</b>	<b>1,457,523</b>
<b>Total liabilities and total equity</b>		<b>4,017,741</b>	<b>4,018,684</b>

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 September

(All amounts are expressed in thousands of Euros)

	Notes	2024 EUR '000	2023 EUR '000
<b>Operating activities</b>			
Profit before income tax		43,565	50,386
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>			
Depreciation and amortisation		1,434	1,008
Impairment gains and provisions		(6,511)	(17,034)
Accrued interest		(732)	(2,722)
Deferred fees		2,001	(553)
Net (loss)/gains from trading with derivative financial instruments		297	(621)
Other changes in assets at fair value		(445)	(25,447)
<i>Operating profit before working capital changes</i>		<b>39,609</b>	<b>5,017</b>
<i>Changes in operating assets and liabilities:</i>			
Net (increase) in deposits with other banks, before impairment		(51,030)	(83,030)
Net decrease/(increase) in loans to financial institutions, before impairment		80,162	(129,627)
Net decrease/(increase) in loans to other customers, before impairment		2,141	(35,522)
Net decrease/(increase) in foreclosed assets		339	(47)
Net decrease/(increase) in other assets, before impairment		3,253	(2,950)
Net increase in deposits from banks and companies		27,946	42,914
Net (decrease)/increase in other liabilities, before provisions		(15,134)	5,063
<b>Net cash provided from/(used in) operating activities</b>		<b>87,286</b>	<b>(198,182)</b>
<b>Investment activities</b>			
Purchase of financial assets at fair value through profit or loss income		(13,493)	(4,176)
Sale of financial assets at fair value through profit or loss		-	-
Purchase of financial assets at fair value through other comprehensive income		(105,386)	(88,212)
Sale of financial assets at fair value through other comprehensive income		88,814	155,587
Net purchase of property, plant and equipment and intangible assets		(1,091)	(338)
<b>Net cash (used in)/provided from investment activities</b>		<b>(31,156)</b>	<b>62,861</b>
<b>Financing activities</b>			
Increase in founder's capital		-	-
Increase in borrowings – withdrawn funds		457,220	269,000
Decrease in borrowings – repayments of principle		(514,722)	(289,307)
Other		(5,904)	2,160
<b>Net cash (used in) financing activities</b>		<b>(63,406)</b>	<b>(18,147)</b>
<b>Effect of foreign currency to cash and cash equivalents</b>			
Net foreign exchange		(199)	55
<b>Net effect</b>		<b>(199)</b>	<b>55</b>
Net (decrease) in cash and cash equivalents		<b>(7,475)</b>	<b>(153,413)</b>
Cash and cash equivalents balance as of 1 January, before impairment		41,701	228,625
Net (decrease) in cash and cash equivalents		(7,475)	(153,413)
<b>Cash and cash equivalents balance as at 30 September, before impairment</b>	<b>9</b>	<b>34,226</b>	<b>75,212</b>
<b>Additional note – operating activities</b>			
Interest paid		31,033	16,807
Interest received		70,980	53,181

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 September

(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
<b>Balance as at 1 January 2023</b>	<b>956,219</b>	<b>443,404</b>	<b>(4,429)</b>	<b>24,709</b>	<b>1,638</b>	<b>1,421,541</b>
Profit for the period	-	-	-	50,386	-	50,386
Other comprehensive income	-	-	698	-	-	698
Total comprehensive income	-	-	698	50,386	-	51,084
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2022 to retained earnings	-	24,709	-	(24,709)	-	-
<b>Balance as at 30 September 2023</b>	<b>956,219</b>	<b>468,113</b>	<b>(3,731)</b>	<b>50,386</b>	<b>1,638</b>	<b>1,472,625</b>
<b>Balance as at 1 January 2024</b>	<b>958,873</b>	<b>468,113</b>	<b>(943)</b>	<b>29,842</b>	<b>1,638</b>	<b>1,457,523</b>
Profit for the period	-	-	-	43,565	-	43,565
Other comprehensive income	-	-	2,706	-	-	2,706
Total comprehensive income	-	-	2,706	43,565	-	46,271
Capital paid-in from the State Budget	-	-	-	-	-	-
Transfer of profit 2023 to retained earnings	-	29,842	-	(29,842)	-	-
<b>Balance as at 30 September 2024</b>	<b>958,873</b>	<b>497,955</b>	<b>1,763</b>	<b>43,565</b>	<b>1,638</b>	<b>1,503,794</b>

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 September 2024

(All amounts are expressed in thousands of Euros)

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## 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 September 2024, the Group had 456 employees (30 September 2023: 430 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

As of 30 September 2024, members of the Supervisory Board were as follows:

- Marko Primorac, PhD, associate professor, Deputy Prime Minister and Minister of Finance - ex officio President of the Supervisory Board,
- Ante Šušnjar, Minister of the Economy – ex officio Deputy President of the Supervisory Board,
- Šime Erlić, Minister of Regional Development and EU Funds,
- Branko Bačić, Deputy Prime Minister of the Republic of Croatia and Minister of Physical Planning, Construction and State Assets,
- Marija Vučković, MSc, Minister of Environmental Protection and Green Transition,
- Josip Dabro, Deputy Prime Minister of the Republic of Croatia and Minister of Agriculture, Forestry and Fisheries,
- Luka Burilović, PhD, Chairman of the Croatian Chamber of Economy – ex officio Member of the Supervisory Board,
- Branka Juričev-Martinčev, member of Parliament,
- Predrag Štromar, member of Parliament,
- Boris Piližota, MSc, member of Parliament.

#### 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 September 2024, HBOR had 436 employees (30 September 2023: 409 employees).



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

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

(All amounts are expressed in thousands of Euros)

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## 1. General information (continued)

### 1.2. Bank (continued):

#### *Audit Committee*

As of 30 September 2024, members of the Audit Committee were as follows:

- Prof. DSc. Lajoš Žager, Faculty of Economics and Business of the University of Zagreb, Chairman of the Audit Committee,
- Prof. DSc. Boris Tušek, Faculty of Economics and Business of the University of Zagreb, Deputy Chairman of the Audit Committee,
- Predrag Štromar, Chairman of the Physical Planning and Construction Committee of the Croatian Parliament, member of the Audit Committee.

#### 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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## **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 September 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 September 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 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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#### **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
  - 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 September 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);
- Annual Improvements Volume 11 (effective for annual periods beginning on or after 1 January 2026).

Group expects that the adoption of the following new standards and amendments to existing 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 September 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
	July 1 – September 30 EUR '000	January 1 – September 30 EUR '000	July 1 – September 30 EUR '000	January 1 – September 30 EUR '000	July 1 – September 30 EUR '000	January 1 – September 30 EUR '000	July 1 – September 30 EUR '000	January 1 – September 30 EUR '000
Public sector	6,104	17,551	5,890	16,388	6,065	17,430	5,847	16,259
State-owned companies	1,785	5,522	2,053	5,887	1,785	5,522	2,053	5,887
Foreign companies	103	234	-	89	103	234	-	89
Domestic companies	16,888	42,313	11,012	31,981	16,889	42,310	11,012	31,981
Domestic financial institutions	6,029	17,764	3,707	9,726	6,003	17,696	3,686	9,683
Foreign financial institutions	560	1,585	776	1,671	560	1,585	776	1,671
Penalty interest	61	1,743	124	1,334	61	1,743	124	1,334
Other	419	1,246	394	1,200	419	1,246	394	1,200
	<b>31,949</b>	<b>87,958</b>	<b>23,956</b>	<b>68,276</b>	<b>31,885</b>	<b>87,766</b>	<b>23,892</b>	<b>68,104</b>

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30
EUR '000		EUR '000		EUR '000		EUR '000		
Interest on loans								
- financial institutions	5,623	16,739	3,686	9,595	5,623	16,739	3,686	9,595
- other customers	23,670	63,974	18,242	53,620	23,670	63,974	18,242	53,620
	<b>29,293</b>	<b>80,713</b>	<b>21,928</b>	<b>63,215</b>	<b>29,293</b>	<b>80,713</b>	<b>21,928</b>	<b>63,215</b>
Investments in securities	1,689	4,634	1,229	3,253	1,651	4,510	1,187	3,124
- Bonds of the Republic of Croatia	1,522	4,070	939	2,574	1,483	3,949	898	2,449
- Corporate bonds	1	9	3	10	2	6	2	6
- Treasury bills of the Ministry of Finance	166	555	287	669	166	555	287	669
Deposits	967	2,611	799	1,808	941	2,543	777	1,765
	<b>31,949</b>	<b>87,958</b>	<b>23,956</b>	<b>68,276</b>	<b>31,885</b>	<b>87,766</b>	<b>23,892</b>	<b>68,104</b>

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 September 2024 amounts to EUR 13,125 thousand (1 January to 30 September 2023: EUR 9,233 thousand).



Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30
EUR '000		EUR '000		EUR '000		EUR '000		
Domestic financial institutions	664	1,843	61	90	664	1,843	61	90
Foreign financial institutions	8,214	23,270	6,406	17,338	8,214	23,270	6,406	17,338
State units	3,741	9,543	785	2,166	3,741	9,543	785	2,166
Other	11	34	3	11	9	29	3	10
	<b>12,630</b>	<b>34,690</b>	<b>7,255</b>	<b>19,605</b>	<b>12,628</b>	<b>34,685</b>	<b>7,255</b>	<b>19,604</b>



Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Borrowings	11,248	32,094	6,803	18,882	11,248	32,094	6,803	18,882
Deposits	1,372	2,562	449	712	1,372	2,562	449	712
Leases – interest expenses on long term contracts	10	34	3	11	8	29	3	10
	<b>12,630</b>	<b>34,690</b>	<b>7,255</b>	<b>19,605</b>	<b>12,628</b>	<b>34,685</b>	<b>7,255</b>	<b>19,604</b>

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 September 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	
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	
7 a) Employee expenses	4,640	13,380	4,009	11,661	4,482	12,935	3,869	11,253	
7 b) Depreciation	490	1,495	356	1,050	470	1,434	337	1,008	
7 c) Other expenses	1,910	7,505	1,890	6,763	1,454	5,934	1,358	5,289	
Of which:									
<i>Administration expenses</i>	430	2,316	325	1,568	419	2,259	300	1,496	
<i>Material and services</i>	963	3,231	1,075	3,440	884	2,963	1,005	3,222	
<i>Other expenses</i>	517	1,958	490	1,755	151	712	53	571	
	<b>7,040</b>	<b>22,380</b>	<b>6,255</b>	<b>19,474</b>	<b>6,406</b>	<b>20,303</b>	<b>5,564</b>	<b>17,550</b>	

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

(All amounts are expressed in thousands of Euros)

## 8. Impairment gains and provisions

The provision for impairment losses/(gains) 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
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 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	69	(19)	(39)	(586)	68	(19)	(39)	(586)
Impairment losses on deposits with other banks	(101)	(92)	9	23	(104)	(95)	8	23
Impairment losses on loans to financial institutions	(271)	(225)	351	(24)	(271)	(225)	351	(24)
Impairment losses on loans to other customers and interest	11,115	(9,460)	(7,097)	(24,360)	11,115	(9,460)	(7,097)	(24,360)
Modification loss/(gain) – financial institutions	(81)	(260)	(98)	(345)	(81)	(260)	(98)	(345)
Modification (gain)/loss – other customers	(639)	(468)	(698)	(743)	(639)	(468)	(698)	(743)
POCI assets – fair value adjustment at initial recognition	25	8,686	-	5,602	25	8,686	-	5,602
Impairment of financial assets at fair value through other comprehensive income	(37)	(21)	(64)	(108)	(35)	(19)	(62)	(107)
Impairment losses on other assets	24	355	27	(228)	6	336	24	(230)
Provisions for commitments	(1,601)	(3,614)	8	2,587	(1,601)	(3,614)	8	2,587
Provision for guarantees	(117)	(2,601)	(403)	1,288	(117)	(2,601)	(403)	1,288
<b>Total</b>	<b>8,386</b>	<b>(7,719)</b>	<b>(8,004)</b>	<b>(16,894)</b>	<b>8,366</b>	<b>(7,739)</b>	<b>(8,006)</b>	<b>(16,895)</b>



Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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	Cumulatively	Current period	Cumulatively	Current period	Cumulatively	Current period	Cumulatively
	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30	July 1 – September 30	January 1 – September 30
EUR '000		EUR '000		EUR '000		EUR '000		
Provision for other liabilities	431	1,305	109	(142)	431	1,305	109	(139)
Other adjustments	(19)	(77)	-	-	(19)	(77)	-	-
<b>Total</b>	<b>412</b>	<b>1,228</b>	<b>109</b>	<b>(142)</b>	<b>412</b>	<b>1,228</b>	<b>109</b>	<b>(139)</b>
<b>Total</b>	<b>8,798</b>	<b>(6,491)</b>	<b>(7,895)</b>	<b>(17,036)</b>	<b>8,778</b>	<b>(6,511)</b>	<b>(7,897)</b>	<b>(17,034)</b>

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

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

(All amounts are expressed in thousands of Euros)

**9. Cash on hand and current accounts with banks**

	Group		Bank	
	30 September 2024 EUR '000	31 December 2023 EUR '000	30 September 2024 EUR '000	31 December 2023 EUR '000
Account with the Croatian National Bank	1	286	1	286
Accounts with the domestic banks	34,144	41,685	33,980	41,094
Accounts with foreign banks	135	210	135	210
Foreign currency account – domestic banks	17	16	17	16
Foreign currency account – foreign banks	93	95	93	95
	<b>34,390</b>	<b>42,292</b>	<b>34,226</b>	<b>41,701</b>
Loss allowances	(140)	(159)	(139)	(158)
	<b>34,250</b>	<b>42,133</b>	<b>34,087</b>	<b>41,543</b>

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 September 2024	Group				Bank			
	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Total EUR '000	Stage 1 EUR '000	Stage 2 EUR '000	Stage 3 EUR '000	Total EUR '000
Gross amount	34,390	-	-	34,390	34,226	-	-	34,226
Loss allowances	(140)	-	-	(140)	(139)	-	-	(139)
<b>Balance as of 30 September 2024</b>	<b>34,250</b>	<b>-</b>	<b>-</b>	<b>34,250</b>	<b>34,087</b>	<b>-</b>	<b>-</b>	<b>34,087</b>

  

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

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

for the period 1 January – 30 September 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 - Sep 30, 2024	Group Jan 1 - Dec 31, 2023	Jan 1 - Sep 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	(19)	(646)	(19)	(646)
<i>Total recognised through Income Statement (Note 8)</i>	(19)	(646)	(19)	(646)
<b>Balance at the end of the reporting period</b>	<b>140</b>	<b>159</b>	<b>139</b>	<b>158</b>



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

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

(All amounts are expressed in thousands of Euros)

**10. Deposits with other banks**

	<b>30 September 2024 EUR '000</b>	<b>Group 31 December 2023 EUR '000</b>	<b>30 September 2024 EUR '000</b>	<b>Bank 31 December 2023 EUR '000</b>
Deposits with foreign banks	66,861	33,647	66,861	33,647
Deposits with domestic banks	57,694	38,300	53,844	36,000
Accrued interest	47	35	28	27
	<b>124,602</b>	<b>71,982</b>	<b>120,733</b>	<b>69,674</b>
Loss allowances	(129)	(221)	(123)	(218)
	<b>124,473</b>	<b>71,761</b>	<b>120,610</b>	<b>69,456</b>

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:

<b>30 September 2024</b>	<b>Group</b>								<b>Bank</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	
Gross amount	124,602	-	-	<b>124,602</b>	120,733	-	-	<b>120,733</b>	
Loss allowances	(129)	-	-	<b>(129)</b>	(123)	-	-	<b>(123)</b>	
<b>Balance as of 30 September 2024</b>	<b>124,473</b>	-	-	<b>124,473</b>	<b>120,610</b>	-	-	<b>120,610</b>	

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

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

for the period 1 January – 30 September 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 - Sep 30, 2024	Group Jan 1 - Dec 31, 2023	Jan 1 – Sep 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 (decrease)/increase of loss allowances on deposits with other banks	(92)	216	(95)	218
<i>Total recognised through Income Statement (Note 8)</i>	(92)	216	(95)	218
<b>Balance at the end of the reporting period</b>	<b>129</b>	<b>221</b>	<b>123</b>	<b>218</b>

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

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

(All amounts are expressed in thousands of Euros)

**11. Loans to financial institutions**

	<b>Group and Bank</b>	
	<b>30 September 2024</b>	<b>31 December 2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Long-term loans under loan programmes	1,135,669	1,062,831
Short-term loans and reverse repo transactions	40,000	193,000
Accrued interest	973	2,384
Deferred recognition of loan origination fees	(2,936)	(2,607)
	<u>1,173,706</u>	<u>1,255,608</u>
Loss allowances	(6,502)	(6,727)
	<u><b>1,167,204</b></u>	<u><b>1,248,881</b></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:

<b>30 September 2024</b>	<b>Group and Bank</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Gross amount	1,156,873	15,732	1,101	<b>1,173,706</b>
Loss allowances	(3,944)	(1,720)	(838)	<b>(6,502)</b>
<b>Balance as of 30 September 2024</b>	<u><b>1,152,929</b></u>	<u><b>14,012</b></u>	<u><b>263</b></u>	<u><b>1,167,204</b></u>

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



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

for the period 1 January – 30 September 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:

	<b>Jan 1 - Sep 30, 2024 EUR '000</b>	<b>Group and Bank Jan 1 - Dec 31, 2023 EUR '000</b>
Balance as of 1 January	6,727	8,078
Adjustment of initial balance	-	(5)
Net (decrease) of loss allowances on loans to financial institutions	(225)	(1,346)
<i>Total recognised through Income Statement (Note 8)</i>	(225)	(1,346)
<b>Balance at the end of the reporting period</b>	<b>6,502</b>	<b>6,727</b>

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

for the period 1 January – 30 September 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:

	<b>30 September 2024 EUR '000</b>	<b>Group and Bank 31 December 2023 EUR '000</b>
EU Projects	53,354	54,217
Financial Restructuring	3,097	3,429
Pre-Export Finance	135	1,535
Public Sector Investment	168,740	147,368
Private Sector Investment	187,995	114,438
Youth, Female, Start-up Entrepreneurship	12,431	11,619
Working Capital	9,794	5,904
Working Capital – COVID 19 measures and CRISIS 2022	3,500	4,942
Loan programme for reconstruction and development of the economy	59,761	76,634
Export financing	127,199	144,858
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	81,003	96,535
Loan programme for small and medium-sized enterprises	428,501	401,093
Loan programme for war-torn and demolished housing and business facilities	159	259
Other	40,000	193,000
Accrued interest	973	2,384
Deferred recognition of loan fees	(2,936)	(2,607)
	<u>1,173,706</u>	<u>1,255,608</u>
Loss allowances	(6,502)	(6,727)
	<u><b>1,167,204</b></u>	<u><b>1,248,881</b></u>

Average interest rates for total loans to financial institutions are stated at 0.56% (1 January - 30 September 2023: 0.33%) and average interest rates for loans excluding the liquidity reserve are stated at 0.48% (1 January - 30 September 2023: 0.30%).

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 40,000 thousand (31 December 2023: EUR 193,000 thousand). The above placements are collateralized by securities in the amount of EUR 42,194 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 September 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:

	<b>Group and Bank</b>	
	<b>30 September 2024</b>	<b>31 December 2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Domestic companies	1,805,541	1,777,568
State-owned companies	176,495	217,424
Public sector	737,411	726,253
Foreign companies	6,657	-
Other	57,079	62,307
Accrued interest	52,693	47,646
Deferred recognition of loan origination fees	(10,575)	(9,245)
	<u>2,825,301</u>	<u>2,821,953</u>
Loss allowances	(463,824)	(470,757)
	<u><b>2,361,477</b></u>	<u><b>2,351,196</b></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:

<b>30 September 2024</b>						<b>Group and Bank</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>		<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>EUR '000</b>
				<b>EUR '000</b>	<b>EUR '000</b>	
Gross amount	1,806,423	358,814	430,373	44,243	185,448	<b>2,825,301</b>
Loss allowances	(44,562)	(109,650)	(275,734)	(1,562)	(32,316)	<b>(463,824)</b>
<b>Balance as of 30 September 2024</b>	<u><b>1,761,861</b></u>	<u><b>249,164</b></u>	<u><b>154,639</b></u>	<u><b>42,681</b></u>	<u><b>153,132</b></u>	<u><b>2,361,477</b></u>

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



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

for the period 1 January – 30 September 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:

	<b>Jan 1 - Sep 30, 2024 EUR '000</b>	<b>Group and Bank Jan 1 - Dec 31, 2023 EUR '000</b>
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	(9,460)	5,360
<i>Total recognised through Income Statement (Note 8)</i>	<u>(9,460)</u>	<u>5,360</u>
Net foreign exchange gain/loss on loss allowances	(132)	(353)
Write-offs	(1,968)	(3,392)
Transfer to off-balance sheet records	-	(2,311)
Unwinding – changes due to the lapse of time	(528)	3,996
Interest transferred from the off-balance sheet records and other	5,155	8,407
<b>Balance at the end of the reporting period</b>	<b><u>463,824</u></b>	<b><u>470,757</u></b>

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 1,968 thousand (31 December 2023: EUR 3,392 thousand) relates mostly to the permanent derecognition from the business records, partial discharge of debt and reaching of settlement 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 September 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:

	<b>Group and Bank</b>	
	<b>30 September 2024</b>	<b>31 December 2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
EU Projects	85,978	72,901
Financial Restructuring	111,941	121,229
Pre-Export Finance	2,299	1,827
Public Sector Investment	330,714	292,790
Private Sector Investment	371,739	240,302
Youth, Female, Start-up Entrepreneurship	9,489	8,827
Working Capital	214,836	220,501
Working Capital – COVID 19 measures and CRISIS 2022	465,158	551,850
Loan programme for reconstruction and development of the economy	213,407	225,071
Export financing	389,990	410,396
Loan programme for reconstruction and development of infrastructure in the Republic of Croatia	460,773	505,595
Loan programme for small and medium-sized enterprises	85,421	97,821
Other	41,438	34,442
Accrued interest	52,693	47,646
Deferred recognition of loan origination fees	(10,575)	(9,245)
	<u>2,825,301</u>	<u>2,821,953</u>
Loss allowances	(463,824)	(470,757)
	<u><b>2,361,477</b></u>	<u><b>2,351,196</b></u>

Average interest rates on loans to other customers are stated at 2.12% (1 January – 30 September 2023: 1.84%) and average interest rates for loans excluding the liquidity reserve are stated at 2.11% (1 January - 30 September 2023: 1.83%).

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 7,260 thousand (31 December 2023: EUR 0 thousand). The above placements are collateralized by securities in the amount of EUR 7,767 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**13. Financial assets at fair value through profit or loss**

	<b>30 September 2024 EUR '000</b>	<b>Group and Bank 31 December 2023 EUR '000</b>
<i>Loans at FVPL:</i>		
Mezzanine loans	32,926	33,698
	<b>32,926</b>	<b>33,698</b>
<i>Investments in investment funds:</i>		
Investments in investment funds at FVPL	33,044	19,171
	<b>33,044</b>	<b>19,171</b>
<i>Unlisted equity instruments:</i>		
Depository receipt - DR	42	42
	<b>42</b>	<b>42</b>
<b>Derivative financial assets-positive fair value</b>	<b>20</b>	<b>11</b>
	<b>66,032</b>	<b>52,922</b>

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 September 2024, a positive fair value of derivative financial instruments was stated in the amount of EUR 20 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**14. Financial assets at fair value through other comprehensive income**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Debt instruments:</b>				
<b>Listed debt instruments:</b>				
Bonds of the Republic of Croatia	221,537	185,225	216,165	179,243
Corporate bonds	300	303	-	-
Treasury bills of the Ministry of Finance	19,864	38,451	19,864	38,451
Accrued interest	2,495	3,177	2,458	3,121
	<b>244,196</b>	<b>227,156</b>	<b>238,487</b>	<b>220,815</b>
<b>Unlisted debt instruments:</b>				
Corporate bonds	75	81	75	81
Convertible bonds - CB	137	195	137	195
Accrued interest	2	2	2	2
	<b>214</b>	<b>278</b>	<b>214</b>	<b>278</b>
<b>Equity instruments:</b>				
<b>Unlisted equity instruments:</b>				
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
	<b>8,073</b>	<b>7,765</b>	<b>8,073</b>	<b>7,765</b>
	<b>252,483</b>	<b>235,199</b>	<b>246,774</b>	<b>228,858</b>

Non-listed convertible bonds (CB) of the Fortenova Group TopCo B.V. in the amount of EUR 137 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 September 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 September 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	244,272	-	138	244,410	238,563	-	138	238,701
<b>Balance as of 30 September 2024</b>	<b>244,272</b>	<b>-</b>	<b>138</b>	<b>244,410</b>	<b>238,563</b>	<b>-</b>	<b>138</b>	<b>238,701</b>

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
<b>Balance as of 31 December 2023</b>	<b>227,239</b>	<b>-</b>	<b>195</b>	<b>227,434</b>	<b>220,898</b>	<b>-</b>	<b>195</b>	<b>221,093</b>

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 – Sep 30, 2024	Jan 1 – Dec 31, 2023	Jan 1 – Sep 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 (release) of loss allowances	(21)	(163)	(19)	(164)
<i>Total recognised through Income Statement (Note 8)</i>	<i>(21)</i>	<i>(163)</i>	<i>(19)</i>	<i>(164)</i>
Other adjustments	2	(1)	-	-
<b>Balance at the end of the reporting period</b>	<b>435</b>	<b>454</b>	<b>423</b>	<b>442</b>

Notes to the Financial Statements which include significant accounting policies and other explanations  
for the period 1 January – 30 September 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 September 2024 EUR '000	Group 31 December 2023 EUR '000	30 September 2024 EUR '000	Bank 31 December 2023 EUR '000
<b>Debt instruments:</b>							
Listed debt instruments:							
<i>Bonds of the Republic of Croatia:</i>							
RHMF-O-247E	10.7.2013.	10.7.2024.	5.75	-	25,493	-	24,905
RHMF-O-267E	15.7.2022.	15.7.2026	2.13	20,730	20,687	20,730	20,687
XS1117298916	11.3.2015.	11.3.2025.	3.0	38,648	38,512	38,648	38,512
XS1843434876	19.6.2019.	19.6.2029.	1.125	1,860	1,812	1,860	1,812
RHMF-O-257A	9.7.2015.	9.7.2025.	4.5	1,120	1,118	-	-
RHMF-O-26CA	14.12.2015.	14.12.2026.	4.25	5,144	5,180	4,070	4,098
RHMF-O-282A	7.2.2017.	7.2.2028.	2.875	1,569	1,562	1,322	1,316
RHMF-O-297A	9.7.2018.	9.7.2029.	2.38	392	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	15,343	10,225	15,343	10,225
RHMFO-24BA	27.11.2019.	27.11.2024.	0.25	1,277	1,243	1,277	1,243
RHMF-O-253B	8.3.2023.	8.3.2025.	3.65	37,069	37,172	37,069	37,172
RHMF-O-287A	5.7.2021.	5.7.2028.	0.50	5,571	-	5,571	-
RHMF-O-33BA	24.11.2023.	24.11.2033.	3.75	39,710	39,274	39,710	39,274
RHMF-O-277N	12.7.2024.	12.7.2027.	3.30	40,382	-	40,382	-
RHMF-O-347A	12.7.2024.	12.7.2034.	3.50	10,182	-	10,182	-
<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			3.740	9,919	-	9,919	-
Treasury bills up to 182 days			-	-	4,976	-	4,976
Treasury bills up to 364 days			3.825	9,946	33,474	9,946	33,474
Accrued interest				2,495	3,177	2,458	3,121
				<b>244,196</b>	<b>227,156</b>	<b>238,487</b>	<b>220,815</b>
Unlisted debt instruments:							
<i>Corporate bonds:</i>							
LNGU-O-31AE	24.7.2015.	15.10.2031.	4.5	75	81	75	81
<i>Bonds of foreign corporate:</i>							
Fortenova Group TopCo B.V.	1.4.2019.	1.4.2029.	2.5	137	195	137	195
Accrued interest				2	2	2	2
				<b>214</b>	<b>278</b>	<b>214</b>	<b>278</b>
<b>Equity instruments:</b>							
<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
				<b>8,073</b>	<b>7,765</b>	<b>8,073</b>	<b>7,765</b>
<b>Total</b>				<b>252,483</b>	<b>235,199</b>	<b>246,774</b>	<b>228,858</b>



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

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

(All amounts are expressed in thousands of Euros)

**15. Foreclosed assets**

	<b>30 September 2024 EUR '000</b>	<b>Group and Bank 31 December 2023 EUR '000</b>
Foreclosed assets, net	1,952	2,291
	<b>1,952</b>	<b>2,291</b>

In the reporting period 2024, acquisition of property took place with present value in the amount of EUR 72 thousand, acquisition value of EUR 72 thousand and provisions of EUR 0 thousand, and relates to buildings (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 reporting period 2024, sale of foreclosed assets took place with present value in the amount of EUR 330 thousand, acquisition value of EUR 566 thousand and provisions of EUR 236 thousand, and relates to land plot in the amount of EUR 2 thousand and buildings in the amount of EUR 328 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 the reporting period 2024, foreclosed assets were transferred to lease on the item Investments in property in the amount of EUR 307 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 10 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 3,299 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

16. Other assets

	30 September 2024 EUR '000	Group 31 December 2023 EUR '000	30 September 2024 EUR '000	Bank 31 December 2023 EUR '000
Fees receivable	3,461	3,540	3,461	3,540
Other receivables	2,668	1,925	2,668	1,925
Prepaid expenses	473	492	460	477
Accrued income	3,493	3,057	3,493	3,057
Assets related to reinsurance contracts	583	733	-	-
Receivables for risk assessment fees	72	35	-	-
Deferred tax assets	153	140	-	-
Leased assets	1,416	2,032	1,416	2,032
Other assets	333	4,724	340	4,719
	<b>12,652</b>	<b>16,678</b>	<b>11,838</b>	<b>15,750</b>
Loss allowances	(4,717)	(4,393)	(4,689)	(4,385)
	<b>7,935</b>	<b>12,285</b>	<b>7,149</b>	<b>11,365</b>

Lease assets are recognised in accordance with the application of the IFRS 16 and depreciation during the year stood at EUR 617 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 September 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	1,934	13	4,802	42	6,791	1,279	13	4,802	42
Loss allowances	(30)	(2)	(4,650)	(35)	(4,717)	(2)	(2)	(4,650)	(35)	(4,689)
<b>Balance as of 30 September 2024</b>	<b>1,904</b>	<b>11</b>	<b>152</b>	<b>7</b>	<b>2,074</b>	<b>1,277</b>	<b>11</b>	<b>152</b>	<b>7</b>	<b>1,447</b>

  

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)
<b>Balance as of 31 December 2023</b>	<b>1,617</b>	<b>11</b>	<b>205</b>	<b>7</b>	<b>1,840</b>	<b>857</b>	<b>11</b>	<b>205</b>	<b>7</b>	<b>1,080</b>

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

for the period 1 January – 30 September 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:

	<b>30 September</b>	<b>Group</b>	<b>30 September</b>	<b>Bank</b>
	<b>2024</b>	<b>31 December</b>	<b>2024</b>	<b>31 December</b>
	<b>EUR '000</b>	<b>2023</b>	<b>EUR '000</b>	<b>2023</b>
		<b>EUR '000</b>		<b>EUR '000</b>
Fees receivable	3,461	3,540	3,461	3,540
Other receivables	2,675	1,925	2,675	1,925
Assets related to reinsurance contract	583	733	-	-
Receivables for risk assessment fees	72	35	-	-
	<u>6,791</u>	<u>6,233</u>	<u>6,136</u>	<u>5,465</u>
Loss allowance	(4,717)	(4,393)	(4,689)	(4,385)
<b>Subtotal – assets exposed to credit risk</b>	<b><u>2,074</u></b>	<b><u>1,840</u></b>	<b><u>1,447</u></b>	<b><u>1,080</u></b>

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

	<b>Jan 1 - Sep</b>	<b>Group</b>	<b>Jan 1 - Sep</b>	<b>Bank</b>
	<b>30, 2024</b>	<b>Jan 1 - Dec</b>	<b>30, 2024</b>	<b>Jan 1 - Dec</b>
	<b>EUR '000</b>	<b>31, 2023</b>	<b>EUR '000</b>	<b>31, 2023</b>
		<b>EUR '000</b>		<b>EUR '000</b>
Balance as of 1 January	4,393	4,691	4,385	4,669
Net increase/(release) of loss allowances on other assets	355	(195)	336	(193)
<i>Total recognised through Income statement (Note 8)</i>	<u>355</u>	<u>(195)</u>	<u>336</u>	<u>(193)</u>
Write-offs	(36)	(93)	(36)	(93)
Net foreign exchange gain/loss on loss allowances	3	(2)	3	(2)
Other adjustments	2	(8)	1	4
<b>Balance at the end of the reporting period</b>	<b><u>4,717</u></b>	<b><u>4,393</u></b>	<b><u>4,689</u></b>	<b><u>4,385</u></b>

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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**17. Deposits from customers**

	<b>30 September 2024 EUR '000</b>	<b>Group and Bank 31 December 2023 EUR '000</b>
Bank deposits and deposits of foreign financial institutions	96,896	56,500
Regular accounts of companies	-	3
Account of the Ministry of Finance of the Republic of Croatia	6,416	24,385
Special purpose accounts of the companies	12,461	28,238
Special accounts of foreign financial institutions	-	2
State institutions' deposits	46,215	64,349
Other deposits	60,742	21,307
	<u>222,730</u>	<u>194,784</u>
Accrued interest	337	92
	<b><u>223,067</u></b>	<b><u>194,876</u></b>

In the reporting period for 2024, Bank deposits relate to loro deposits of the Erste&Steiermarkische bank d.d. and Bulgarian Development Bank AD, while at the end of 2023 they relate 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 6,416 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, Forestry and Fisheries, 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 September 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 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**18. Borrowings**

	<b>30 September 2024</b>	<b>Group and Bank 31 December 2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Balance as of 1 January	2,248,771	2,189,811
New borrowings	457,220	653,112
Repayments	(514,722)	(593,361)
Net foreign exchange gain/loss	(124)	(791)
	<u>2,191,145</u>	<u>2,248,771</u>
Accrued interest	7,735	5,737
Deferred fees	(2,990)	(3,332)
	<u><b>2,195,890</b></u>	<u><b>2,251,176</b></u>

	<b>30 September 2024</b>	<b>Group and Bank 31 December 2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Borrowings from foreign financial institutions	1,799,145	1,833,548
Borrowings from domestic institutions	392,000	415,223
	<u>2,191,145</u>	<u>2,248,771</u>
Accrued interest	7,735	5,737
Deferred recognition of fees	(2,990)	(3,332)
	<u><b>2,195,890</b></u>	<u><b>2,251,176</b></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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**19. Provisions for guarantees, commitments and other liabilities**

	Group		Bank	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Provisions for guarantees and commitments	8,347	14,637	8,347	14,637
Provisions for other liabilities	11,048	9,745	11,048	9,743
	<b>19,395</b>	<b>24,382</b>	<b>19,395</b>	<b>24,380</b>

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

	Group		Bank	
	Jan 1 - Sep 30, 2024	Jan 1 - Dec 31, 2023	Jan 1 - Sep 30, 2024	Jan 1 - Dec 31, 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Balance as of 1 January	14,637	10,714	14,637	10,714
Net (release)/increase of loss allowances on guarantees	(2,601)	2,375	(2,601)	2,375
<i>Total recognised through Income Statement (Note 8)</i>	<i>(2,601)</i>	<i>2,375</i>	<i>(2,601)</i>	<i>2,375</i>
Net increase/(release) of loss allowances on commitments	(3,614)	1,520	(3,614)	1,520
<i>Total recognised through Income Statement (Note 8)</i>	<i>(3,614)</i>	<i>1,520</i>	<i>(3,614)</i>	<i>1,520</i>
Net foreign exchange on loss allowances	(75)	28	(75)	28
<b>Balance at the end of the reporting period - Provisions for guarantees and commitments</b>	<b>8,347</b>	<b>14,637</b>	<b>8,347</b>	<b>14,637</b>
Balance as of 1 January	9,745	8,227	9,743	8,222
Net increase of loss allowances on other liabilities	1,305	71	1,305	71
<i>Total recognised through Income Statement (Note 8)</i>	<i>1,305</i>	<i>71</i>	<i>1,305</i>	<i>71</i>
Unrealised actuarial gains/(losses)	-	1,450	-	1,450
Other adjustments	(2)	(3)	-	-
<b>Balance at the end of the reporting period - Provisions for other liabilities</b>	<b>11,048</b>	<b>9,745</b>	<b>11,048</b>	<b>9,743</b>

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 92 thousand relates to financial institutions (31 December 2023: EUR 816 thousand), EUR 8,023 thousand relates to domestic companies (31 December 2023: EUR 13,524 thousand), EUR 61 thousand relates to the public sector (31 December 2023: EUR 44 thousand), EUR 76 thousand relates to state-owned companies (31 December 2023: EUR 0 thousand) and EUR 95 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**20. Other liabilities**

	<b>30 September 2024 EUR '000</b>	<b>Group 31 December 2023 EUR '000</b>	<b>30 September 2024 EUR '000</b>	<b>Bank 31 December 2023 EUR '000</b>
Liabilities in respect of subsidized interest (a)	26,460	34,851	26,460	34,851
Deferred recognition of interest income (b)	44,400	50,515	44,400	50,515
Accrued salaries	1,520	1,363	1,482	1,327
Liabilities to suppliers	420	184	404	159
Liabilities for prepaid receivables	786	870	786	870
Liabilities for remaining coverage	1,039	1,049	-	-
Liabilities for incurred losses	1,555	1,291	-	-
Deferred tax liabilities	-	20	-	-
Corporate income tax-current liability	-	10	-	-
Lease liabilities	1,566	2,043	1,467	2,042
Other liabilities	602	927	533	865
Derivative financial liabilities	63	100	63	100
	<b>78,411</b>	<b>93,223</b>	<b>75,595</b>	<b>90,729</b>

(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 23,339 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 5 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 106 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 10 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 44,400 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 44,400 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 September 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

	<b>30 September 2024</b>	<b>31 December 2023</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Guarantees issued	49,891	52,623
Guarantees issued in foreign currency	4,892	7,716
Undrawn loans	461,919	445,273
EIF – subscribed, not called up capital	10,400	10,400
EIF CROGIP Contracted Liability	27,460	31,460
EIF FRC2 Contracted Liability	49	81
	<u>554,611</u>	<u>547,553</u>
Provisions for guarantees and commitments	<u>(8,347)</u>	<u>(14,637)</u>
	<b><u>546,264</u></b>	<b><u>532,916</u></b>

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 September 2024

	Group and Bank						Without stage	Total
	Stage 1	Stage 2	Stage 3	POCI				
	EUR '000	EUR '000	EUR '000	Stage 2 EUR '000	Stage 3 EUR '000			
Gross amount	490,308	22,286	3,981	-	127	-	<b>516,702</b>	
Loss allowances	(1,709)	(5,137)	(1,456)	-	(45)	-	<b>(8,347)</b>	
<b>Balance as of 30 September 2024</b>	<b><u>488,599</u></b>	<b><u>17,149</u></b>	<b><u>2,525</u></b>	<b><u>-</u></b>	<b><u>82</u></b>	<b><u>-</u></b>	<b><u>508,355</u></b>	

### 31 December 2023

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

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

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

(All amounts are expressed in thousands of Euros)

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**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 2%, 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 cash outflows.

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 September 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 September 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 September 2024	30 September 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	289,573	418,167	280,436	506,144
Government funds, executive authorities and agencies	639,004	29,323	672,036	18,982
State-owned companies	153,592	927	181,913	988
Key management personnel	247	416	272	423
<b>Total</b>	<b>1,082,416</b>	<b>448,833</b>	<b>1,134,657</b>	<b>526,537</b>

Group	Income	Expense	Income	Expense
	Jan 1 – Sep 30 2024	Jan 1 – Sep 30 2024	Jan 1 – Sep 30 2023	Jan 1 – Sep 30 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	6,436	9,078	5,524	1,919
Government funds, executive authorities and agencies	10,341	67	12,247	130
State-owned companies	11,996	4,096	7,114	3,025
Key management personnel	6	1,049	8	1,150
<b>Total</b>	<b>28,779</b>	<b>14,290</b>	<b>24,893</b>	<b>6,224</b>

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

for the period 1 January – 30 September 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 September 2024	30 September 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	289,573	418,167	280,436	506,144
Government funds, executive authorities and agencies	633,588	29,308	665,950	18,973
State-owned companies	153,590	924	181,912	987
Subsidiary companies	7,449	-	7,449	-
Key management personnel	247	397	272	403
<b>Total</b>	<b>1,084,447</b>	<b>448,796</b>	<b>1,136,019</b>	<b>526,507</b>

Bank	Income	Expense	Income	Expense
	Jan 1 – Sep 30 2024	Jan 1 – Sep 30 2024	Jan 1 – Sep 30 2023	Jan 1 – Sep 30 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Owner	6,436	9,078	5,524	1,918
Government funds, executive authorities and agencies	10,204	50	11,733	113
State-owned companies	11,996	4,082	7,114	3,018
Key management personnel	6	887	8	961
<b>Total</b>	<b>28,642</b>	<b>14,097</b>	<b>24,379</b>	<b>6,010</b>

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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**22. Related-party transactions (continued)**

b) Collateral received

	Group		Bank	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
The Republic of Croatia	1,083,252	1,132,205	1,080,633	1,129,860
State agencies	93,661	106,553	93,661	106,553
<b>Total</b>	<b>1,176,913</b>	<b>1,238,758</b>	<b>1,174,294</b>	<b>1,236,413</b>

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 1,037 thousand (1 January to 30 September 2023: EUR 1,140 thousand), and for the Bank EUR 887 thousand (1 January to 30 September 2023: EUR 961 thousand).

Remuneration for the work of the members of the Supervisory Board in 2024 amounted to EUR 12 thousand for the Group (1 January to 30 September 2023: EUR 10 thousand) and for the Bank EUR 0 thousand (1 January to 30 September 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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### 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.



## **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 change in economic value of capital as well as the changes in net interest income from operations that are kept in the book of non-traded positions are calculated and the 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 System Management is in charge of monitoring and supervising IT system performance with the purpose of IT resources management by setting the appropriate level of efficiency and security of IT system for providing, among other things, appropriate management of risks arising from the use of information/communication technology. 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.



## 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 three quarters 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**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, changes in the economic value of capital, changes in net interest income, 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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### 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



## **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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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### 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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### 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 POCI assets in Stage 3 belonging to the small loan portfolio. The risk of POCI 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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### 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.

##### 23.3.6. 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 September 2024, the highest credit exposure of the Group to one debtor EUR 325,211 thousand (31 December 2023: EUR 272,844 thousand) and for the Bank equalled EUR 321,185 (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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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### 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. Collateral and other credit enhancements (creditworthiness)

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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**23. Risk management (continued)**

**23.3. Credit risk (continued)**

**23.3.8. Collateral and other credit enhancements (creditworthiness) (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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**23. Risk management (continued)**

**23.3. Credit risk (continued)**

**23.3.8. Collateral and other credit enhancements (creditworthiness) (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 September 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:

	Group		Bank	
	Highest exposure 30 September 2024 EUR '000	Highest exposure 31 December 2023 EUR '000	Highest exposure 30 September 2024 EUR '000	Highest exposure 31 December 2023 EUR '000
<b>Assets</b>				
Cash on hand and current accounts with banks	34,250	42,133	34,087	41,543
Deposits with other banks	124,473	71,761	120,610	69,456
Loans to financial institutions	1,167,204	1,248,881	1,167,204	1,248,881
Loans to other customers	2,361,477	2,351,196	2,361,477	2,351,196
Financial assets at fair value through profit or loss	32,946	33,709	32,946	33,709
Financial assets at fair value through other comprehensive income	244,410	227,434	238,701	221,093
Other assets	2,074	1,840	1,447	1,080
<b>Total</b>	<b>3,966,834</b>	<b>3,976,954</b>	<b>3,956,472</b>	<b>3,966,958</b>
<b>Guarantees and commitments</b>				
Issued guarantees	43,586	44,545	43,586	44,545
Issued guarantees in foreign currency	3,437	5,357	3,437	5,357
Undrawn loans	461,332	441,073	461,332	441,073
<b>Total</b>	<b>508,355</b>	<b>490,975</b>	<b>508,355</b>	<b>490,975</b>
<b>Total credit risk exposure</b>	<b>4,475,189</b>	<b>4,467,929</b>	<b>4,464,827</b>	<b>4,457,933</b>

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

for the period 1 January – 30 September 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
<b>30 September 2024</b>				
<b>Assets</b>				
Cash on hand and current accounts with banks	34,022	142	86	34,250
Deposits with other banks	57,609	66,864	-	124,473
Loans to financial institutions	1,167,204	-	-	1,167,204
Loans to other customers	2,354,857	135	6,485	2,361,477
Financial assets at fair value through profit or loss	32,946	-	-	32,946
Financial assets at fair value through other comprehensive income	244,273	137	-	244,410
Other assets	1,041	1,033	-	2,074
<b>Total</b>	<b>3,891,952</b>	<b>68,311</b>	<b>6,571</b>	<b>3,966,834</b>
<b>Guarantees and commitments</b>				
Issued guarantees	43,586	-	-	43,586
Issued guarantees in foreign currency	3,437	-	-	3,437
Undrawn loans	459,448	662	1,222	461,332
<b>Total</b>	<b>506,471</b>	<b>662</b>	<b>1,222</b>	<b>508,355</b>
<b>Total credit risk exposure</b>	<b>4,398,423</b>	<b>68,973</b>	<b>7,793</b>	<b>4,475,189</b>



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

for the period 1 January – 30 September 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	EU countries	Other countries	Total
31 December 2023	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
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
<b>Total</b>	<b>3,942,125</b>	<b>34,735</b>	<b>94</b>	<b>3,976,954</b>
<b>Guarantees and commitments</b>				
Issued guarantees	44,545	-	-	44,545
Issued guarantees in foreign currency	5,357	-	-	5,357
Undrawn loans	432,651	821	7,601	441,073
<b>Total</b>	<b>482,553</b>	<b>821</b>	<b>7,601</b>	<b>490,975</b>
<b>Total credit risk exposure</b>	<b>4,424,678</b>	<b>35,556</b>	<b>7,695</b>	<b>4,467,929</b>

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

for the period 1 January – 30 September 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 September 2024	Republic of Croatia EUR '000	EU countries EUR '000	Other countries EUR '000	Total EUR '000
<b>Assets</b>				
Cash on hand and current accounts with banks	33,859	142	86	34,087
Deposits with other banks	53,746	66,864	-	120,610
Loans to financial institutions	1,167,204	-	-	1,167,204
Loans to other customers	2,354,857	135	6,485	2,361,477
Financial assets at fair value through profit or loss	32,946	-	-	32,946
Financial assets at fair value through other comprehensive income	238,564	137	-	238,701
Other assets	414	1,033	-	1,447
<b>Total</b>	<b>3,881,590</b>	<b>68,311</b>	<b>6,571</b>	<b>3,956,472</b>
<b>Guarantees and commitments</b>				
Issued guarantees	43,586	-	-	43,586
Issued guarantees in foreign currency	3,437	-	-	3,437
Undrawn loans	459,448	662	1,222	461,332
<b>Total</b>	<b>506,471</b>	<b>662</b>	<b>1,222</b>	<b>508,355</b>
<b>Total credit risk exposure</b>	<b>4,388,061</b>	<b>68,973</b>	<b>7,793</b>	<b>4,464,827</b>

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

for the period 1 January – 30 September 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
<b>Assets</b>				
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
<b>Total</b>	<b>3,932,129</b>	<b>34,735</b>	<b>94</b>	<b>3,966,958</b>
<b>Guarantees and commitments</b>				
Issued guarantees	44,545	-	-	44,545
Issued guarantees in foreign currency	5,357	-	-	5,357
Undrawn loans	432,651	821	7,601	441,073
<b>Total</b>	<b>482,553</b>	<b>821</b>	<b>7,601</b>	<b>490,975</b>
<b>Total credit risk exposure</b>	<b>4,414,682</b>	<b>35,556</b>	<b>7,695</b>	<b>4,457,933</b>



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

for the period 1 January – 30 September 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 September 2024	30 September 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,555,045	-	1,567,846	-
Water and electric supply and other infrastructure	453,619	328,427	336,728	178,496
Tourism	393,651	13,412	421,616	15,995
Transport, warehousing and connections	338,119	15,845	386,616	62,267
Shipbuilding	162,159	10,176	162,243	17,674
Agriculture and fishery	101,483	33,987	100,210	31,167
Food industry	122,620	11,458	141,837	32,135
Construction industry	374,576	9,244	405,426	25,985
Other industry	149,739	35,500	174,079	56,170
Public administration	299,435	299,435	238,315	237,890
Education	7,678	7,258	10,128	9,737
Manufacture of basic metals and fabricated metal products, except machinery and equipment	50,015	10,560	51,337	6,961
Manufacture of chemicals and chemical products	12,031	952	14,881	1,239
Manufacture of other non-metallic mineral products	32,248	7,720	36,124	8,176
Pharmaceutical industry	64,320	3,986	67,491	7,555
Manufacture of motor vehicles, trailers and semi - trailers	11,979	396	13,173	454
Manufacture of electrical equipment	40,043	27,782	18,582	6,264
Manufacture of machinery and equipment	38,598	3,011	30,898	3,016
Other	267,831	73,342	290,399	80,471
<b>Total credit risk exposure</b>	<b>4,475,189</b>	<b>892,491</b>	<b>4,467,929</b>	<b>781,652</b>

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

for the period 1 January – 30 September 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 September 2024	30 September 2024	31 December 2023	31 December 2023
	EUR '000	EUR '000	EUR '000	EUR '000
Financial intermediation and insurance	1,551,019	-	1,564,952	-
Water and electric supply and other infrastructure	453,619	328,427	336,728	178,496
Tourism	393,651	13,412	421,616	15,995
Transport, warehousing and connections	338,113	15,839	386,609	62,260
Shipbuilding	162,159	10,176	162,243	17,674
Agriculture and fishery	101,481	33,985	100,207	31,165
Food industry	122,603	11,440	141,809	32,107
Construction industry	374,455	9,123	405,272	25,832
Other industry	149,676	35,438	174,015	56,106
Public administration	293,726	293,726	231,974	231,548
Education	7,678	7,258	10,128	9,737
Manufacture of basic metals and fabricated metal products, except machinery and equipment	50,005	10,550	51,331	6,955
Manufacture of chemicals and chemical products	12,031	952	14,881	1,239
Manufacture of other non-metallic mineral products	32,248	7,720	36,124	8,176
Pharmaceutical industry	64,231	3,897	67,371	7,435
Manufacture of motor vehicles, trailers and semi - trailers	11,979	396	13,173	454
Manufacture of electrical equipment	40,043	27,782	18,582	6,264
Manufacture of machinery and equipment	38,598	3,011	30,898	3,016
Other	267,512	73,023	290,020	80,092
<b>Total credit risk exposure</b>	<b>4,464,827</b>	<b>886,155</b>	<b>4,457,933</b>	<b>774,551</b>

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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**323. 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 September 2024 amounted to EUR 3,582,698 thousand (31 December 2023: EUR 3,686,277 thousand) and for the Bank EUR 3,578,672 thousand (31 December 2023: EUR 3,683,382 thousand).

Net highest exposure as of 30 September 2024 for the Group amounted to EUR 892,491 thousand (31 December 2023: EUR 781,652 thousand) and for the Bank EUR 886,195 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 September 2024, the credit risk of EUR 494,424 thousand for the Group (31 December 2023: EUR 418,339 thousand) and EUR 489,016 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 50,188 thousand (31 December 2023: EUR 58,915 thousand), from local (regional) authorities of EUR 185,202 thousand (31 December 2023: EUR 115,038 thousand), state-owned companies for whose commitments the Republic of Croatia guarantees jointly and unconditionally of EUR 15,137 thousand (31 December 2023: EUR 17,529 thousand), government funds of EUR 2 thousand (31 December 2023: EUR 4 thousand), government bonds and Treasury bills of the Ministry of Finance of EUR 243,895 thousand for the Group and EUR 238,487 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 September 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 September 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
<b>Assets</b>															
Cash on hand and current accounts with banks	34,250	-	-	-	-	-	34,250	-	-	-	-	-	-	-	-
Deposits with other banks	124,473	-	-	-	-	-	124,473	-	-	-	-	-	-	-	-
Loans to financial institutions	1,152,929	14,012	263	-	-	-	1,167,204	-	-	-	-	-	-	-	-
Loans to other customers	1,761,861	249,164	154,639	42,681	153,132	-	2,361,477	392,150	47,233	8,441	36	4,412	-	452,272	
Financial assets at fair value through profit or loss	-	-	-	-	-	32,946	32,946	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	244,272	-	138	-	-	-	244,410	244,272	-	138	-	-	-	-	244,410
Other assets	1,904	11	152	7	-	-	2,074	810	11	70	7	-	-	-	898
<b>Total</b>	<b>3,319,689</b>	<b>263,187</b>	<b>155,192</b>	<b>42,688</b>	<b>153,132</b>	<b>32,946</b>	<b>3,966,834</b>	<b>637,232</b>	<b>47,244</b>	<b>8,649</b>	<b>43</b>	<b>4,412</b>	<b>-</b>	<b>697,580</b>	
<b>Guarantees and commitments</b>															
Issued guarantees	32,459	8,616	2,511	-	-	-	43,586	32,099	5,677	1,945	-	-	-	-	39,721
Issued guarantees in foreign currency	52	3,385	-	-	-	-	3,437	52	3,385	-	-	-	-	-	3,437
Undrawn loans	456,088	5,148	14	-	82	-	461,332	150,138	1,602	13	-	-	-	-	151,753
<b>Total</b>	<b>488,599</b>	<b>17,149</b>	<b>2,525</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>508,355</b>	<b>182,289</b>	<b>10,664</b>	<b>1,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,911</b>	
<b>Total credit risk exposure</b>	<b>3,808,288</b>	<b>280,336</b>	<b>157,717</b>	<b>42,688</b>	<b>153,214</b>	<b>32,946</b>	<b>4,475,189</b>	<b>819,521</b>	<b>57,908</b>	<b>10,607</b>	<b>43</b>	<b>4,412</b>	<b>-</b>	<b>892,491</b>	

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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 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 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
<b>Assets</b>															
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	
<b>Total</b>	<b>3,350,373</b>	<b>274,729</b>	<b>133,355</b>	<b>5,463</b>	<b>179,325</b>	<b>33,709</b>	<b>3,976,954</b>	<b>558,697</b>	<b>29,679</b>	<b>8,705</b>	<b>66</b>	<b>9,554</b>	<b>158</b>	<b>606,859</b>	
<b>Guarantees and commitments</b>															
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	
<b>Total</b>	<b>441,665</b>	<b>16,296</b>	<b>20,440</b>	<b>-</b>	<b>12,574</b>	<b>-</b>	<b>490,975</b>	<b>153,179</b>	<b>7,201</b>	<b>14,348</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>174,793</b>	
<b>Total credit risk exposure</b>	<b>3,792,038</b>	<b>291,025</b>	<b>153,795</b>	<b>5,463</b>	<b>191,899</b>	<b>33,709</b>	<b>4,467,929</b>	<b>711,876</b>	<b>36,880</b>	<b>23,053</b>	<b>66</b>	<b>9,619</b>	<b>158</b>	<b>781,652</b>	

Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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:

Bank 30 September 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 Stage 2	Net exposure of portfolio of risk POCI risk Stage 3	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 risk Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received POCI risk Stage 3	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	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>														
Cash on hand and current accounts with banks	34,087	-	-	-	-	-	34,087	-	-	-	-	-	-	-
Deposits with other banks	120,610	-	-	-	-	-	120,610	-	-	-	-	-	-	-
Loans to financial institutions	1,152,929	14,012	263	-	-	-	1,167,204	-	-	-	-	-	-	-
Loans to other customers	1,761,861	249,164	154,639	42,681	153,132	-	2,361,477	392,150	47,233	8,441	36	4,412	-	452,272
Financial assets at fair value through profit or loss	-	-	-	-	-	32,946	32,946	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	238,563	-	138	-	-	-	238,701	238,563	-	138	-	-	-	238,701
Other assets	1,277	11	152	-	7	-	1,447	183	11	70	-	7	-	271
<b>Total</b>	<b>3,309,327</b>	<b>263,187</b>	<b>155,192</b>	<b>42,681</b>	<b>153,139</b>	<b>32,946</b>	<b>3,956,472</b>	<b>630,896</b>	<b>47,244</b>	<b>8,649</b>	<b>36</b>	<b>4,419</b>	<b>-</b>	<b>691,244</b>
<b>Guarantees and commitments</b>														
Issued guarantees	32,459	8,616	2,511	-	-	-	43,586	32,099	5,677	1,945	-	-	-	39,721
Issued guarantees in foreign currency	52	3,385	-	-	-	-	3,437	52	3,385	-	-	-	-	3,437
Undrawn loans	456,088	5,148	14	-	82	-	461,332	150,138	1,602	13	-	-	-	151,753
<b>Total</b>	<b>488,599</b>	<b>17,149</b>	<b>2,525</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>508,355</b>	<b>182,289</b>	<b>10,664</b>	<b>1,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,911</b>
<b>Total credit risk exposure</b>	<b>3,797,926</b>	<b>280,336</b>	<b>157,717</b>	<b>42,681</b>	<b>153,221</b>	<b>32,946</b>	<b>4,464,827</b>	<b>813,185</b>	<b>57,908</b>	<b>10,607</b>	<b>36</b>	<b>4,419</b>	<b>-</b>	<b>886,155</b>



Notes to the Financial Statements which include significant accounting policies and other explanations for the period 1 January – 30 September 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:

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 Stage 2	Net exposure of portfolio of risk POCI risk Stage 3	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 risk Stage 2	Net exposure of portfolio after the effect of mitigation through collateral received risk Stage 3	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	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>														
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
<b>Total</b>	<b>3,340,377</b>	<b>274,729</b>	<b>133,355</b>	<b>5,463</b>	<b>179,325</b>	<b>33,709</b>	<b>3,966,958</b>	<b>551,597</b>	<b>29,678</b>	<b>8,705</b>	<b>66</b>	<b>9,554</b>	<b>158</b>	<b>599,758</b>
<b>Guarantees and commitments</b>														
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
<b>Total</b>	<b>441,665</b>	<b>16,296</b>	<b>20,440</b>	<b>-</b>	<b>12,574</b>	<b>-</b>	<b>490,975</b>	<b>153,179</b>	<b>7,201</b>	<b>14,348</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>174,793</b>
<b>Total credit risk exposure</b>	<b>3,782,042</b>	<b>291,025</b>	<b>153,795</b>	<b>5,463</b>	<b>191,899</b>	<b>33,709</b>	<b>4,457,933</b>	<b>704,776</b>	<b>36,879</b>	<b>23,053</b>	<b>66</b>	<b>9,619</b>	<b>158</b>	<b>774,551</b>

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

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

(All amounts are expressed in thousands of Euros)

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**23. Risk management (continued)**

**23.3. Credit risk (continued)**

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

As at 30 September 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 250,416 thousand is not covered by ordinary collateral, but it relates to receivables and received funds from the Republic of Croatia of EUR 50,077 thousand, local and regional authorities of EUR 185,202 thousand and public companies for whose liabilities the Republic of Croatia guarantees jointly and unconditionally of EUR 15,137 thousand.

As at 30 September 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 243,895 thousand for the Group and EUR 238,487 thousand for the Bank.

As at 30 September 2024 other assets of EUR 113 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 September 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 September 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	(19)	-	-	-	(19)
<b>Balance at 30 September 2024</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140</b>

**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)
<b>Balance at 31 December 2023</b>	<b>159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159</b>



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

for the period 1 January – 30 September 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	Stage 1	Stage 2	Stage 3	POCI	Total
30 September 2024	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	(19)	-	-	-	(19)
<b>Balance at 30 September 2024</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139</b>

Bank	Stage 1	Stage 2	Stage 3	POCI	Total
31 December 2023	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)
<b>Balance at 31 December 2023</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158</b>

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

for the period 1 January – 30 September 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 September 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 (release) of loss allowance	(92)	-	-	-	(92)
<b>Balance at 30 September 2024</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129</b>

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
<b>Balance at 31 December 2023</b>	<b>221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221</b>

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

for the period 1 January – 30 September 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 September 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 (release) of loss allowance	(95)	-	-	-	(95)
<b>Balance at 30 September 2024</b>	<b>123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123</b>

**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
<b>Balance at 31 December 2023</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218</b>



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

for the period 1 January – 30 September 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 September 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
Correction of opening balance	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(219)	13	(19)	-	(225)
<b>Balance at 30 September 2024</b>	<b>3,944</b>	<b>1,720</b>	<b>838</b>	<b>-</b>	<b>6,502</b>

**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)
<b>Balance at 31 December 2023</b>	<b>4,163</b>	<b>1,707</b>	<b>857</b>	<b>-</b>	<b>6,727</b>

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

for the period 1 January – 30 September 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**

<b>Group and Bank 30 September 2024</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2024	42,543	128,588	267,359	32,267	<b>470,757</b>
Transfer to Stage 1	26,990	(26,410)	(580)	-	-
Transfer to Stage 2	(5,660)	9,583	(3,923)	-	-
Transfer to Stage 3	-	(26,361)	19,938	6,423	-
Net (release)/increase of loss allowance	(19,015)	24,542	(7,117)	(7,870)	<b>(9,460)</b>
Write-offs	(288)	-	(1,680)	-	<b>(1,968)</b>
Unwinding – changes due to the lapse of time	(6)	(292)	1,857	(2,087)	<b>(528)</b>
Other	-	-	-	5,155	<b>5,155</b>
Net foreign exchange gain/loss on loss allowances	(2)	-	(120)	(10)	<b>(132)</b>
<b>Balance at 30 September 2024</b>	<b>44,562</b>	<b>109,650</b>	<b>275,734</b>	<b>33,878</b>	<b>463,824</b>

<b>Group and Bank 31 December 2023</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2023	47,280	104,067	277,638	29,576	<b>458,561</b>
Correction of opening balance	-	-	472	17	<b>489</b>
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)	<b>5,360</b>
Write-offs	(1,652)	-	(3,969)	(82)	<b>(5,703)</b>
Unwinding – changes due to the lapse of time	(76)	(135)	1,428	2,779	<b>3,996</b>
Other	-	-	-	8,407	<b>8,407</b>
Net foreign exchange gain/loss on loss allowances	-	-	(414)	61	<b>(353)</b>
<b>Balance at 31 December 2023</b>	<b>42,543</b>	<b>128,588</b>	<b>267,359</b>	<b>32,267</b>	<b>470,757</b>

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

for the period 1 January – 30 September 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 September 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/(release) of loss allowance	16	-	(35)	-	(19)
<b>Balance at 30 September 2024</b>	<b>239</b>	<b>-</b>	<b>196</b>	<b>-</b>	<b>435</b>

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)
<b>Balance at 31 December 2023</b>	<b>223</b>	<b>-</b>	<b>231</b>	<b>-</b>	<b>454</b>



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

for the period 1 January – 30 September 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)**

<b>Bank</b>					
<b>30 September 2024</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2024	211	-	231	-	442
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	16	-	(35)	-	(19)
<b>Balance at 30 September 2024</b>	<b>227</b>	<b>-</b>	<b>196</b>	<b>-</b>	<b>423</b>

<b>Bank</b>					
<b>31 December 2023</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
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)
<b>Balance at 31 December 2023</b>	<b>211</b>	<b>-</b>	<b>231</b>	<b>-</b>	<b>442</b>

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

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

(All amounts are expressed in thousands of Euros)

**23. Risk management (continued)**

**23.3. Credit risk (continued)**

*i. Allowances (continued)*

**Other assets**

<b>Group 30 September 2024</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
Balance at 1 January 2024	27	1	4,330	35	4,393
Transfer to Stage 1	19	-	(19)	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net increase/(release) of loss allowance	3	1	352	(1)	355
Write-offs	(20)	-	(16)	-	(36)
Net foreign exchange gain/loss on loss allowances	-	-	3	-	3
Other adjustments	1	-	-	1	2
<b>Balance at 30 September 2024</b>	<b>30</b>	<b>2</b>	<b>4,650</b>	<b>35</b>	<b>4,717</b>

<b>Group 31 December 2023</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
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)
<b>Balance at 31 December 2023</b>	<b>27</b>	<b>1</b>	<b>4,330</b>	<b>35</b>	<b>4,393</b>

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

for the period 1 January – 30 September 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)**

<b>Bank</b>					
<b>30 September 2024</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Balance at 1 January 2024	19	1	4,330	35	<b>4,385</b>
Transfer to Stage 1	19	-	(19)	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net (release)/increase of loss allowance	(16)	1	352	(1)	<b>336</b>
Write-offs	(20)	-	(16)	-	<b>(36)</b>
Net foreign exchange gain/loss on loss allowances	-	-	3	-	<b>3</b>
Other adjustments	-	-	-	1	<b>1</b>
<b>Balance at 30 September 2024</b>	<b>2</b>	<b>2</b>	<b>4,650</b>	<b>35</b>	<b>4,689</b>

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



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

for the period 1 January – 30 September 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**

<b>Group and Bank 30 September 2024</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
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) of loss allowance	(2,534)	(1,368)	(1,918)	(395)	(6,215)
Net foreign exchange gain/loss on loss allowances	1	(76)	-	-	(75)
<b>Balance at 30 September 2024</b>	<b>1,709</b>	<b>5,137</b>	<b>1,456</b>	<b>45</b>	<b>8,347</b>

<b>Group and Bank 31 December 2023</b>	<b>Stage 1 EUR '000</b>	<b>Stage 2 EUR '000</b>	<b>Stage 3 EUR '000</b>	<b>POCI EUR '000</b>	<b>Total EUR '000</b>
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
<b>Balance at 31 December 2023</b>	<b>4,243</b>	<b>5,380</b>	<b>4,574</b>	<b>440</b>	<b>14,637</b>

Notes to the Financial Statements which include significant accounting policies and other explanations  
for the period 1 January – 30 September 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 September 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 September 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
<b>Assets</b>						
Cash on hand and current accounts with banks	34,250	-	-	-	-	34,250
Deposits with other banks	120,819	2,509	805	-	340	124,473
Loans to financial institutions*	49,773	38,779	147,023	349,284	582,345	1,167,204
Loans to other customers**	207,914	120,876	291,578	613,609	1,127,500	2,361,477
Financial assets at fair value through profit or loss	9,075	6	-	32,926	24,025	66,032
Financial assets at fair value through other comprehensive income	244,443	2,460	1,131	1,259	3,190	252,483
Property, plant and equipment and intangible assets	-	-	-	-	5,239	5,239
Foreclosed assets	-	94	203	437	1,218	1,952
Other assets	2,197	144	2,982	2,455	157	7,935
<b>Total assets</b>	<b>668,471</b>	<b>164,868</b>	<b>443,722</b>	<b>999,970</b>	<b>1,744,014</b>	<b>4,021,045</b>
<b>Liabilities</b>						
Deposits from customers	176,416	387	36,312	49	9,903	223,067
Borrowings	51,725	69,041***	250,123	661,116	1,163,885	2,195,890
Provisions for guarantees, commitments and other liabilities	7,862	683	2,326	5,112	3,412	19,395
Other liabilities	30,646	2,855	11,686	19,926	13,298	78,411
<b>Total liabilities</b>	<b>266,649</b>	<b>72,966</b>	<b>300,447</b>	<b>686,203</b>	<b>1,190,498</b>	<b>2,516,763</b>
<b>Liquidity gap</b>	<b>401,822</b>	<b>91,902</b>	<b>143,275</b>	<b>313,767</b>	<b>553,516</b>	<b>1,504,282</b>
<b>Guarantees and commitments</b>						
Issued guarantees	49,891	-	-	-	-	49,891
Issued guarantees in foreign currency	4,892	-	-	-	-	4,892
Undrawn loans	461,919	-	-	-	-	461,919
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	148	2,780	5,924	13,549	5,059	27,460
EIF FRC2 Contracted Liability	6	-	6	16	21	49
<b>Total guarantees and commitments</b>	<b>527,256</b>	<b>2,780</b>	<b>5,930</b>	<b>13,565</b>	<b>5,080</b>	<b>554,611</b>

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

\*Receivables of EUR 40,000 thousand relate to reverse REPO agreements.

\*\*Receivables of EUR 7,260 thousand relate to reverse REPO agreements.

\*\*\*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 September 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	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
<b>Assets</b>						
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
<b>Total assets</b>	<b>710,381</b>	<b>216,545</b>	<b>419,639</b>	<b>929,841</b>	<b>1,745,130</b>	<b>4,021,536</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>257,708</b>	<b>184,399</b>	<b>298,780</b>	<b>670,796</b>	<b>1,151,974</b>	<b>2,563,657</b>
<b>Liquidity gap</b>	<b>452,673</b>	<b>32,146</b>	<b>120,859</b>	<b>259,045</b>	<b>593,156</b>	<b>1,457,879</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>516,155</b>	<b>1,471</b>	<b>7,417</b>	<b>15,840</b>	<b>6,670</b>	<b>547,553</b>

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 September 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 September 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 September 2024	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
<b>Assets</b>						
Cash on hand and current accounts with banks	34,087	-	-	-	-	34,087
Deposits with other banks	120,270	-	-	-	340	120,610
Loans to financial institutions*	49,773	38,779	147,023	349,284	582,345	1,167,204
Loans to other customers**	207,914	120,876	291,578	613,609	1,127,500	2,361,477
Financial assets at fair value through profit or loss	9,075	6	-	32,926	24,025	66,032
Financial assets at fair value through other comprehensive income	244,314	2,460	-	-	-	246,774
Investments in subsidiaries	-	-	-	-	7,449	7,449
Property, plant and equipment and intangible assets	-	-	-	-	5,007	5,007
Foreclosed assets	-	94	203	437	1,218	1,952
Other assets	1,551	129	2,982	2,455	32	7,149
<b>Total assets</b>	<b>666,984</b>	<b>162,344</b>	<b>441,786</b>	<b>998,711</b>	<b>1,747,916</b>	<b>4,017,741</b>
<b>Liabilities</b>						
Deposits from customers	176,416	387	36,312	49	9,903	223,067
Borrowings	51,726	69,040***	250,123	661,116	1,163,885	2,195,890
Provisions for guarantees, commitments and other liabilities	7,862	683	2,325	5,112	3,413	19,395
Other liabilities	30,646	2,662	9,064	19,925	13,298	75,595
<b>Total liabilities</b>	<b>266,650</b>	<b>72,772</b>	<b>297,824</b>	<b>686,202</b>	<b>1,190,499</b>	<b>2,513,947</b>
<b>Liquidity gap</b>	<b>400,334</b>	<b>89,572</b>	<b>143,962</b>	<b>312,509</b>	<b>557,417</b>	<b>1,503,794</b>
<b>Guarantees and commitments</b>						
Issued guarantees	49,891	-	-	-	-	49,891
Issued guarantees in foreign currency	4,892	-	-	-	-	4,892
Undrawn loans	461,919	-	-	-	-	461,919
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	148	2,780	5,924	13,549	5,059	27,460
EIF FRC2 Contracted Liability	6	-	6	16	21	49
<b>Total guarantees and commitments</b>	<b>527,256</b>	<b>2,780</b>	<b>5,930</b>	<b>13,565</b>	<b>5,080</b>	<b>554,611</b>

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

\*Receivables of EUR 40,000 thousand relate to reverse REPO agreements.

\*\* Receivables of EUR 7,260 thousand relate to reverse REPO agreements.

\*\*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 September 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
<b>Assets</b>						
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
<b>Total assets</b>	<b>702,613</b>	<b>214,320</b>	<b>419,616</b>	<b>929,841</b>	<b>1,752,294</b>	<b>4,018,684</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>257,708</b>	<b>184,305</b>	<b>296,398</b>	<b>670,796</b>	<b>1,151,954</b>	<b>2,561,161</b>
<b>Liquidity gap</b>	<b>444,905</b>	<b>30,015</b>	<b>123,218</b>	<b>259,045</b>	<b>600,340</b>	<b>1,457,523</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>516,155</b>	<b>1,471</b>	<b>7,417</b>	<b>15,840</b>	<b>6,670</b>	<b>547,553</b>

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 September 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	Up to 1	1 - 3	3 - 12	1 - 3	Over 3	Total
30 September 2024	month	months	months	years	years	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Financial liabilities</b>						
Deposits from customers	176,416	387	36,312	49	9,903	223,067
Borrowings	58,463	65,943	284,908	742,762	1,291,052	2,443,128
Provisions for guarantees, commitments and other liabilities	7,862	683	2,326	5,112	3,412	19,395
Other liabilities	30,646	2,855	11,686	19,926	13,298	78,411
<b>Total</b>	<b>273,387</b>	<b>69,868</b>	<b>335,232</b>	<b>767,849</b>	<b>1,317,665</b>	<b>2,764,001</b>
<b>Guarantees and commitments</b>						
Issued guarantees	49,891	-	-	-	-	49,891
Issued guarantees in foreign currency	4,892	-	-	-	-	4,892
Undrawn loans	461,919	-	-	-	-	461,919
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	148	2,780	5,924	13,549	5,059	27,460
EIF FRC2 Contracted Liability	6	-	6	16	21	49
<b>Total guarantees and commitments</b>	<b>527,256</b>	<b>2,780</b>	<b>5,930</b>	<b>13,565</b>	<b>5,080</b>	<b>554,611</b>
<b>Group</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
<b>31 December 2023</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Financial liabilities</b>						
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
<b>Total</b>	<b>259,722</b>	<b>183,396</b>	<b>333,043</b>	<b>753,737</b>	<b>1,300,301</b>	<b>2,830,199</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>516,155</b>	<b>1,471</b>	<b>7,417</b>	<b>15,840</b>	<b>6,670</b>	<b>547,553</b>



Notes to the Financial Statements which include significant accounting policies and other explanations  
for the period 1 January – 30 September 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):

<b>Bank</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
<b>30 September 2024</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Financial liabilities</b>						
Deposits from customers	176,416	387	36,312	49	9,903	223,067
Borrowings	58,463	65,943	284,908	742,762	1,291,052	2,443,128
Provisions for guarantees, commitments and other liabilities	7,862	683	2,325	5,112	3,413	19,395
Other liabilities	30,646	2,662	9,064	19,925	13,298	75,595
<b>Total</b>	<b>273,387</b>	<b>69,675</b>	<b>332,609</b>	<b>767,848</b>	<b>1,317,666</b>	<b>2,761,185</b>
<b>Guarantees and commitments</b>						
Issued guarantees	49,891	-	-	-	-	49,891
Issued guarantees in foreign currency	4,892	-	-	-	-	4,892
Undrawn loans	461,919	-	-	-	-	461,919
EIF – subscribed, not called up capital	10,400	-	-	-	-	10,400
EIF CROGIP Contracted Liability	148	2,780	5,924	13,549	5,059	27,460
EIF FRC2 Contracted Liability	6	-	6	16	21	49
<b>Total guarantees and commitments</b>	<b>527,256</b>	<b>2,780</b>	<b>5,930</b>	<b>13,565</b>	<b>5,080</b>	<b>554,611</b>
<b>Bank</b>						
<b>31 December 2023</b>	<b>Up to 1</b>	<b>1 - 3</b>	<b>3 - 12</b>	<b>1 - 3</b>	<b>Over 3</b>	<b>Total</b>
	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	
	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Financial liabilities</b>						
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
<b>Total</b>	<b>259,722</b>	<b>183,302</b>	<b>330,661</b>	<b>753,737</b>	<b>1,300,281</b>	<b>2,827,703</b>
<b>Guarantees and commitments</b>						
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
<b>Total guarantees and commitments</b>	<b>516,155</b>	<b>1,471</b>	<b>7,417</b>	<b>15,840</b>	<b>6,670</b>	<b>547,553</b>

Notes to the Financial Statements which include significant accounting policies and other explanations  
for the period 1 January – 30 September 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 September 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 September 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
<b>30 September 2024</b>	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>								
Cash on hand and current accounts with banks	34,250	-	-	-	-	-	34,250	34,250
Deposits with other banks	120,791	2,490	805	-	-	387	124,473	124,086
Loans to financial institutions	48,869	56,501	144,403	343,171	573,317	943	1,167,204	1,147,484
Loans to other customers	187,091	153,766	333,063	551,085	1,108,211	28,261	2,361,477	2,209,420
Financial assets at fair value through profit or loss	-	-	-	32,926	-	33,106	66,032	32,926
Financial assets at fair value through other comprehensive income	131	21,142	92,199	66,462	61,978	10,571	252,483	241,912
Other assets	-	-	-	-	-	7,935	7,935	-
<b>Total assets</b>	<b>391,132</b>	<b>233,899</b>	<b>570,470</b>	<b>993,644</b>	<b>1,743,506</b>	<b>81,203</b>	<b>4,013,854</b>	<b>3,790,078</b>
<b>Liabilities</b>								
Deposits from customers	157,547	-	-	-	-	65,520	223,067	157,547
Borrowings	51,726	61,508	308,716	649,894	1,116,311	7,735	2,195,890	2,127,945
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	19,395	19,395	-
Other liabilities	-	-	-	-	-	78,411	78,411	-
<b>Total liabilities</b>	<b>209,273</b>	<b>61,508</b>	<b>308,716</b>	<b>649,894</b>	<b>1,116,311</b>	<b>171,061</b>	<b>2,516,763</b>	<b>2,285,492</b>
<b>Interest rate gap</b>	<b>181,859</b>	<b>172,391</b>	<b>261,754</b>	<b>343,750</b>	<b>627,195</b>	<b>(89,858)</b>	<b>1,497,091</b>	<b>1,504,586</b>

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

for the period 1 January – 30 September 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 EUR '000	Total EUR '000	Fixed interest rate EUR '000
<b>31 December 2023</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Assets</b>								
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	-
<b>Total assets</b>	<b>453,797</b>	<b>267,028</b>	<b>464,715</b>	<b>1,020,079</b>	<b>1,740,218</b>	<b>68,540</b>	<b>4,014,377</b>	<b>3,807,019</b>
<b>Liabilities</b>								
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	-
<b>Total liabilities</b>	<b>137,642</b>	<b>162,220</b>	<b>301,277</b>	<b>637,050</b>	<b>1,084,967</b>	<b>240,501</b>	<b>2,563,657</b>	<b>2,276,224</b>
<b>Interest rate gap</b>	<b>316,155</b>	<b>104,808</b>	<b>163,438</b>	<b>383,029</b>	<b>655,251</b>	<b>(171,961)</b>	<b>1,450,720</b>	<b>1,530,795</b>



Notes to the Financial Statements which include significant accounting policies and other explanations  
for the period 1 January – 30 September 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 September 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 September 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 September 2024	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>								
Cash on hand and current accounts with banks	34,087	-	-	-	-	-	34,087	34,087
Deposits with other banks	120,242	-	-	-	-	368	120,610	120,242
Loans to financial institutions	48,869	56,501	144,403	343,171	573,317	943	1,167,204	1,147,484
Loans to other customers	187,091	153,766	333,063	551,085	1,108,211	28,261	2,361,477	2,209,420
Financial assets at fair value through profit or loss	-	-	-	32,926	-	33,106	66,032	32,926
Financial assets at fair value through other comprehensive income	3	21,142	91,067	65,203	58,827	10,532	246,774	236,242
Other assets	-	-	-	-	-	7,149	7,149	-
<b>Total assets</b>	<b>390,292</b>	<b>231,409</b>	<b>568,533</b>	<b>992,385</b>	<b>1,740,355</b>	<b>80,359</b>	<b>4,003,333</b>	<b>3,780,401</b>
<b>Liabilities</b>								
Deposits from customers	157,547	-	-	-	-	65,520	223,067	157,547
Borrowings	51,726	61,508	308,716	649,894	1,116,311	7,735	2,195,890	2,127,945
Provisions for guarantees, commitments and other liabilities	-	-	-	-	-	19,395	19,395	-
Other liabilities	-	-	-	-	-	75,595	75,595	-
<b>Total liabilities</b>	<b>209,273</b>	<b>61,508</b>	<b>308,716</b>	<b>649,894</b>	<b>1,116,311</b>	<b>168,245</b>	<b>2,513,947</b>	<b>2,285,492</b>
<b>Interest rate gap</b>	<b>181,019</b>	<b>169,901</b>	<b>259,817</b>	<b>342,491</b>	<b>624,044</b>	<b>(87,886)</b>	<b>1,489,386</b>	<b>1,494,909</b>

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

for the period 1 January – 30 September 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
<b>Assets</b>								
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	-
<b>Total assets</b>	<b>444,561</b>	<b>267,028</b>	<b>464,715</b>	<b>1,020,079</b>	<b>1,740,218</b>	<b>67,620</b>	<b>4,004,221</b>	<b>3,797,783</b>
<b>Liabilities</b>								
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	-
<b>Total liabilities</b>	<b>137,642</b>	<b>162,220</b>	<b>301,277</b>	<b>637,050</b>	<b>1,084,967</b>	<b>238,005</b>	<b>2,561,161</b>	<b>2,276,224</b>
<b>Interest rate gap</b>	<b>306,919</b>	<b>104,808</b>	<b>163,438</b>	<b>383,029</b>	<b>655,251</b>	<b>(170,385)</b>	<b>1,443,060</b>	<b>1,521,559</b>

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

for the period 1 January – 30 September 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):

	30 September 2024 EUR '000	Group 31 December 2023 EUR '000	30 September 2024 EUR '000	Bank 31 December 2023 EUR '000
<b>Assets</b>				
Fixed interest rate assets	3,790,078	3,807,019	3,780,401	3,797,783
Variable interest rate assets	142,573	138,818	142,573	138,818
Non-interest bearing	81,203	68,540	80,359	67,620
<b>Total</b>	<b>4,013,854</b>	<b>4,014,377</b>	<b>4,003,333</b>	<b>4,004,221</b>
<b>Liabilities</b>				
Fixed interest rate liabilities	2,285,492	2,276,224	2,285,492	2,276,224
Variable interest rate liabilities	60,210	46,932	60,210	46,932
Non-interest bearing	171,061	240,501	168,245	238,005
<b>Total liabilities</b>	<b>2,516,763</b>	<b>2,563,657</b>	<b>2,513,947</b>	<b>2,561,161</b>



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

for the period 1 January – 30 September 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. Sep 30, 2024	Effect on profit Sep 30, 2024	Increase in b.p. Dec 31, 2023	Effect on profit Dec 31, 2023
		EUR '000		EUR '000
EUR	+0.2	1.5	+0.6	5
USD	+0.2	0.1	+0.4	0.4

  

Currency	Decrease in b.p. Sep 30, 2024	Effect on profit Sep 30, 2024	Decrease in b.p. Dec 31, 2023	Effect on profit Dec 31, 2023
		EUR '000		EUR '000
EUR	-0.2	(1.5)	-0.6	(5)
USD	-0.2	(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 September 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 September 2024 and 31 December 2023 in EUR and foreign currencies can be shown as follows:

Group	EUR	USD	Other foreign currencies	Total
30 September 2024	EUR '000	EUR '000	EUR '000	EUR '000
<b>Assets</b>				
Cash on hand and current accounts with banks	34,141	89	20	34,250
Deposits with other banks	123,308	1,165	-	124,473
Loans to financial institutions	1,167,204	-	-	1,167,204
Loans to other customers	2,311,904	27,236	22,337	2,361,477
Financial assets at fair value through profit or loss	62,143	3,889	-	66,032
Financial assets at fair value through other comprehensive income	252,483	-	-	252,483
Property, plant and equipment and intangible assets	5,239	-	-	5,239
Foreclosed assets	1,952	-	-	1,952
Other assets	7,935	-	-	7,935
<b>Total assets</b>	<b>3,966,309</b>	<b>32,379</b>	<b>22,357</b>	<b>4,021,045</b>
<b>Liabilities</b>				
Deposits from customers	207,692	15,375	-	223,067
Borrowings	2,177,977	17,913	-	2,195,890
Provisions for guarantees, commitments and other liabilities	17,940	-	1,455	19,395
Other liabilities	78,411	-	-	78,411
<b>Total liabilities</b>	<b>2,482,020</b>	<b>33,288</b>	<b>1,455</b>	<b>2,516,763</b>
<b>Currency gap</b>	<b>1,484,289</b>	<b>(909)</b>	<b>20,902</b>	<b>1,504,282</b>

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

for the period 1 January – 30 September 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
<b>Assets</b>				
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
<b>Total assets</b>	<b>3,965,446</b>	<b>33,880</b>	<b>22,210</b>	<b>4,021,536</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>2,526,869</b>	<b>34,429</b>	<b>2,359</b>	<b>2,563,657</b>
<b>Currency gap</b>	<b>1,438,577</b>	<b>(549)</b>	<b>19,851</b>	<b>1,457,879</b>



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

for the period 1 January – 30 September 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 September 2024 and 31 December 2023 in EUR and foreign currencies can be shown as follows:

Bank	EUR	USD	Other foreign currencies	Total
	EUR '000	EUR '000	EUR '000	EUR '000
<b>30 September 2024</b>				
<b>Assets</b>				
Cash on hand and current accounts with banks	33,978	89	20	34,087
Deposits with other banks	119,445	1,165	-	120,610
Loans to financial institutions	1,167,204	-	-	1,167,204
Loans to other customers	2,311,904	27,236	22,337	2,361,477
Financial assets at fair value through profit or loss	62,143	3,889	-	66,032
Financial assets at fair value through other comprehensive income	246,774	-	-	246,774
Investments in subsidiaries	7,449	-	-	7,449
Property, plant and equipment and intangible assets	5,007	-	-	5,007
Foreclosed assets	1,952	-	-	1,952
Other assets	7,149	-	-	7,149
<b>Total assets</b>	<b>3,963,005</b>	<b>32,379</b>	<b>22,357</b>	<b>4,017,741</b>
<b>Liabilities</b>				
Deposits from customers	207,692	15,375	-	223,067
Borrowings	2,177,977	17,913	-	2,195,890
Provisions for guarantees, commitments and other liabilities	17,940	-	1,455	19,395
Other liabilities	75,595	-	-	75,595
<b>Total liabilities</b>	<b>2,479,204</b>	<b>33,288</b>	<b>1,455</b>	<b>2,513,947</b>
<b>Currency gap</b>	<b>1,483,801</b>	<b>(909)</b>	<b>20,902</b>	<b>1,503,794</b>

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

for the period 1 January – 30 September 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
<b>Assets</b>				
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
<b>Total assets</b>	<b>3,962,594</b>	<b>33,880</b>	<b>22,210</b>	<b>4,018,684</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>2,524,373</b>	<b>34,429</b>	<b>2,359</b>	<b>2,561,161</b>
<b>Currency gap</b>	<b>1,438,221</b>	<b>(549)</b>	<b>19,851</b>	<b>1,457,523</b>

Notes to the Financial Statements which include significant accounting policies and other explanations  
for the period 1 January – 30 September 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 September 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 5.90% in the last 12 months.

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 Sep 30, 2024 %	Effect on profit Sep 30, 2024 EUR' 000	Change in currency rate Dec 31, 2023	Effect on profit Dec 31, 2023
USD	+5.90	45	+7.39	27
USD	-5.90	(50)	-7.39	(52)



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

for the period 1 January – 30 September 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 September 2024 and 31 December 2023.

Group	30 September 2024		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
<b>Financial assets at fair value through profit or loss:</b>			
<b>Loans at FVPL:</b>			
Mezzanine loans	-	-	32,926
<b>Investments in investment funds:</b>			
Investments in investment funds at fair value through profit or loss	33,044	-	-
<b>Equity instruments:</b>			
<b>Unlisted equity instruments:</b>			
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	20	-
<b>Total financial assets at fair value through profit or loss</b>	<b>33,044</b>	<b>20</b>	<b>32,968</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<b>Listed debt instruments:</b>			
Bonds of the Republic of Croatia	221,537	-	-
Corporate bonds	300	-	-
Treasury bills of the Ministry of Finance	19,864	-	-
Accrued interest	2,495	-	-
<b>Unlisted debt instruments:</b>			
Corporate bonds	-	-	75
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
<b>Total debt instruments</b>	<b>244,196</b>	<b>-</b>	<b>214</b>
<b>Unlisted equity instruments:</b>			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
<b>Total equity instruments</b>	<b>-</b>	<b>8,073</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>244,196</b>	<b>8,073</b>	<b>214</b>
<b>Derivative financial liabilities</b>			
FX swap	-	63	-
<b>Total liabilities</b>	<b>-</b>	<b>63</b>	<b>-</b>

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 September 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
<b>Financial assets at fair value through profit or loss:</b>			
<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	-	-
<b>Equity instruments:</b>			
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	11	-
<b>Total financial assets at fair value through profit or loss</b>	<b>19,171</b>	<b>11</b>	<b>33,740</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<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
<b>Total debt instruments</b>	<b>227,156</b>	<b>-</b>	<b>278</b>
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities - SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	7,757	-
<b>Total equity instruments</b>	<b>-</b>	<b>7,765</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>227,156</b>	<b>7,765</b>	<b>278</b>
<b>Derivative financial liabilities</b>			
FX swap	-	100	-
<b>Total liabilities</b>	<b>-</b>	<b>100</b>	<b>-</b>

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

for the period 1 January – 30 September 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 September 2024		
	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
<b>Financial assets at fair value through profit or loss:</b>			
<i>Loans at FVPL:</i>			
Mezzanine loans	-	-	32,926
<i>Investments in investment funds:</i>			
Investments in investment funds at fair value through profit or loss	33,044	-	-
<b>Equity instruments:</b>			
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	20	-
<b>Total financial assets at fair value through profit or loss</b>	<b>33,044</b>	<b>20</b>	<b>32,968</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<i>Listed debt instruments:</i>			
Bonds of the Republic of Croatia	216,165	-	-
Treasury bills of the Ministry of Finance	19,864	-	-
Accrued interest	2,458	-	-
<i>Unlisted debt instruments:</i>			
Corporate bonds	-	-	75
Convertible bonds - CB	-	-	137
Accrued interest	-	-	2
<b>Total debt instruments</b>	<b>238,487</b>	<b>-</b>	<b>214</b>
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	8,065	-
<b>Total equity instruments</b>	<b>-</b>	<b>8,073</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>238,487</b>	<b>8,073</b>	<b>214</b>
<b>Derivative financial liabilities</b>			
FX swap	-	63	-
<b>Total liabilities</b>	<b>-</b>	<b>63</b>	<b>-</b>



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

for the period 1 January – 30 September 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
<b>Financial assets at fair value through profit or loss:</b>			
<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	-	-
<b>Equity instruments:</b>			
<i>Unlisted equity instruments:</i>			
Depository receipt - DR	-	-	42
<b>Derivative financial assets-positive fair value</b>			
FX swap	-	11	-
<b>Total financial assets at fair value through profit or loss</b>	<b>19,171</b>	<b>11</b>	<b>33,740</b>
<b>Financial assets at fair value through other comprehensive income:</b>			
<b>Debt instruments:</b>			
<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
<b>Total debt instruments</b>	<b>220,815</b>	<b>-</b>	<b>278</b>
<i>Unlisted equity instruments:</i>			
Investment in shares of foreign legal entities – SWIFT	-	8	-
Shares of foreign financial institutions – EIF	-	7,757	-
<b>Total equity instruments</b>	<b>-</b>	<b>7,765</b>	<b>-</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>220,815</b>	<b>7,765</b>	<b>278</b>
<b>Derivative financial liabilities</b>			
FX swap	-	100	-
<b>Total liabilities</b>	<b>-</b>	<b>100</b>	<b>-</b>

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

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

(All amounts are expressed in thousands of Euros)

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**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 September 2024, the market price of ordinary shares of the debtor that the Bank could subscribe amounted to EUR 3,889 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 September 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 September 2024 amounted to EUR 3,889 thousand, i.e. USD 4,440 thousand at the exchange rate on 30 September 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 3,889 thousand.

The Bank has placed a mezzanine loan in the amount of EUR 30,000 thousand. As at 30 September 2024, the fair value of this mezzanine debt stood at EUR 29,037 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 September 2024, the total fair value of the mezzanine debt stood at EUR 32,926 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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

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**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 September 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 September 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 15.37%, the bond price would be 44.32%, 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 19.37%, the bond price would be 43.10%, 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 September 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 7.5 thousand.



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

for the period 1 January – 30 September 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	Sep 30, 2024 EUR '000	Sep 30, 2023 EUR '000
<b>Balance as at 1 January</b>	<b>33.698</b>	<b>3,030</b>
New loan	-	30,000
Increase/decrease in fair value through profit or loss	(748)	(1,764)
Net foreign exchange	(24)	42
<b>Balance as of 30 September</b>	<b>32.926</b>	<b>31,308</b>

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

Group and Bank	Sep 30, 2024 EUR '000	Sep 30, 2023 EUR '000
<b>Balance as at 1 January</b>	<b>278</b>	<b>261</b>
Increase/decrease in fair value through other comprehensive income	103	34
Partial payment of the nominal amount*	(154)	-
Principal due date	(15)	(12)
Accrued interest	2	(2)
<b>Balance as of 30 September</b>	<b>214</b>	<b>281</b>

\*On 9 July 2024, it was disclosed that the Dutch company Fortenova Group TopCo B.V. completed the transformation of ownership structure successfully, i.e. the purchase/sale transaction of Fortenova Group MidCo B.V. (that owns Fortenova Group d.d. and all operating companies of Fortenova Group).

HBOR did not participate in the transition to the new ownership structure, but it received a payment on 9 July 2024 in the amount of EUR 154 thousand related to the purchase of the same nominal amount of bonds. Therefore, HBOR is no longer the owner of EUR 517 thousand in bonds, and it owns EUR 363 thousand in bonds in the nominal amount. After the complete conclusion of the purchase/sale transaction of Fortenova Group MidCo B.V., the remaining bonds will be converted into shares of the Fortenova Group STAK foundation that will be liquidated.

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

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

(All amounts are expressed in thousands of Euros)

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**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:

<b>Segment:</b>	<b>Business activities of the segment include:</b>
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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**25. Reporting by segments (continued)**

	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
<b>Jan 1 – Sep 30, 2024</b>					
Net interest income	53,081	187	-	-	53,268
Income from the cancellation of the subsidy deferral at the expense of HBOR's operations	434	-	-	-	434
Net fee income	787	-	251	-	1,038
Net income from financial operations	1,193	-	2	-	1,195
Impairment gain	6,511	-	-	-	6,511
Net premiums earned	-	1,785	-	-	1,785
Other income	2,305	258	33	(31)	2,565
<b>Income from operating activities</b>	<b>64,311</b>	<b>2,230</b>	<b>286</b>	<b>(31)</b>	<b>66,796</b>
Operating costs	(20,303)	(691)	(237)	31	(21,200)
Impairment (loss) and provisions	-	(20)	-	-	(20)
Subsidy cost at the expense of HBOR's operations	(443)	-	-	-	(443)
Net fee and commission expenses	-	(251)	-	-	(251)
Net expenses from financial operations	-	(2)	-	-	(2)
Other expenses	-	(1,180)	-	-	(1,180)
<b>Operating expenses</b>	<b>(20,746)</b>	<b>(2,144)</b>	<b>(237)</b>	<b>31</b>	<b>(23,096)</b>
<b>Profit before income tax</b>	<b>43,565</b>	<b>86</b>	<b>49</b>	<b>-</b>	<b>43,700</b>
Income tax	-	-	-	-	-
<b>Profit for the year</b>	<b>43,565</b>	<b>86</b>	<b>49</b>	<b>-</b>	<b>43,700</b>
<b>30 September 2024</b>					
Assets of segment	4,017,741	10,633	190	(7,519)	4,021,045
<b>Total assets</b>	<b>4,017,741</b>	<b>10,633</b>	<b>190</b>	<b>(7,519)</b>	<b>4,021,045</b>
Liabilities of segment	2,513,947	2,791	29	(4)	2,516,763
Total equity	1,503,794	7,842	121	(7,475)	1,504,282
<b>Total liabilities and total equity</b>	<b>4,017,741</b>	<b>10,633</b>	<b>150</b>	<b>(7,479)</b>	<b>4,021,045</b>

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 September 2024 (continued)

(All amounts are expressed in thousands of Euros)

**25. Reporting by segments (continued)**

Jan 1 – Sep 30, 2023	Banking activities EUR '000	Insurance activities EUR '000	Other activities EUR '000	Unallocated EUR '000	Total EUR '000
Net interest income	48,500	171	-	-	48,671
Net fee income	2,897	-	204	-	3,101
Impairment gain	17,034	1	1	-	17,036
Net premiums earned	-	1,920	-	-	1,920
Other income	1,391	6	33	(30)	1,400
<b>Income from operating activities</b>	<b>69,822</b>	<b>2,098</b>	<b>238</b>	<b>(30)</b>	<b>72,128</b>
Operating costs	(17,550)	(557)	(224)	30	(18,301)
Net income/(expenses) from financial operations	(1,886)	-	-	-	(1,886)
Other expenses	-	(1,173)	-	-	(1,173)
<b>Operating expenses</b>	<b>(19,436)</b>	<b>(1,730)</b>	<b>(224)</b>	<b>30</b>	<b>(21,360)</b>
<b>Profit before income tax</b>	<b>50,386</b>	<b>368</b>	<b>14</b>	<b>-</b>	<b>50,768</b>
Income tax	-	-	-	-	-
<b>Profit for the year</b>	<b>50,386</b>	<b>368</b>	<b>14</b>	<b>-</b>	<b>50,768</b>
<b>31 December 2023</b>					
Assets of segment	4,018,684	10,222	149	(7,519)	4,021,536
<b>Total assets</b>	<b>4,018,684</b>	<b>10,222</b>	<b>149</b>	<b>(7,519)</b>	<b>4,021,536</b>
Liabilities of segment	2,561,161	2,484	16	(4)	2,563,657
Total equity	1,457,523	49	93	214	1,457,879
<b>Total liabilities and total equity</b>	<b>4,018,684</b>	<b>2,533</b>	<b>109</b>	<b>210</b>	<b>4,021,536</b>

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 September 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 September 2024 and 31 December 2023.

	30 September 2024 EUR '000	Group 31 December 2023 EUR '000	30 September 2024 EUR '000	Bank 31 December 2023 EUR '000
<b>Total regulatory capital</b>	<b>1,498,418</b>	<b>1,452,021</b>	<b>1,498,358</b>	<b>1,452,008</b>
Credit risk weighted exposure amount	2,387,831	2,528,975	2,385,776	2,527,125
Capital requirements for operating risk	136,878	136,878	132,563	132,563
Capital requirements for currency risk	-	-	-	-
<b>Total capital requirements</b>	<b>2,524,709</b>	<b>2,665,853</b>	<b>2,518,339</b>	<b>2,659,688</b>
<b>Capital adequacy ratio</b>	<b>59.35</b>	<b>54.47</b>	<b>59.50</b>	<b>54.59</b>
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Own funds needed for ensuring capital adequacy according to regulatory requirements</b>	<b>302,965</b>	<b>319,902</b>	<b>302,201</b>	<b>319,163</b>



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

(All amounts are expressed in thousands of Euros)

	30 Sep, 2024 EUR '000	30 Sep, 2023 EUR '000
<b>Income from insurance contracts</b>	<b>2,036</b>	<b>2,123</b>
<b>Premium earned</b>		
Gross premium written	-	-
Premium impairment allowance originated and reserved on collection	-	-
Gross outward reinsurance premium	-	-
<b>Net premium written</b>	<b>-</b>	<b>-</b>
Changes in the gross unearned premium reserve	-	-
Changes in the gross unearned premium reserve, reinsurer's share	-	-
<b>Net premium earned</b>	<b>-</b>	<b>-</b>
Fee and commission income		-
Net investment income	187	171
Other operating income	9	9
<b>Net income</b>	<b>2,232</b>	<b>2,303</b>
<b>Expenses from insurance contracts</b>	<b>(1,731)</b>	<b>(1,173)</b>
<b>Net result of (passive) reinsurance contracts</b>	<b>(344)</b>	<b>-</b>
Gross expense for returned premiums	-	-
Reinsurer's share	-	-
Gross reserve for returned premiums	-	-
Reinsurer's share	-	-
<b>Net expense and reserve for returned premiums</b>	<b>-</b>	<b>-</b>
Claims incurred	-	-
Claims incurred, reinsurer's share	-	-
Change in the claims provision	-	-
Change in the claims provision, reinsurer's share	-	-
<b>Net claims incurred</b>	<b>-</b>	<b>-</b>
Marketing and provision expenses	-	-
Administrative expenses	-	(749)
Other operating expenses	(22)	-
Net exchange differences other than those on financial instruments	-	-
<b>Profit before income tax</b>	<b>135</b>	<b>381</b>
Income tax	-	-
<b>Profit for the year</b>	<b>135</b>	<b>381</b>
<b>Other comprehensive income</b>		
<b>Items that are not transferred subsequently to profit or loss:</b>		
<b>Total items that are not transferred subsequently to profit or loss</b>	<b>-</b>	<b>-</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Gains on revaluation of financial assets available for sale	48	28
Decrease in the fair value of financial assets available for sale	(69)	(151)
Transfer of realized gains on asset available for sale to profit or loss	(1)	-
Deferred tax	4	22
<b>Total items that may be reclassified subsequently to profit or loss:</b>	<b>(18)</b>	<b>(101)</b>
<b>Other comprehensive income after income tax</b>	<b>(18)</b>	<b>(101)</b>
<b>Total comprehensive income after income tax</b>	<b>117</b>	<b>280</b>
<b>Attributable to:</b>		
Equity holder of the parent	117	280



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

(All amounts are expressed in thousands of Euros)

	Sep 30, 2024 EUR '000	Dec 31, 2023 EUR '000
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	157	53
Intangible assets	74	92
Deferred tax assets	140	140
<b>Total non-current assets</b>	<b>371</b>	<b>285</b>
<b>Current assets</b>		
Investments available for sale	5,709	6,342
Deposits with banks	3,864	2,305
Assets from insurance operations	583	733
Receivables from insurance operations	-	-
Other receivables	63	46
Cash and cash equivalents	163	590
<b>Total current assets</b>	<b>10,382</b>	<b>10,016</b>
<b>Total assets</b>	<b>10,753</b>	<b>10,301</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	7,648	7,648
Retained earnings and reserves	806	663
Other reserves	(651)	(611)
Profit for the year	135	105
<b>Total equity</b>	<b>7,938</b>	<b>7,805</b>
<b>Technical provisions</b>		
Liabilities for remaining coverage	1,038	1,049
Liabilities for incurred claims	1,555	1,291
Gross technical provisions	-	-
Technical provisions, reinsurer's share	-	-
	<b>2,593</b>	<b>2,340</b>
<b>Current liabilities</b>		
Liabilities from insurance operations	-	-
Deferred and current tax liability	-	29
Other liabilities	222	127
<b>Total liabilities</b>	<b>222</b>	<b>156</b>
<b>Total equity and liabilities</b>	<b>10,753</b>	<b>10,301</b>

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

(All amounts are expressed in thousands of Euros)

	30 Sep, 2024 EUR '000	30 Sep, 2023 EUR '000
<b>Operating activities</b>		
Profit before income tax	135	381
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation	62	41
Impairment gains/(loss) and provisions	20	(2)
Income tax	(8)	-
Accrued interest	8	(6)
Other	-	-
Premium/discount from FVOCI	7	-
<i>Operating profit before working capital changes</i>	<i>224</i>	<i>414</i>
<b>Changes in operating assets and liabilities:</b>		
Net decrease in deposits with other banks, before impairment	(1.550)	250
Decrease of discount in assets available for sale and assets held to maturity	-	9
Premium receivables	150	(200)
Net (increase) in other assets	(36)	5
Net decrease of assets and liabilities from insurance operations	-	-
Net (decrease) in technical provisions	254	(589)
Net increase/(decrease) in other liabilities	103	3
<b>Net cash (used in) operating activities</b>	<b>(855)</b>	<b>(108)</b>
<b>Investment activities</b>		
Net purchase of assets available for sale	577	-
Net purchase of property, plant and equipment and intangible assets	(150)	(109)
<b>Net cash provided from/ (used in) investment activities</b>	<b>427</b>	<b>(109)</b>
<b>Financing activities</b>		
Net increase in founder's capital	-	-
Dividend payment	-	(143)
Other adjustments	-	189
<b>Net cash provided from financing activities</b>	<b>-</b>	<b>46</b>
<b>Effect of foreign currency to cash and cash equivalents</b>		
Net foreign exchange	1	-
<b>Net effect</b>	<b>1</b>	<b>-</b>
Net decrease in cash and cash equivalents	(427)	(171)
Balance as of 1 January	590	717
Net decrease in cash	(427)	(171)
<b>Balance as of 30 September</b>	<b>163</b>	<b>546</b>

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

(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
<b>Balance as of 1 January 2023</b>	<b>7,632</b>	<b>669</b>	<b>(700)</b>	<b>436</b>	<b>8,037</b>	<b>8,037</b>
Profit for the period	-	-	-	381	381	381
Other comprehensive income/loss	-	-	(101)	-	(101)	(101)
Total comprehensive income	-	-	(101)	381	280	280
Transfer of profit 2022 to retained earnings	-	436	-	(436)	-	-
Other adjustments	16	(442)	8	-	(418)	(418)
<b>Balance as of 30 September 2023</b>	<b>7,648</b>	<b>663</b>	<b>(793)</b>	<b>381</b>	<b>7,899</b>	<b>7,899</b>
<b>Balance as of 1 January 2024</b>	<b>7,648</b>	<b>663</b>	<b>(611)</b>	<b>105</b>	<b>7,805</b>	<b>7,805</b>
Profit for the period	-	-	-	135	135	135
Other comprehensive income	-	-	(18)	-	(18)	(18)
Total comprehensive income	-	-	(18)	135	117	117
Transfer of profit 2023 to retained earnings	-	105	-	(105)	-	-
Other adjustments	-	38	(22)	-	16	16
<b>Balance as of 30 September 2024</b>	<b>7,648</b>	<b>806</b>	<b>(651)</b>	<b>135</b>	<b>7,938</b>	<b>7,938</b>