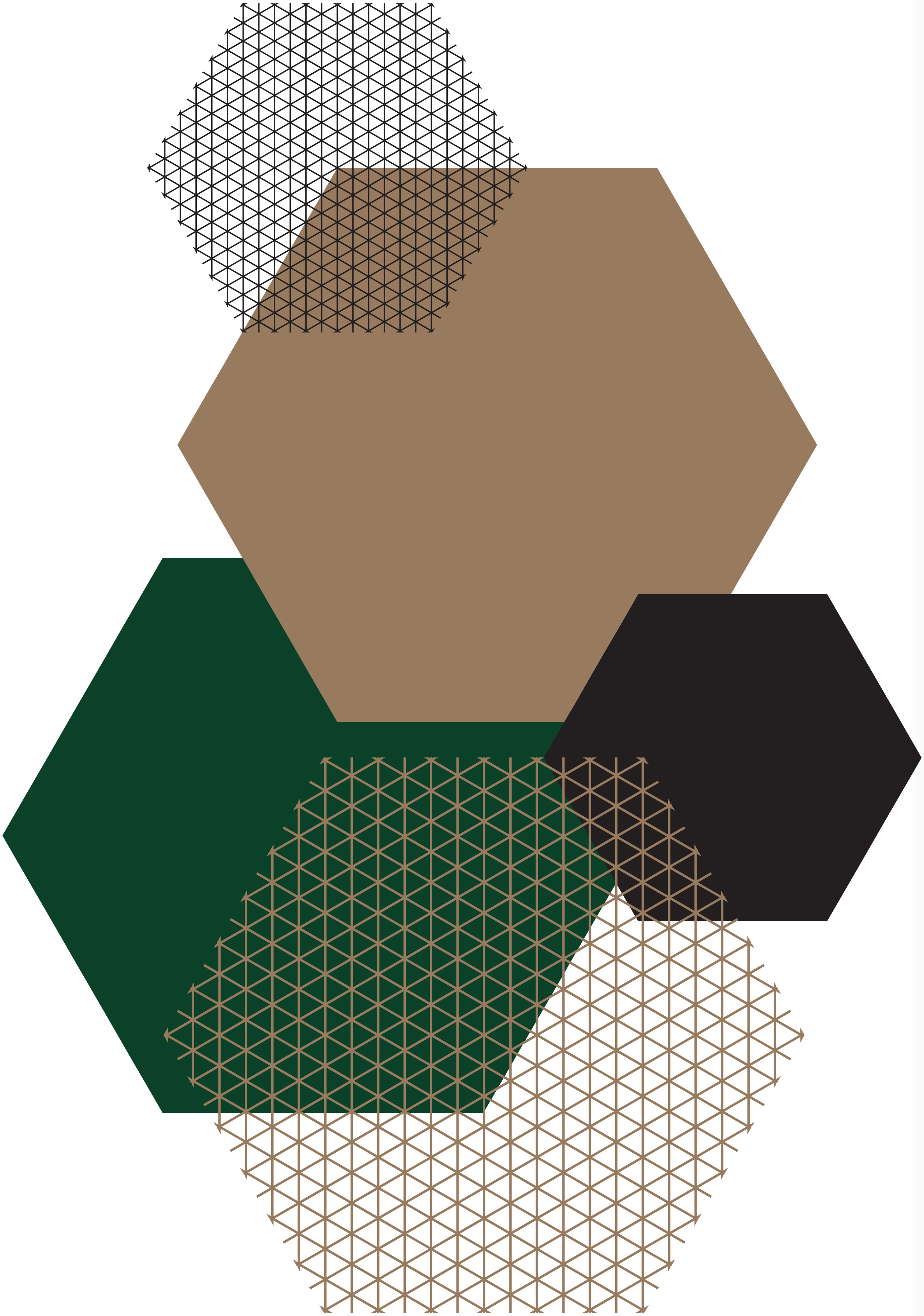
Annual report
for the year 2024

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



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Mission

In order to contribute to our clients' success, we provide strategic consistency, solid and creative solutions and products and professional advisory through adopting and applying Suzer Group values.

Vision

In KentBank we facilitate financial success of our clients in a way that through superior quality and knowledge of our advisors we provide simple, transparent and easily accessible financial and digital solutions.

Trust

We rely on Words given and Actions taken.

Integrity

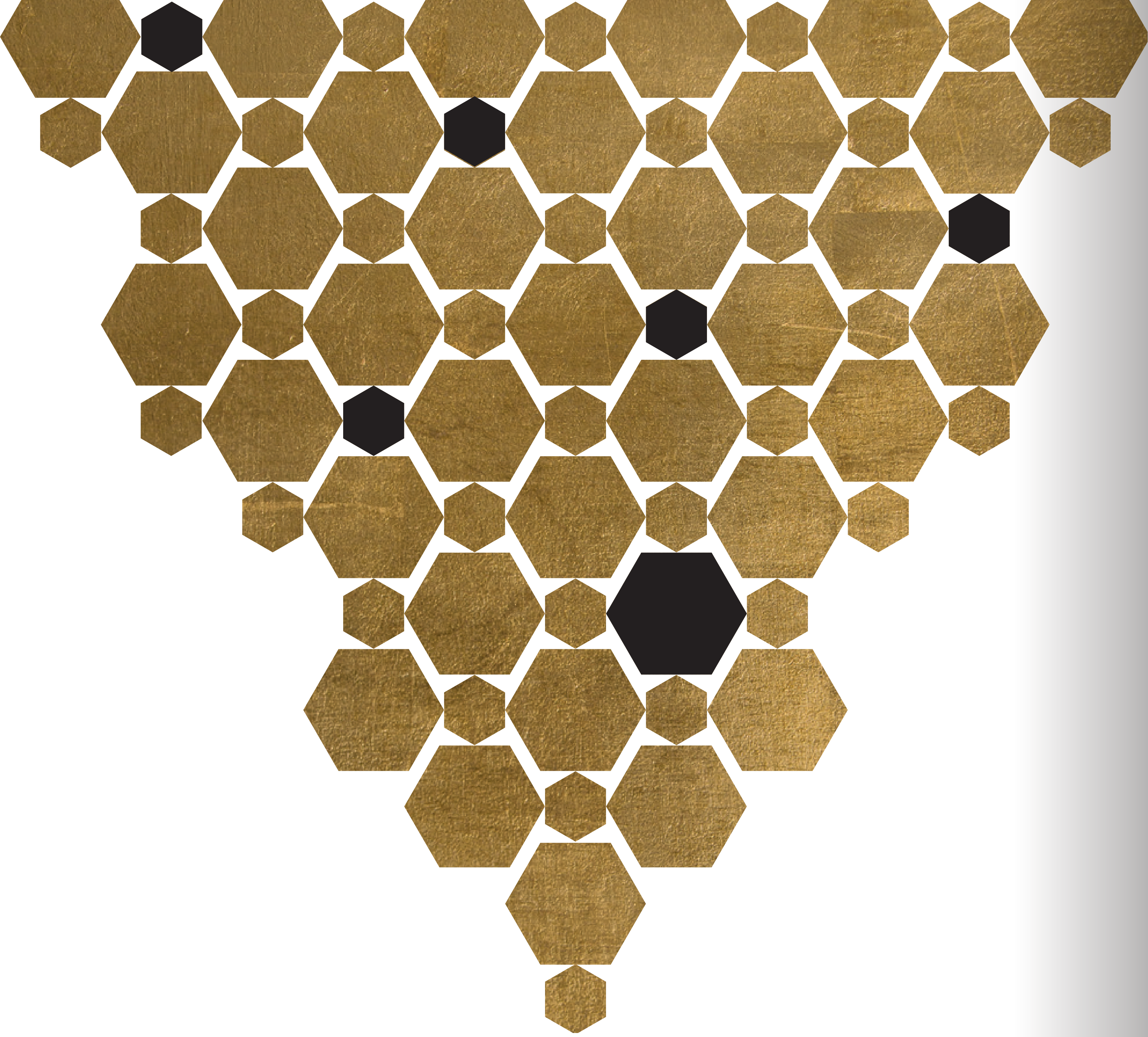
We Transform Personal into Bank's Integrity.

Respect

WE Respect ALL.

Commitment

We keep our Promises and make Promises we can keep.



Letter from CEO

I am proud to reflect on another year of remarkable progress and strong performance for our bank. Against a dynamic economic backdrop, we continued to grow, innovate and strengthen our position as a trusted financial partner for individuals and businesses alike.

Our asset size expanded by 13%, reaching €824 million, with the same robust growth in performing loans – almost doubling the sector's asset growth rate of 7%. This achievement demonstrates our strong commitment to fueling growth across all segments; retail, SME, and corporate banking.

On the profitability front, we delivered a record-breaking return on equity of 12.5%. Even more notably, we significantly outperformed the market in total operating income, achieving 19% growth compared to the sector's 10%. These results reflect the strength of our business model and our ability to create sustainable value.

But growth is not just about numbers. Our commitment to digital transformation continues to set us apart. A couple of years ago, we implemented our Underwriting Tool (UWT), a market-leading solution that fully digitizes our loan underwriting process for both, individual and corporate clients. This tool provides us with a unique competitive edge, enabling faster, more efficient client assessments while upholding the highest credit standards. Our next step is to enable existing clients to obtain guarantee letters digitally through this platform, further enhancing accessibility and ease of doing business.

Last year, we successfully implemented our Document Management System (DMS), optimizing the way we handle documents across the bank. While such systems are becoming an industry standard, we focus not just on keeping pace, but on delivering real, measurable benefits. By streamlining document workflows, we have freed up valuable time for our sales teams, allowing them to focus more on client relationships and business growth.

Looking ahead, we remain committed to continuous innovation. In early 2025, we will launch a new mobile banking app featuring cutting-edge functionalities that will redefine the user experience. In parallel, we are in the final phase of developing our digital lending platform, set to go live by the end of the year. This will enable seamless digital onboarding and instant loan approvals, delivering unparalleled convenience to our clients.

At the heart of our success is our people. We surpassed the number of 250 employees in 2024, investing continuously in their professional growth through tailored education programs and skill-enhancing initiatives. We firmly believe that an empowered and knowledgable workforce is the key to delivering superior service to our clients.

Our vision remains clear; to facilitate the financial success of our clients by delivering simple, transparent and easily accessible financial and digital solutions.

I extend my sincere gratitude to our employees for their dedication, expertise, and passion; to our clients, whose trust drives us to improve every day; and to our stakeholders, whose continuous support enables us to innovate and grow in a rapidly evolving market. Together, we are building a smarter and more accessible financial future.

Hasan Ecesoy
President of Management Board

Management board report

About Kentbank

In 1998, Štedionica Brod was founded which grew into Banka Brod d.d. in 2002 with its headquarters in Slavonski Brod.

In July 2011, the Süzer Holding took over Banka Brod d.d. and the name of the Bank was changed to Kentbank ("the Bank") and moved its headquarters to Zagreb. The Bank was repeatedly recapitalized throughout the years by the shareholder and the last increase of paid in capital was completed at the end of 2024 in the amount of EUR 27,000 thousand amounting to total capital of EUR 78,758 thousand. The Bank does not have its own treasury shares and the Bank does not have any subsidiaries.

Operating environment

The first half of 2024 was marked with the high interest rate environment which started in 2023 and ECB deposit facility interest rates were unchanged until June 2024 remaining at 4%. Major economies starting convergence to their target inflation levels, ECB and FED made their first interest rate cuts in June and September respectively, reaching a total of 1% both for ECB and FED until the end of 2024.

In Croatia, the effect of joining euro area in 2023 and Schengen area, together with the ongoing inflow of EU funds continued to influence the overall economic outlook. In 2024, Croatia experienced 4,5% increase in HICP having the highest rate in euro area. In terms of GDP growth, 2024 was another year of overperformance with growth of 3,8%, second highest in the EU. Unemployement rate at the end 2024 decreased to 5,1% from 6,4% at the end of last year. Additionally, in 2024 net salaries to employees in Croatia increased by more than 10% in real terms.

In 2024, Croatia recorded more than 21.3 million arrivals and over 108.7 million overnight stays, which represents a 4 percent increase in arrivals and 1 percent in overnight stays compared to 2023.

Outlook

Kentbank's total assets reached €824 million with a 13% growth year-on-year and market share reached 0,98% by the end of 2024 while Net Profit reached highest ever level exceeding €9,5 million. To support further growth of Kentbank in the upcoming years and reaching its targets, Bank's paid in capital was increased by €27 million at the end of 2024.

In 2024, Kentbank continued to overperform the market or kept the convergence trend in several indicators.

Values in EUR 000	2022	2023	2024	24 vs. 23
Income Statement	**1.1. – 31.12.**	**1.1. – 31.12.**	**1.1. – 31.12.**	**%**
Net interest income	12,675	19,522	22,073	13%
Net fee&commission income	3,151	4,526	6,322	40%
Total operating income	19,216	24,801	29,363	18%
Operating expense	(13,898)	(16,286)	(17,236)	6%
Total impairment losses	(144)	(436)	(389)	-11%
Profit after tax	4,201	6,604	9,557	45%
Balance Sheet	**31.12.**	**31.12.**	**31.12.**	**%**
Loans to customers	302,266	338,016	370,256	10%
Deposits from financial inst.	18,400	32,130	47,046	46%
Deposits from customers	415,011	504,974	514,309	2%
Shareholder's equity	57,432	64,036	100,593	57%
Total assets	540,386	727,953	823,978	13%
Key Ratios and Indicators	**31.12.**	**31.12.**	**31.12.**	**%**
ROAE after tax *(1)*	8.4%	11.2%	12.5%	1.3 pp
Cost/Income ratio	72.3%	65.7%	58.7%	(-) 7 pp
NPL ratio *(2)*	4.4%	1.5%	2.8%	1.2 pp
NPL coverage ratio *(2)*	68%	69%	43%	(-) 26 pp
Liquidity coverage ratio	147%	220%	228%	8 pp
Regulatory Capital *(3)*	55.680	72.962	98.662	35%
Total capital ratio *(3)*	17.24%	19.64%	22.99%	3.35 pp
Other	**31.12.**	**31.12.**	**31.12.**	**% / No**
Employees (FTE)	232	246	245	0%
Branches & business centers	16	17	17	-%

(1) Net Profit / Monthly average regulatory capital

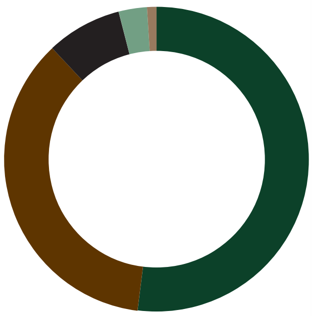
(2) NPL ratio based on EBA risk dashboard methodology but excluding deposit with central banks

(3) Audited - with retained earnings (preliminary data)

Loans

Kentbank's total loans recorded a growth of 10% year-on-year and reached €370 million. The growth in 2024 was primarily driven by SME lending in line with the Bank's strategy. Additionally, Bank also used short term lending opportunities throughout the year to strengthen its presence in the global banking environment with lending to resident and non-resident financial institutions.

Loans Breakdown



Bank continued with its lending activities via retail collateralised loans which is visible in the market share with Household – Other loans with 3,82% market share. (Market shares are based on Aggregate non-consolidated monthly statistical report of credit institutions)

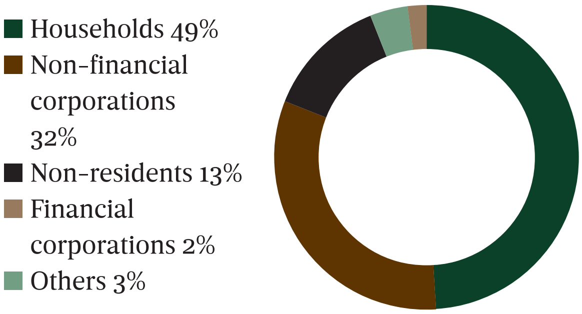
Loan Market Shares	2023	2024
Households	**0.72%**	**0.61%**
- Housing loans	0.52%	0.45%
- Any purpose cash loans	0.63%	0.51%
- Other loans	4.16%	3.82%
Non-financial corporations	1.14%	1.36%
Financial corporations	**1.20%**	**1.52%**
Non-residents	0.89%	0.66%
Other	**0.01%**	**0.01%**

Deposits

Deposits from customers continues to be Kentbank's main source of funding. With its strategic goal to increase its market share and expand its customer base, 2024 was another year of growth with 6% growth year-on-year.

Despite the highest interest rate environment in the last year, the movement from avista deposits to time deposits was limited both on the banking sector and Kentbank. However, Kentbank's share of avista deposits in total deposits keeps to be significantly lower than the banking sector with 41% vs. 66%. This difference effects the Bank's funding cost and thus net interest margin. Bank's strategic goal in this area is to converge to market average in the long run with the support of customer oriented approach and up to date digital services. (Market shares are based on Aggregate non-consolidated monthly statistical report of credit institutions)

Deposits Breakdown



Market Share	2023	2024
Households	**0.70%**	**0.72%**
- avista deposits	0.21%	0.31%
- time deposits	1.75%	1.59%
Non-financial corporations	1.12%	1.07%
- avista deposits	0.98%	1.01%
- time deposits	1.49%	1.21%
Financial corporations	**0.70%**	**0.41%**
Non-residents	3.00%	3.45%
Others	**0.16%**	**0.27%**

Net interest margin

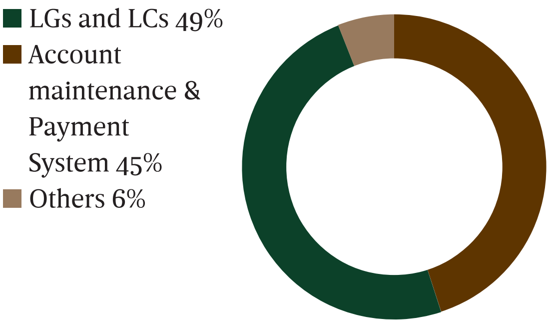
ECB's deposit interest rates reaching 4% in September 2023 remained at the same level until June 2024 and closed the year with 3%. The peak level of 4% significantly influenced banks' net interest margin in 2024. The nonnegligeble difference in the deposit composition in terms of the share of avista&term deposits is the main reason of Kentbank's relatively underperformance against the banking sector in terms of the evolution of NIM. Despite the mentioned difference, Kentbank still managed to keep the NIM stable and at the same level as the banking sector.

Net fees & commissions

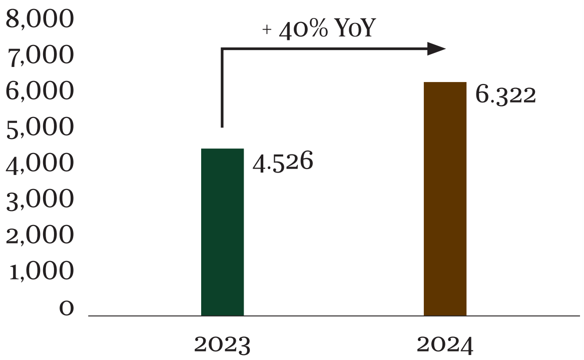
In 2024, the Bank achieved another year of strong growth with 40% in Net Fees and Commissions. Despite having relatively weak market share in payment transactions, Bank's strong positioning in letter of guarantees is one of the main contributors of the growth together with the expansion and penetration of existing customer base.

The increase in insurance related commissions is a result of Bank's new partnerships and strong focus in this area. Bank's overall performance in Net Fees and Commissions is an outcome of the growth in all aspects while the market's growth in this area is at high single digit.

Free and Commission Income Breakdown



Net F&C Income

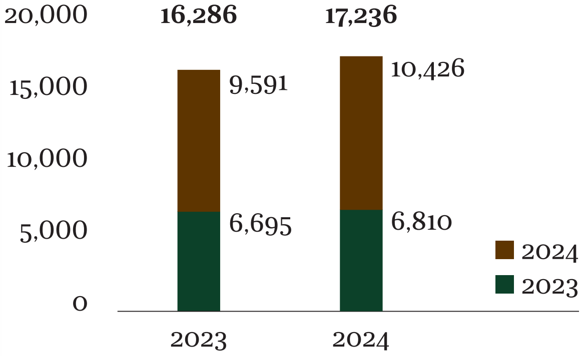


Operating expenses

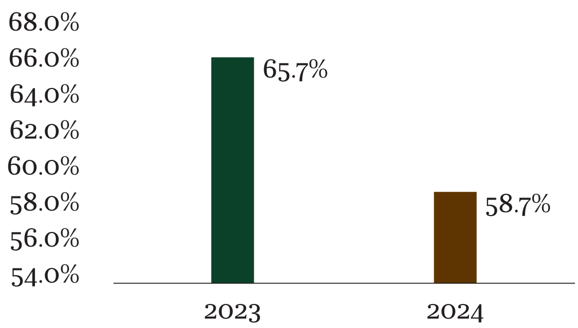
Kentbank's operating expenses increased by 6% in 2024 exceeding €17,2 million. Employee expenses makes up 60% of total operating expenses. After joining euro zone in 2023 combined with the inflationary environment, Croatia continued to face strong growth of net salaries in 2024 which was the main trigger of increase in employee expenses. The remaining part of the operating expenses mainly consist of Bank's technological infrastructure and branch offices related (rent and other) expenses. Bank continues to expand and improve its technological infrastructure together with the modernization of its branh premises according to its new branding adopted in 2021.

Thanks to the strong growth in total operating income, Bank managed to decrease its C/I ratio by 7pp for the second year in a row despite the ongoing investment cycle.

Operating Expenses



Cost / Income

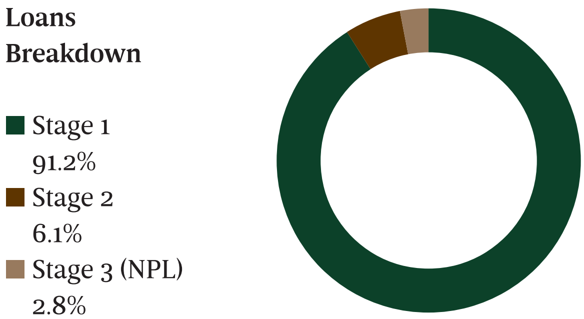


Asset quality & provisions

The bank constantly monitors the loan portfolio as it grows and acts in a proactive and prudent manner. Bank follows the performing loans under Stage-1 and Stage-2 and nonperforming loans under Stage-3. After completing the first ever collective NPL sale in the Bank's history in 2023, the share of Stage-3 loans were at historically low 1,5%. In 2024, as a natural outcome of Bank's overgrowth in loans vs. sector averages in the last few years and the NPL sale, share of Stage-3 loans increased to 2,8% in line with the Bank's expectations.

Coverage of Stage-3 loans is at 43% at the end 2024, mainly due to collateral structure of the new NPLs and the recentness of the entries to the portfolio.

Loans Breakdown



Total Coverage	2024
Stage 1	0.6%
Stage 2	3.1%
Stage 3	43.1%

2025 guidance

Performing Loans Growth (YoY)	Low double digits
Deposits Growth (YoY)	Low double digits
Net Interest Margin	Flat
Net Fees and Comissions Growth (YoY)	> 28%
OPEX Growth (YoY)	19% – 21%
C/I	< 59%
ROAE	10% – 12%

Croatian economy is expected to outperform EU averages with around 3% GDP growth thanks to the positive effect of EU funds like the last few years. Our expectation for banking sector is to grow its total asset size with mid single digits whereas Kentbank to grow its asset size by high single digit resulting with increase in market share.

Supported with the capital increase at the end of 2024, Kentbank is aiming to expand its customer base with the growth in both loans to and deposits from customers. Bank is expecting ECB to cut deposit interest rates to 2% by the half year and with the expected growth in loans, Bank is planning to manage the NIM efficiently and keep it flat.

With already started investments in digitalisation in 2024, Bank is expecting some of the mentioned investments going live in 2025 and starts to contribute to total operating income.

In 2025, Bank is planning to intensify its investments in human resources, IT infrastructure and branch network resulting with growth in operating expenses. However, Bank keeps its expectation to have slight improvement in C/I thanks to the expected growth in operating income.

Despite some deterioration in ROAE is expected on the banking sector, Kentbank aims to achieve 10%-12% return on equity meaning preserving the levels like 2024.

Business strategy and developments

Business lines

Retail banking

Focus on service quality and modernization

KentBank currently operates at 14 locations across Croatia, including three locations in Zagreb. The business network ensures the availability of services and professional support for all clients.

Personal approach in business

Personal contact remains key in dealing with clients, which is why visiting branches is encouraged to enable direct communication with employees. At the same time, support for everyday banking services has been further enhanced through the availability of digital channels, providing flexibility and convenience to customers who prefer digital platforms.

Development of services and focus on specific client segments

The bank pays great attention to the development of relations with owners and family members of small and medium-sized enterprises, as well as younger clients whose preferences are increasingly focused on digital communication. A personalized approach enables the offer to be adapted to the specific needs of each client, while at the same time encouraging cooperation between the retail sector and the legal entities sector.

This integrated approach provides added value, as it enables the monitoring and support of the operations of entities, their owners, family members and employees.

Innovations in lending and digitization

Investments in IT infrastructure and digitization form an important part of the Bank's strategy. Application of the system for digital processing and loan approval (Underwriting tool) resulted in optimization of the process, increase in efficiency and improvement of user experience.

The development of new products, such as SEPA Instant payments and personalized offers of pre-approved loans, as well as the improvement of existing digital functionalities, confirms the Bank's focus on modernization and adaptation to market requirements.

Metal card

KentBank achieved a revolutionary milestone by launching the first metal credit card in Croatia, a product that seamlessly combines elegance, innovation and sustainability. This pioneering addition reflects KentBank's commitment to providing modern banking solutions that are aligned with the evolving needs of its customers.

The newly introduced metal credit card represents the pinnacle of craftsmanship and exclusivity. Designed with premium materials, it offers clients a sense of luxury during every transaction. More than just a payment tool, the card is an example of sophistication, making every use an unforgettable experience.

The launch of the first metal credit card in Croatia marks an exciting chapter in KentBank's journey towards innovation and customer-focused solutions. Clients are encouraged to explore the benefits of this premium offering and experience the unparalleled blend of luxury and convenience it provides.

Digitization and modernization of services

The bank continues to invest in the development of digital platforms with the aim of improving the functionality and availability of services. Planned improvements include process optimization and additional digitization of operations, which ensure simple and intuitive use of banking services.

The development of modern communication and distribution channels enables the Bank to attract a younger population of clients, whose demands are focused on innovative, interactive and accessible digital services.

KentBank remains committed to providing high-quality services, a personalized approach and continuous modernization of business. Focus on client satisfaction, development of digital solutions and adaptation to specific needs of different user segments ensures competitive advantage and long-term sustainability in the market.

Legal entities banking

KentBank is primarily focused on the segment of small and medium-sized family businesses, as well as selected large clients. The procedures for selecting a target group of clients, monitoring and developing the Bank's products, adapted to the needs of clients and the economic situation on the market, are defined within the Business with Legal Entities Sector.

Croatia's entry into the EU enabled the small and medium-sized business sectors to access funds from structural funds. KentBank actively educates its employees about the implementation of EU projects. The focus of financing EU projects is on the manufacturing industry, agriculture, tourism and renewable energy sources.

The priority of the Bank will continue to be the improvement of the quality of services, expansion of the offer to clients and continuous education of employees.

Product development and disbursement

The bank will focus on further development and marketing of the following products:

- DEPOSITS
  Acquisition of new clients to diversify the deposit portfolio. Opening business accounts to increase a'vista funds as more favorable sources of financing.

- LOANS
  Recognizing the overall financial needs of clients – a complete offer for legal entities, and additional services for their employees. Financing projects of small and medium enterprises, independently or in cooperation with HBOR, HAMAG, various ministries, county and local administrations, and other institutions.

- GUARANTEES AND LETTERS OF CREDIT & TRADE FINANCE
  Acquisition of new clients for further diversification of the off-balance sheet portfolio.
  Implementation of multi-purpose frameworks to support the business of legal entities, especially in targeting specific activities.
  With the aim of unifying and standardizing guarantee and letter of credit operations, the Bank moved the Trade Finance department to the Business with Legal Entities Sector from the beginning of 2024. In this way, experience, knowledge and security in that part of the business will be concentrated in one place, while maintaining a quality level of service for the client.

- PROGRAMS IN COOPERATION WITH DEVELOPMENT BANKS & HAMAG

  In accordance with the strategy, since 2021 the Bank intensified cooperation with the Croatian Bank for Reconstruction and Development (HBOR) and the Croatian Small Business Agency (HAMAG). The goal is to establish a solid foundation for long-term placements, especially through individual credit programs and framework lending, including liquidity loans offered by HBOR.

  It is also planned to further use the possibility of cooperation with the Croatian Small Business Agency, especially through participation in the Program of Individual Guarantees for Rural Development, Guarantee Program plus ESIF Guarantees (Individual, Portfolio guarantees, Subsidy of interest rates from NPOO).

- COOPERATION WITH EUROPEAN DEVELOPMENT BANKS

  One of the Bank's key short-term goals is to enter cooperation with European development banks and implement joint products that would further increase the Bank's competitiveness and promote it as a market-affirmed institution.

Turkish desk

As part of Süzer Group based in Istanbul, Turkey; Kentbank d.d. pays special attention to the economic cooperation between Croatian and Turkish companies and provides information and advisory support to the partners and customers through the specialized unit, Turkish Desk. Our aim is to create new business opportunities for entrepreneurs from Croatia and Turkey and be the bridge that will connect the economies of these two countries.

Treasury

Treasury is responsible for managing Kentbank's liquidity needs, interest rate risk, foreign currency position and asset-liability structure, and controls the Bank's investment portfolio. Treasury department is also responsible for closely monitoring the markets, investor needs, risk and return expectations, and relevant legal regulations. The Department is responsible for various products such as foreign currency transactions, bills, bonds, Eurobonds, repo, and derivatives. Treasury is also responsible for correspondent banking and cooperation with financial institutions.

Fixed Income

Kentbank's fixed income portfolio consists of two separate portfolios. Trading Book portfolio is used for active daily trading with the goal to achieve profit from price changes of debt instruments. Banking Book with Hold-to-collect strategy is used to invest in long-term high-quality bonds and hold them to maturity and generate stable interest income for the bank. Hold-to-collect portfolio represents around 19% of asset of balance sheet. Treasury has direct access to bond market and enjoy in open trading lines with various counterparts on the market including some of the biggest European names. Bank will continue with presence on local and international bond market, with goal to generate income from trading, secure high yield investments with limited risk for Hold-to-collect portfolio.

Money Markets and Balance Sheet Management

Treasury managing liquidity and interest rate risk of Kentbank's on and off-balance sheet liabilities in an approach that enables flexibility to market behavior, client requests, and to be in line with Bank's Risk Policy. Besides market changes, Treasury also analyses changes in regulatory frame which can influence Kentbank's balance sheet. Year 2024 continued to be a year with increased geopolitical tensions, inflation uncertainties, old and new challenges, but Kentbank continued to provide cost-effective liquidity resources thanks to bank's market position and overall financial strength using various products such as money market deposits, repo and other financing transactions. KentBank continued to diversify its funding sources in domestic and international markets in 2024, and actively used collateralized transactions to secure funds from foreign markets. As bank continued to outperformed growth banking sector in Croatia, in the 4Q-24 shareholders injected additional capital with goal to emphasize bank's commitment to Croatian market, and additional support of financial position of the bank on highly competitive Croatian banking market.

Foreign Exchange and Derivatives

Treasury implement and uses different products taking into account customer's needs, while providing effective pricing in accordance with the Bank's position and market conditions. In the same time using spot, forward, futures and swap products Treasury has the possibility to manage open position in foreign currencies in line with risk appetite of the bank and market conditions. Bank use different channels for currency trading including voice, e-mail, Bloomberg and other electronic platforms. In line with KentBank's product policies, Treasury is responsible for the design, operation and effectiveness of products as well as implementation of changes.

Financial institutions

Correspondent Banking

KentBank continued its successful performance in correspondent banking in 2024 despite the volatile and uncertain conditions on financial markets. Bank increased number of correspondent relations with international credit institutions mostly from Europe and Turkey with goal to strengthen presence on international financial market, increase number of transactions for Bank's clients and offer them more reliable and faster services. Effective management of corresponding banking lines in the future will be one of the tasks of the Treasury with goal to increase its share in foreign market trade transactions, payment services, and opening accounts on demand for our correspondent banks.

Digital transformation

During 2024, the Digital Transformation continued to work on its main tasks, to ensure optimization, automation, digitalization and standardization of processes, while ensuring a better reputation of Kent Bank on the market as well as the satisfaction of employees. The aim of the above is to focus on clients, building long-term cooperation with innovative, useful and recognized products and services. The main priority was the development of a completely new mobile banking application, to which the Bank's digital team devoted most of its resources. Also, throughout the year 2024, the team worked intensively on developing the digitalization of its business towards end users and focused on remote identification, remote retrieval of financial data and ensuring the possibility of digital signing of documents for both retail and corporate users.

In 2024, the project of implementing a document management system (DMS) was successfully started and completed, which enabled the sales network to digitally store and search all documentation related to the products that sales, in addition to financing products, have in their portfolio.

The Bank ended the year 2024 with 8,685 mobile banking users and 7,282 internet banking users, which is a growth of 10% in mobile banking and 5% in internet banking compared to the end of 2023. In the coming year, the Bank will invest all its efforts in order to complete current projects and provide clients with a significant step forward in the field of digitalization and remote availability of products and services. The delivery of a completely new mobile banking is expected, followed by a platform for exchanging and digitally signing documents with existing retail and corporate users, as well as the implementation of the digital approval process and remote realization of non-purpose cash loans. At the end of 2025, through the new mobile banking, the Bank will provide its clients with Google and Apple Pay services while at the same time working on the regulatory requirement for Instant payments.

HR

Our Employees – The Foundation of Kent Bank's Success

At Kent Bank, we believe that employees are the key to our success, which is why we continuously invest in their well-being, development, and satisfaction. Our goal is to build the best and most engaged teams through a work culture that fosters professional growth, work-life balance, and a sense of belonging.

Guided by our mission and vision, the values we apply in our daily operations are also embedded in human resource management. We focus on supporting employees, promoting diversity and equality, and creating an inclusive environment. Our employment policies enable us to attract and retain top talent, while regular salary reviews ensure gender equality and encourage all employees to take on leadership roles, regardless of gender.

Our culture is based on the following values:

- *Trust* - We rely on Words given and Actions taken.
- Integrity - We Transform Personal into Bank's Integrity.
- *Respect* - WE Respect ALL.
- *Commitment* - We keep our Promises and make Promises we can keep.

In pursuing our goals, Kent Bank strives to inspire and shape the direction of human resources in the banking sector in Croatia. Our activities are based on inclusive, innovative, and data-driven approaches that reflect the culture and values of our bank.

Caring for our employees is also reflected in numerous benefits, such as health preservation programs, flexible working hours, and support for work-life balance. Our commitment to maintaining employee satisfaction and happiness has been further recognized with the "Best Employer" award, confirming our dedication to creating a positive and motivating work environment.

Kent Bank continues to invest in its employees to further strengthen its position as a leader in delivering top-quality services and innovations, while contributing to the long-term success of the Bank and all its stakeholders through professional development and employee satisfaction..

EMPLOYEE INDICATORS	**2023**	**2024**
Number of employees	265	264
Number of employees (FTE)	246	245
Ratio of women employees	65% (N=171)	64% (N=169)
Women in top management	2 (50%)	2 (50%)
Women in senior management	10 (45%)	9 (47%)
Employee turnover	10%	16%

Number of employees by age group	**2023**	**2024**
<30	23	26
30 – 39	88	86
40 – 49	113	111
>=50	41	41
Total	**265**	**264**

Financial risk management

The operations of the Bank are exposed to various types of risks, which arise from the uncontrollable character of the financial market. The Bank tries to control and minimize them. The most significant types of financial risks to which the Bank is exposed are the credit risk, the liquidity risk, market risk and operational risk. The market risk includes the risk of change of interest rates, the risk of change of foreign exchange rates and the change of market value of securities.

A) Credit risk
Credit risk management is described in notes 26, 27 and 31b to the financial statements.

B) LIQUIDITY RISK
Liquidity risk management is described in notes 28 and 31c to the financial statements.

C) MARKET RISK
Market risk management is described in notes 29, 30 and 31d to the financial statements.

D) OPERATIONAL RISK MANAGEMENT
Operational risk management is described in note 31f to the financial statements.

Supervisory Board

During 2024, there were changes in the composition of the Supervisory Board of the Bank and the Board consisted of five members. Their term of office is two years and they may be reappointed.

The powers of the Supervisory Board are governed by the Articles of Association of the Bank and by the Operating Procedures Manual of the Supervisory Board, in accordance with the applicable provisions of the Companies Act and the Credit Institutions Act.

The members of the Supervisory Board are as follows:

Mehmet Gani Sonmez
President of the Supervisory Board

Nurgün Eyüboğlu
Deputy President of the Supervisory Board

Zdenko Adrović
Supervisory Board Member

Gürol Baloğlu
Supervisory Board Member

Jasna Širola
Supervisory Board Member
(end of appointment on 26 July 2024)

Aylin Surkultay
Supervisory Board Member
(appointed from 26 July 2024)

Management Board

In accordance with the provisions of the Articles of Association of the Bank, the Management Board may consist of up to five (5) members. The members of the Management Board, including the President of the Management Board, may be appointed by the Supervisory Board for a term of up to five (5) years, with possibility of re-election. Only the person who meets the conditions prescribed by the Credit Institutions Act, the Companies Act and the Decision on Suitability of the Croatian National Bank (CNB) may be appointed member of the Management Board with prior approval from the Croatian National Bank.

The Management Board has rights, duties and obligations prescribed by the Companies Act, the Credit Institutions Act and the Articles of Association of the Bank. The Management Board manages the operations of the Bank and its assets and it has the responsibility and the powers to take all the actions and make all the decisions necessary for successful management of the operations of the Bank and its performance.

The members of the Management Board in office from 1 January 2024 to the date of issuance of these financial statements, are as follows:

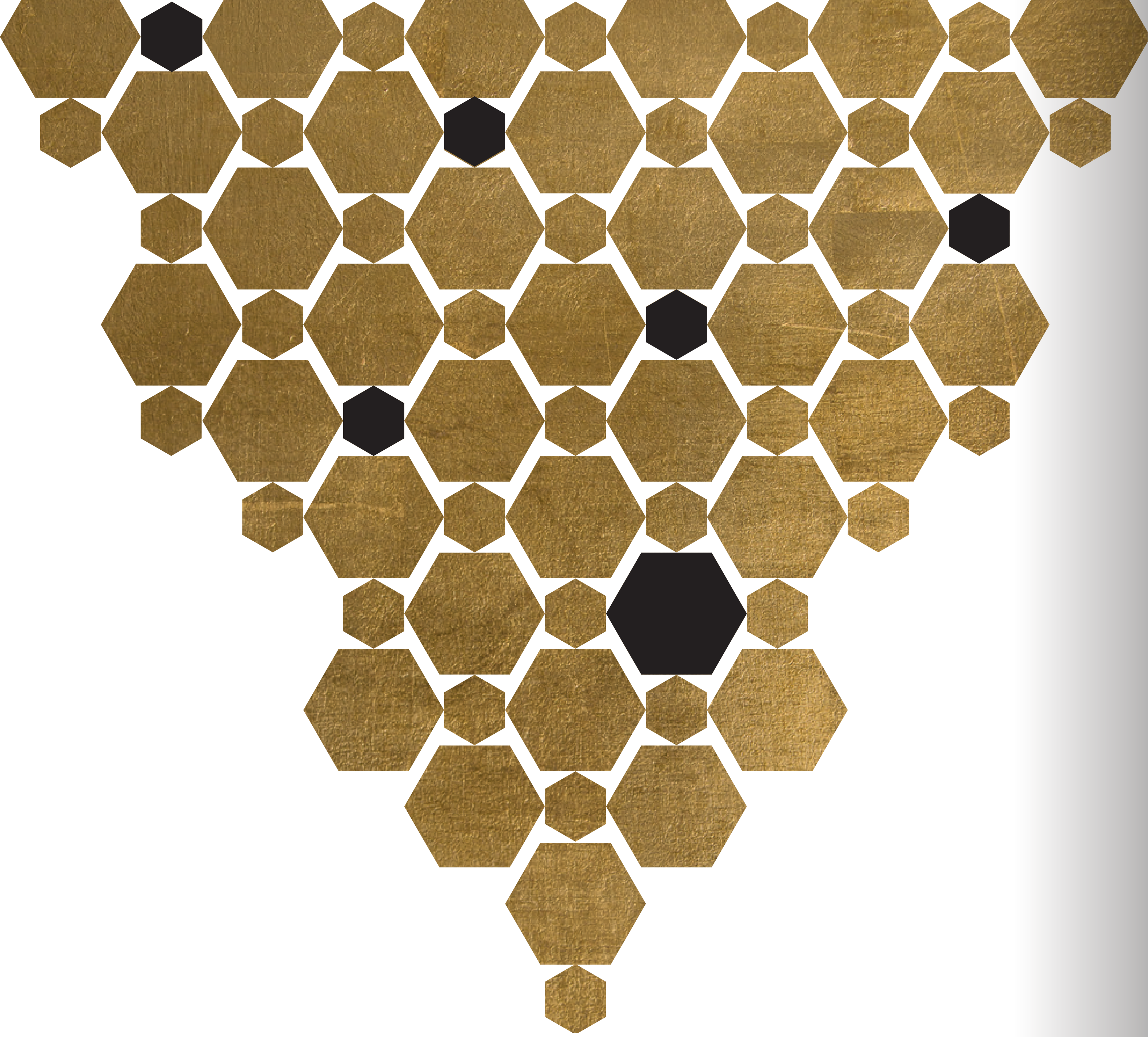
Hasan Ecesoy
President of the Management Board

Damir Brkić
Management Board Member
(end of appointment on 17 March 2025)

Aleksandra Cvetković
Management Board Member

Nikolina Cvitanović
Management Board Member


Kent
Bank



Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual report

The Management Board of the Bank is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank and of the results of their operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Bank together with the annual financial statements for acceptance. If the Supervisory Board approves the annual financial statements, they are deemed confirmed by the Management Board and Supervisory Board.

The Management Board is also responsible for the preparation and content of the management report in accordance with the Croatian Accounting Act.

The Management Board is also responsible for the preparation and fair presentation of the supplementary information prepared in accordance with the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions, dated 26 April 2018 (Official Gazette 42/18), 9 November 2020 (Official Gazette 122/20), 5 November 2021 (Official Gazette 119/21) and 8 September 2022 (Official Gazette 108/22).

The financial statements as well as the schedules prepared in accordance with the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions, dated 26 April 2018 (Official Gazette 42/18), 9 November 2020 (Official Gazette 122/20), 5 November 2021 (Official Gazette 119/21) and 8 September 2022 (Official Gazette 108/22) with the reconciliation to statutory financial statements were authorized by the Management Board on 21 March 2025 for issue to the Supervisory Board and are signed below to signify this.

For and on behalf of KentBank d.d.

Hasan Ecesoy
President of the Management Board

Aleksandra Cvetković
Member of the Management Board

Nikolina Cvitanović
Member of the Management Board

Financial statements

Statement of financial position

As at 31 December 2024

	Notes	31 December 2024 EUR 000	31 December 2023 EUR 000
ASSETS			
Cash and current accounts with banks	12	24,747	19,889
Financial assets at amortized cost	13a)	176,146	119,378
Financial assets held for trading	13b)	9,985	4,341
Loans to and receivables from customers	15	370,256	338,016
Placements with other banks	14	231,176	234,372
Property, plant and equipment	16a)	5,666	5,603
Right-of-use asset	16b)	1,930	2,636
Intangible assets	16c)	2,678	2,090
Foreclosed assets	17	81	86
Deferred tax asset	11b)	104	277
Other assets	18	1,209	1,265
TOTAL ASSETS		**823,978**	**727,953**
LIABILITIES			
Current accounts and deposits from banks and financial institutions	19a)	47,046	32,130
Current accounts and deposits from customers	19b)	514,309	504,974
Interest-bearing borrowings	19c)	150,575	105,141
Provisions for liabilities and charges	20	971	977
Income tax liability		906	894
Other liabilities	21	9,578	9,749
Subordinated liabilities	22	-	10,052
Total liabilities		**723,385**	**663,917**
EQUITY			
Ordinary share capital	23, 23a)	78,758	51,758
Legal reserves	23, 23b)	957	627
Retained earnings	23	20,878	11,651
Total equity		**100,593**	**64,036**
TOTAL LIABILITIES AND EQUITY		**823,978**	**727,953**

The accompanying notes form an integral part of these financial statements.

Statement of changes in shareholders' equity

As at 31 December 2024

EUR 000	Ordinary share capital (Note 23a)	Legal reserves (Note 23b)	Retained earnings (Note 23)	Total
Balance at 1 January 2023	**51,793**	**381**	**5,257**	**57,432**
Total other comprehensive income/(loss)	-	-	-	-
Profit for the year	-	-	6,604	6,604
Total comprehensive income / (loss)	-	-	**6,604**	**6,604**
Transactions with owners recognized directly in equity:				
Transfer to legal reserves	(36)	246	(210)	-
Increase in issued share capital	-	-	-	-
Balance at 31 December 2023	**51,758**	**627**	**11,651**	**64,036**
Balance at 1 January 2024	**51,758**	**627**	**11,651**	**64,036**
Total other comprehensive income/(loss)	-	-	-	-
Profit for the year	-	-	9,557	9,557
Total comprehensive income / (loss)	-	-	**9,557**	**9,557**
Transactions with owners recognized directly in equity:				
Transfer to legal reserves	-	330	(330)	-
Increase in issued share capital (Note 23a)	27,000	-	-	27,000
Balance at 31 December 2024	**78,758**	**957**	**20,878**	**100,593**

The accompanying notes form an integral part of these financial statements.

Income statement

For the year ended 31 December 2024

	Notes	2024 EUR 000	2023 EUR 000
Interest income and similar income	5	32,765	24,553
Interest expense and similar charges	6	(10,692)	(5,031)
Net interest income		**22,073**	**19,522**
Fee and commission income	8a)	7,090	5,300
Fee and commission expense	8b)	(768)	(774)
Net fee and commission income		**6,322**	**4,526**
Net gains on derecognition of financial assets measured through FVTPL	9a)	288	12
Net gains from translation of monetary assets and liabilities and foreign exchange spot trading	9b)	602	698
Other income	9c)	76	43
		966	**753**
Total income		**29,361**	**24,801**
Depreciation and amortization	16a); 16b); 16c)	(2,070)	(1,979)
Staff costs	10a)	(10,426)	(9,591)
Other administrative expenses	10b)	(4,740)	(4,716)
Total general and administrative expenses		**(17,236)**	**(16,286)**
Impairment losses and provisions	7a	(339)	(395)
Provisions for court cases	7b	(50)	(41)
PROFIT BEFORE TAX		**11,736**	**8,079**
Income tax expense	11	(2,179)	(1,474)
PROFIT FOR THE YEAR		**9,557**	**6,604**
Other comprehensive loss for the year		–	–
TOTAL COMPREHENSIVE INCOME		**9,557**	**6,604**

The accompanying notes form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2024

	Note	2024 EUR 000	2023 EUR 000
Cash flow from operating activities			
Profit before tax		**11,736**	**8,079**
Depreciation and amortization	16a), 16b), 16c)	2,070	1,979
Impairment losses and provisions	7	389	412
Write off and sale of tangible and intangible assets	16a), 16b), 16c)	65	220
Changes in operating assets and liabilities			
(Increase) or decrease in placements with other banks		3,228	(226,780)
(Increase) or decrease in loans to and receivables from customers		(49,678)	(50,074)
(Increase) or decrease in other assets		18	(467)
Increase or (decrease) in deposits from banks and financial institutions		15,116	13,736
Increase or (decrease) in current accounts and deposits from customers		15,208	92,131
Increase or (decrease) in other liabilities and provisions		517	(2,943)
Income tax paid		(1,994)	(1,226)
Interest paid		(6,073)	(2,174)
Interest received		19,967	15,474
Net cash from operating activities		**10,570**	**(151,663)**
Cash flow from investment activities			
Payments for purchases of financial assets at amortized cost		(72,851)	(52,453)
Proceeds from redemption of financial investments at amortised cost		13,169	19,898
Payments for purchases of financial investments held for trading		(84,886)	(8,369)
Proceeds from sale of financial investments held for trading		79,242	5,784
Payments for purchase of property, plant and equipment and intangible assets	16a), 16b), 16c)	(1,924)	(1,335)
Payments from sale of property, plant and equipment		–	1
Net cash from investment activities		**(67,250)**	**(36,474)**
Cash flow from financing activities			
Receipts from issued share capital		16,948	–
Receipts from interest-bearing borrowings	19d)	288,318	207,811
Repayments of interest-bearing borrowings	19d)	(242,884)	(138,448)
Payments for the principal portion of the lease liability	19d), 21	(845)	(836)
Payments of subordinated liabilities		–	10,052
Net cash from financing activities		**61,537**	**78,579**
Net (decrease) / increase of cash and cash equivalents		4,858	(109,528)
Cash and cash equivalents as at 1 January		**19,889**	**129,417**
Cash and cash equivalents as at 31 December	12	**24,747**	**19,889**

The accompanying notes form an integral part of these financial statements.

1. General information

KentBank d.d. (hereinafter: the Bank), with its headquarters in Zagreb, Gundulićeva 1, was established in the Republic of Croatia and provides commercial banking services. The Bank is entered in the register of the Commercial Court in Zagreb. The Bank's parent company is SUZER HOLDING Anonim Sirketi and the majority stockholder is Mr. Mustafa Suzer.

2. Basis for preparation of the financial statements

a) Statement of Compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

The financial statements are prepared on a going concern basis which assumes the Bank will continue its business operations in the foreseeable future.

The principal accounting policies applied in the preparation of these financial statements are summarised below. The Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Where specific accounting policies are aligned with accounting principles set out in International Financial Reporting Standards ("IFRS" or "Standards"), reference may be made to certain Standards in describing the accounting policies of the Bank. Unless otherwise stated, these references are to Standards as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") applicable as at 31 December 2024.

These financial statements were approved by the Management Board on 21 March 2025 and submitted them to the Supervisory Board for adoption.

Application of new and revised International Financial Reporting Standards

Except for the changes below, the Bank has consistently applied the accounting policies as set out in the Notes below to all periods presented in these financial statements.

I EFFECTIVE STANDARDS, AMENDMENTS TO STANDARDS AND IMPLEMENTATIONS – ADOPTED IN 2024
The following new standards, interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2024:

The amendments to IFRS 16 require the seller-lessee to determine lease payments or revised lease payments such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. It applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments do not result in any changes for the Bank as the Bank did not perform and is not planning to perform sale and leaseback transactions.

The amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current, based on rights that are in existence at the end of the reporting period. The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments do not result in any changes for the Bank as assets and liabilities are presented in decreasing order of liquidity.

The amendments to IAS 7 and IFRS 7 describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle the amounts owed directly with a supplier are not supplier finance arrangements. Entities will have to disclose in the notes information that enables users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. New disclosure requirements are added. The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments do not result in any changes for the Bank as the Bank did not enter and is not planning to enter into supplier financing arrangements as buyer of services.

Adoption of these standards and amendments has not determined substantial effects on the amounts recognized in balance sheet or income statement or impact on disclosure of accounting policies.

II STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new standards, interpretations and amendments to existing standards issued by the IASB and adopted by the EU were not yet effective and were not early adopted by the Bank:

The amendments to IAS 21 introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. New disclosure requirements are added. The amendment applies to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. These amendments will not affect the Bank since it does not deal with non-exchangeable currencies.

The following new standards and interpretations issued by the IASB have not yet been adopted by the EU:

The amendments to IFRS 9 clarify the classification of financial assets with a contingent feature and introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract. Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. IFRS 9 also provides additional guidance to clarify the characteristics of contractually linked instruments as well as the definition of the underlying pool used to assess whether a transaction contains contractually linked instruments. These amendments are not expected to result in any changes for the Bank as the Bank is not providing financing with ESG contingent features.

The amendments to IFRS 9 also clarify that the company generally derecognises its trade payable on the settlement date. However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the entity to derecognise its trade payable before the settlement date, when it uses an electronic payment system that meets all of the following criteria:

- no practical ability to withdraw, stop or cancel the payment instruction;
- no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

The Bank is not planning to make use of the exception granted by these amendments and for this reason these changes are not expected to result in any changes for the Bank.

The amendments to IFRS 7 introduce new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and for contractual terms that could alter the amount of contractual cash flows due to contingent events not directly tied to basic lending risks. These amendments are not expected to significantly impact the Bank, as the Bank has no investments in its fair value through other comprehensive income portfolio. Additionally, no contractual terms have been identified within the financial assets that could alter the timing or amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event unrelated to basic lending risks and costs.

The described amendments to IFRS 9 and IFRS 7 apply to annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

Annual Improvements to IFRS Accounting Standards – Volume 11 address several potential confusions arising from inconsistencies in wordings and references between the different IFRS Accounting Standards. Apart from minor amendments, IFRS 9 was amended to require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 and to clarify that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss. These amendments apply to annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. These amendments are not expected to result in any changes for the Bank, as generally no trade receivables falling under that amendment have been identified.

IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024) replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share. IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss. All income and expenses have to be classified info five categories (operating, investing, financing, discontinued operations and income tax) in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in a single note in the financial statements;
- improve aggregation and disaggregation (how to group information in the financial statements).

An entity is required to apply IFRS 18 and all consequential amendments for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. The Bank is still in the process of assessing the impact of IFRS 18 and the related amendments, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash-flows, other disclosures of MPMs and the grouping of financial information. The net profit of the Bank will not change because of adoption of IFRS 18.

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. An entity is required to apply IFRS 19 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 19 will not be applicable to the Bank.

The amendments to IFRS 9 and IFRS 7 clarify how to reflect renewable power purchase agreements (PPAs: contracts referencing nature-dependent electricity in which a company "is exposed to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions", e.g. the weather). The amendments allow a company to apply the own-use exemption to PPAs if the company has been, and expects to be, a net-purchaser of electricity for the contract period. If the own-use exemption doesn't apply, then PPAs are accounted for as derivatives measured at fair value through profit or loss. The hedge accounting requirements in IFRS 9 to permit an entity using a contract for renewable electricity with specified characteristics as a hedging instrument:

- to designate a variable volume forecast electricity transactions as the hedged item if specified criteria are met; and
- to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

The amendments introduce new disclosure requirements for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. These amendments will not be applicable to the Bank.

b) Basis of measurement

These financial statements are prepared on an amortized or historical cost basis except for financial assets recognized on the fair value through profit and loss.

c) Judgments and estimates

In preparing the financial statements, the Management Board has made judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, disclosure of commitments and contingencies at the reporting date, as well as amounts of income and expense for the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and information available at the date of the preparation of the financial statements, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments of management in the implementation of standards which have a risk of significant adjustment in the following year are described in Note 4.

d) Functional and reporting currency

The financial statements are presented in euro ("EUR") which is the Bank's functional and presentational currency. Amounts are rounded to the nearest thousand, unless indicated otherwise.

3. Accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

a) Interest income and expense

Interest income and expenses are recognized in the income statement for all interest-bearing instruments using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank does not consider future credit losses. The calculation includes all fees and percentage points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is recognized depending on the degree of credit risk of a financial instrument and for financial assets classified in Stage 1 and Stage 2 (performing) – when calculating interest income, the EIR is applied to the gross carrying amount of financial assets, and for financial assets allocated to Stage 3 the interest is suspended. Suspended interest represents an already charged interest on an asset for which an individual impairment has been recognized (non-performing). At the time of reclassification into uncollectable receivables, the Bank impairs the full amount of accrued uncovered interest at the expense of the income statement and suspends further calculation in the balance sheet and keeps the suspended interest off-balance until the debtor makes a cash payment.

For purchased or originated credit-impaired financial assets decreased for credit losses – POCIs, the EIR adjusted for credit risk at the amortized cost of the POCI assets is applied in the calculation of interest income.

b) Fee and commission income and expense

Fee and commission income and expense are recognized in the income statement when the related service is provided. Fee and commission income and expense mainly comprise fees receivable for guarantees and letters of credit issued by the Bank on behalf of customers, and fees for domestic and foreign payment transactions.

c) Defined contribution pension plans

The Bank pays contributions to obligatory pension funds on a mandatory contractual basis calculated as percentage of gross salaries. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as staff costs in profit or loss as they accrue.

d) Short term and long term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability for bonus is recognized in the amount expected to be paid under short-term cash bonuses based on the Company's formal plan and when past practice has created a valid expectation by management/key employees that they will receive a bonus as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank also recognized a liability for other employees' benefits in the amount expected to be paid under jubilee awards based on the management decision.

e) Foreign currencies

Transactions in foreign currencies are translated into euro ("EUR") at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are re-measured at each reporting date at the official mid spot foreign exchange rate of the Croatian National Bank ruling on the reporting date or at the Bank's selling rate if the placement is contracted accordingly.

Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated in EUR at the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated. Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of at fair value through other comprehensive income equity instruments, which are recognized in other comprehensive income (refer below).

Changes in the fair value of monetary (debt) securities denominated in or linked to foreign currency classified as asset recognized through fair value in other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences are recognized in income as a part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within financial income or financial expense in the profit or loss. Other changes in the carrying amounts are recognized in other comprehensive income.

Official mid spot exchange rates effective as at 31 December 2024 were:

1.0440 = 1 USD;
0.9435 = 1 CHF.

Official mid spot exchange rates effective as at 31 December 2023 were:

1.1050 = 1 USD;
0.9260 = 1 CHF.

f) Financial instruments

CLASSIFICATION

On initial recognition, financial assets are classified as assets at amortized cost, assets at fair value through other comprehensive income (FVOCI) and assets at fair value through profit and loss (FVTPL)

Financial assets are measured at amortized cost if they meet both of the following conditions and if they are not designated at fair value through profit and loss (FVTPL):

- The purpose of a business model is to hold assets in order to collect contractual cash flows (HTC);
- The contractual terms of a financial asset presume cash flows that are solely principal and interest payments (SPPI), at specific dates.

A debt instrument is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions and if it is not designated at fair value through profit and loss account (FVTPL):

- The purpose of the business model is the holding of assets for the purpose of collecting contractual cash flows and the sale of financial assets (HTC&S); and
- contractual terms of financial assets presume cash flows that are solely principal and interest repayment (SPPI), at specific dates.

In the initial recognition of an investment in equity instruments that are not held for trading, the Bank may irrevocably decide to display subsequent changes in fair value through other comprehensive income. This choice is made on the basis of a particular investment.

All other financial assets are classified as measured at fair value through profit or loss (FVTPL).

In addition, at initial recognition, the Bank may irrevocably designate financial assets at fair value through profit or loss (FVTPL), although it meets the measurement requirements at amortized cost or at fair value through other comprehensive income (FVOCI), if this eliminates or substantially reduces the accounting mismatch that would arise if contrary.

BUSINESS MODEL ASSESSMENT

The Bank determines the objective of the asset's business model because it best represents the way in which assets are managed and the Bank's management is reported. Information considered includes:

- management policies and portfolio objectives and implementation of these policies in practice;
- assessing the performance of the portfolio and reporting to the management of the Bank;
- risks affecting the performance of the business model (and financial assets within that business model) and the risk management strategy; and
- frequency, volume and time of sales in previous periods, reasons for the sale and expectations of future sales activities.

Financial assets held for trading and whose performance is assessed on the basis of fair value are measured at fair value through profit and loss account, as it is not held for the purpose of collecting the contracted cash flows nor for collecting contractual cash flows and for sale. The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Bank in a separate portfolio for long-term yield. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows until maturity. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

ASSESSMENT OF WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PRINCIPAL AND INTEREST PAYMENTS

In order to assess whether contractual cash flows are solely payments of principal and interest, the principal is defined as the fair value of financial assets at initial recognition. Interest is defined as compensation for the time value of money and credit risk associated with the outstanding principal amount over a specified period of time and for other basic risks and costs of lending (eg liquidity risk and administrative costs) and as a profit margin. When assessing whether the contractual cash flows are solely principal and interest payments (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether a financial asset contains a contractual term that could change the time or amount of contractual cash flows so that it would not meet the SPPI requirement. When assessing, the Bank considers:

- potential events that would change the amount and time of cash flows;
- terms of prepayment and extension; and
- features that alter the consideration of the time value of money (eg periodic interest rate reset).

LOANS AND ADVANCES TO CUSTOMERS

The "Loans and advances to customers" caption in the statement of financial position includes loans and advances measured at amortised cost; initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial investments measured at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. These include debt securities.

OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. Other financial liabilities include current accounts and deposits from financial institutions and customers and various payables.

RECLASSIFICATION

Financial assets are not reclassified after initial recognition, except in the period after the change in the financial model for the financial asset management.

If the Bank reclassifies financial assets, it is obliged to apply the reclassification from the date of reclassification. The Bank does not restate previously recognized profit, loss (including profit or loss due to impairment) or interest.

If the Bank reclassifies a financial asset from the category at fair value through other comprehensive income to the category at amortized cost, the financial asset is reclassified at its fair value on the reclassification date. However, cumulative gains or losses previously recognized in other comprehensive income are removed from equity and adjusted to the fair value of the financial asset at the date of reclassification. Consequently, financial assets are measured at the date of reclassification as if they had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not adjusted due to the reclassification.

According to IFRS 9 – B4.4.1, reclassifications are expected to be:

- very infrequent,
- are determined by the entity's senior management,
- result from external or internal changes,
- must be significant to the entity's operations,
- demonstrable to external parties and
- will occur only when an entity either begins or ceases to perform an activity that is significance to its operations.

The Bank performed reclassification of financial assets out of FV through OCI as of 31 of October 2022.

RECOGNITION AND DERECOGNITION

The Bank derecognises a financial asset, such as a loan to customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI (Purchased or originated credit-impaired).

When assessing whether or not to derecognise a loan to a customer, amongst others, apart from quantitative factors, the bank considers the following: change in currency of the loan, introduction of an equity feature, change in counterparty, whether the modification is such that the instrument no longer meets the SPPI criterion.

DERECOGNITION OF FINANCIAL ASSETS OTHER THAN FOR SUBSTANTIAL MODIFICATION

A financial asset (or, a portion thereof or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as “pass-through” arrangements that result in derecognition if the Bank: (i) has no obligation to make payments unless it collects equivalent amounts from the assets, (ii) is prohibited from selling or pledging the assets and (iii) has an obligation to remit any cash it collects from the assets without material delay.

DERECOGNITION OF FINANCIAL LIABILITIES

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. If the terms of a financial liability are significantly modified, the Bank will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions. Realised gains and losses from the disposal of financial instruments are calculated by using the weighted average cost method.

INITIAL AND SUBSEQUENT MEASUREMENT

Financial assets and liabilities are recognized initially at their fair value plus, except from the financial assets at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Bank measures financial assets valued at fair value through other comprehensive income at their fair value. Loans and receivables, investments measured at amortized cost and other financial liabilities are measured at amortized cost.

GAINS AND LOSSES

Gains and losses from a change in the debt instruments at fair value through other comprehensive income are recognized directly in a fair value reserve within equity and are disclosed in the statement of changes in equity and reserves.

Impairment losses, foreign exchange gains and losses, interest income, amortization of premium or discount on an effective-interest-rate basis on monetary assets are recognised in the income statement.

Foreign exchange differences on non-monetary equity instruments classified as assets valued at fair value through other comprehensive income are recognised in other comprehensive income.

Dividend income is recognized in the income statement when the right to receive has been established.

Upon sale or other derecognition of assets valued at fair value through other comprehensive income, any cumulative gains of losses on the instrument are transferred to the income statement. Gains or losses arising from financial assets and financial liabilities carried at amortised cost may also arise, and are included in the income statement when a financial instrument is derecognised or when its value (in the case of assets) is impaired.

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability also reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The Bank recognises the transfer between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Impairment of financial assets

The Bank recognizes loss allowances for "expected credit losses" (hereinafter: ECL) on the following financial instruments that are not measured at fair value through profit or loss (FVTPL):

- debt instruments;
- financial guarantee contracts issued;
- loan commitments issued and
- loans and advances to customers.

The Bank measures impairment losses at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12-month expected credit loss (ECL):

- debt securities for which it was determined to have a low credit risk at the reporting date; and
- other financial instruments for which credit risk has not significantly increased since their initial recognition.

12-month expected credit losses (ECL) are the portion of expected credit loss (ECL) that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month expected credit loss (ECL) is recognized are referred to as "Stage 1 financial instruments"

Life-time expected credit losses (ECL) are the expected credit losses (ECL) that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime expected credit loss (ECL) is recognized but which are not credit-impaired are referred to as

"Stage 2 financial instruments" Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

MEASUREMENT OF ECL

For the calculation of impairment, the Bank has been aligned with Decision on the classification of the exposures into risky groups and the manner on determining credit losses. Based on the CNB Decision, the Bank adopted the Rulebook on the classification of the exposure of the Bank into risk categories defining the rules for assessing the deterioration of credit risk and for determining 12-month and lifetime expected credit losses, factoring in macroeconomic projections reflecting the credit cycle (such as GDP growth rate and unemployment rate). New models had been developed based on statistical segmentation of the portfolio and creation of homogeneous clusters of clients according to their underlying risk.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

CREDIT-IMPAIRED FINANCIAL ASSETS

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness and
- The country's ability to access the capital markets for new debt issuance.

If there is objective evidence that an impairment loss on loans and receivables or financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or in accordance with the percentage prescribed by the CNB in certain eligible circumstances. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For exposures classified as Stage 1, expected credit loss (ECL) is calculated as the product of 12-month probability of default (PD) multiplied with the loss given default (LGD) and the exposure at default (EAD).

For exposures classified as Stage 2, lifetime expected credit loss (ECL) is calculated as the product of the corresponding multi-annual probability of default (i.e. the corresponding PD for the remaining years of loan repayment) multiplied by the loss given default (LGD) and the exposure at default (EAD).

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

When a loan is uncollectible, it is written off against the related impairment allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognized as reversals of impairment losses in the income statement.

When possible, the Bank implements loan restructuring rather than initiate enforcement action. This may include the extension of repayment period and other changes in credit conditions. After changing conditions, any further impairment calculation is made with the original effective interest rate applicable prior to changing conditions. The management continuously monitors restructured loans with regards to the fulfilment of the new conditions and security of future payments. These loans are subject to further regular testing of impairment on an individual or group basis (if they are not individually assessed as impaired or if they belong to the portfolio of collectively provisioned loans) using the original effective interest rate.

h) Specific financial instruments

PLACEMENTS WITH OTHER BANKS

Placements with other banks are classified as loans and receivables and are carried at amortised cost less any impairment losses.

LOANS TO CUSTOMERS

Loans and advances are presented net of impairment allowances to reflect the estimated recoverable amounts.

CURRENT ACCOUNTS AND DEPOSITS FROM BANKS AND CUSTOMERS

Current accounts and deposits from banks and customers are classified as other liabilities and stated at amortised cost.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

i) Property and equipment

Property and equipment are held for use in the supply of services or administrative purposes.

Items of property and equipment are shown at cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The Bank capitalizes the cost of replacing part of such an item when it is probable that future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other expenditures on repairs and maintenance are expensed as incurred.

Depreciation is calculated on a straight-line basis to write down the cost of such assets to their residual values over their estimated useful life. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

	2024 years	2023 years
Buildings	10-50	10-50
Electronic equipment and computers	4-5	4-5
Other equipment	2-10	2-10
Furniture and vehicles	4-6	4-6

The residual value of assets, depreciation method and useful lives are reviewed and adjusted, if necessary, at each reporting date. The net carrying value of an asset is immediately impaired to the recoverable amount if the carrying value of the asset is higher than the estimated recoverable amount. Gains and losses from sale are measured as the difference between the collected amount and the net carrying value, and recognised in the income statement.

j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight- line basis to write down the cost of assets to their residual values over their estimated useful life.

The estimated useful lives are as follows:

	2024 years	2023 years
Software and licences	4-5	4-5
Leasehold improvements	up to 5	up to 5

Leasehold improvements are amortised over the shorter of the life of the lease or 5 years. Costs incurred in order to enhance or extend the benefits of computer software programmes beyond their original specifications and lives which can be measured reliably are capitalised to the original cost of the software. All other maintenance is expensed as incurred.

k) Impairment of non-financial assets

The recoverable amount of non-financial assets, other than deferred tax assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest groups of assets that generate separately identifiable cash inflows (cash-generating units).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

l) Foreclosed assets

Foreclosed assets are stated at lower of the net recoverable value of property and the value of the related receivables. The carrying value of these assets approximates their market value.

m) Leases

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (5.000$) and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Bank elected the option to recognize the costs for short-term leases (less than 12 months) and low-value leases on a straight-line basis in the amount of lease payments.

RIGHT-OF-USE ASSETS

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold 5 to 10 years
- Motor vehicles and other equipment 2 to 5 years

The right-of-use assets are presented within Note 16b.

LEASE LIABILITIES

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

n) Provisions for liabilities and charges

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

The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

o) Off-balance-sheet commitments and contingent liabilities

In the ordinary course of business, the Bank enters into credit-related commitments which are recorded in off-balance sheet accounts, such as guarantees, commitments to extend credit and letters of credit and undrawn loan commitments. 'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. The Bank has issued no loan commitments that are measured at FVTPL. Liabilities arising from financial guarantees and loan commitments are included within provisions.

p) Income tax

The income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income/equity, in which case it is recognised in other comprehensive income/equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred taxes are calculated by using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the period in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each reporting date, the Bank reassesses unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets.

r) Ordinary share capital and reserves

Ordinary share capital is denominated in EUR at its nominal value. The amounts paid for repurchase of ordinary share capital, including direct costs, are recognised as a decrease in equity and classified as treasury shares.

s) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less.

t) Treasury shares

Acquisition of treasury shares is conducted in cases envisaged by the Companies Act, in order to eliminate contingent losses. Redeemed treasury shares are recognised at acquisition cost. Any positive difference created by the sale of treasury shares at a price higher than the acquisition cost is recognised as a capital gain, and any negative difference generated below the cost of acquisition is recognised as a capital loss.

4. Significant accounting estimates and judgments

Accounting estimates and judgments

The Bank makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. The estimation of impairment losses in the Bank's credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Significant judgments made in determining the most appropriate methodology for estimating the fair value of financial instruments carried at fair value are also described below.

CLASSIFICATION OF EXPOSURES IN RISK CATEGORIES AND DETERMINATION OF IMPAIRMENT LOSSES

The Bank shall classify portfolio in risk categories according to the credit risk in accordance with IFRS 9 for the following types of instruments:

- Financial assets carried at amortized costs,
- Financial assets carried at fair value through other comprehensive income except for equity instruments and
- Loan commitments and financial guarantees.

Throughout the whole contract period the Bank observes and estimates customers' creditworthiness and classifies it into risk categories based on all three indicators:

i. Customer's creditworthiness;
ii. Customer's ability to meet the obligations towards the Bank;
iii. Collaterals quality per each exposure.

Risk categories "A-1" and "A-2"

Classification for risk category A (performing exposures) is only for those customers who are not in the status of default. Risk category A has following risk subcategories:

i. A-1 (Stage 1) if after the initial recognition of customers' exposure credit risk has not increased significantly;
ii. A-2 (Stage 2) if after the initial recognition of customers' exposure credit risk has increased significantly

The Bank has taken the orderliness of the debtor in settling due obligations as a mandatory indicator; if the debtor is late for paying its due exposures to the Bank for longer than 30 days, but still within the deadlines not exceeding 90 days, the Bank shall classify it to the risk subcategory A-2. Additional indicators are used for the requirements of determining the significantly increased credit risk:

i. The debtor has been assigned WL2 monitoring status.
ii. Deterioration of the internal and external credit rating/quality.

For exposures classified as A-1 (stage 1), expected credit loss (ECL) is calculated as the product of 12-month probability of default (PD) multiplied with the loss given default (LGD) and the exposure at default (EAD). For exposures classified as A-2 (stage 2), lifetime expected credit loss (ECL) is calculated as the product of the corresponding multi-annual probability of default (i.e. the corresponding PD for the remaining years of loan repayment) multiplied by the loss given default (LGD) and the exposure at default (EAD).

The calculation of PD is based on statistical segmentation of the portfolio and creation of homogeneous clusters of clients according to their underlying credit risk. The segments in question are Retail and Corporate/SME. The structure of the models and the overall modelling process is largely similar for both segments. The segmentation is divided depending on the debtors internal rating, level of income, industry, product and collateral.

T

he model consists of two parts. The first part entails modelling PD values, while the second parts consists of modelling the FLI adjustments for the PD values.

The first part consists of several steps. The first step for both segments is the creation of homogeneous clusters according to their underlying risk. This clustering is conducted based on a set of predefined variables. Those variables are then sliced into bins and each variable is judged for its predictivity. If the variable's predictivity is high enough, the variable enters the final model. Once all the predictive variables are isolated, clusters are determined based on those variables and their respective binning.

The next step is estimation of Through the Cycle (TtC) PD values. For the Retail segment, TtC PD values have been estimated as the long-term average default rates. Due to the low number of observations, and especially defaults in the Corporate/SME segment, a Bayesian model was used. Lifetime PD should reflect all relevant factors that affect this probability, i.e. in addition to including historical data based on PD and DR (default rate) statistics, it is necessary to include macroeconomic forecasts in the future period, all with the aim of making ECL projections as realistic as possible.

In order to introduce the concept of forward looking information (FLI), the Bank converts the calculated PD from TTC (Through-the-Cycle) to PIT PD (Point-in-Time). This is done by introducing macroeconomic variables. The Bank used available data sources at the time of initial model development to project the values of macroeconomic variables for the next three years. The bank chose three scenarios and assigned the probability of occurrence to the basic scenario 50%, the pessimistic one 45%, and the optimistic one 5%. If significantly changed circumstances occur, it is necessary to recalibrate the FLI assessment, i.e. the value of the macroeconomic variables and/or the probability of the scenario occurring, without delay.

The adequacy of all estimates for PD parameters is evaluated by the Bank at least once a year when the bank's management board decides whether the existing models best reflect the credit risk of the portfolio or whether the models need to be updated. Below are shown scenarios and macroeconomic variables that were used to test the estimates of PD parameters, and the ones that were used in the actual PD models and that were in implementation as of 31 December 2024.

Scenarios and macroeconomic variables used in PD models as of 31 December 2024 are presented below:

Scenario	Scenario - weight	Macro variable	2024	2025	2026	2027
optimistic	5%	gdp_yoy	2.8%	3.6%	3.2%	3.1%
		unemployment	6.1pp	5.8pp	5.5pp	5.3pp
baseline	50%	gdp_yoy	2.8%	3.2%	2.8%	2.7%
		unemployment	6.1pp	6.0pp	5.7pp	5.5pp
pessimistic	45%	gdp_yoy	2.8%	-2.3%	0.0%	0.7%
		unemployment	6.1pp	8.1pp	6.6pp	6.7pp

Below is a sensitivity analysis if there is a change in the assumptions in the scenario:

		2025	2026	2027
Optimistic scenario	GDP growth	3.60%	3.20%	3.10%
	Unemployment rate	5.8pp	5.5pp	5.3pp
Pessimistic scenario	GDP growth	-2.30%	0.00%	0.70%
	Unemployment rate	8.1pp	6.6pp	6.7pp

In case the bank implemented two above shown scenarios in forward looking element within PD models, the effect on provisions would be shown as in the table below:

	Total		Retail		Legal Entities	
	Relative change of provisions	Absolute change of provisions (in ths EUR)	Relative change of provisions	Absolute change of provisions (in ths EUR)	Relative change of provisions	Absolute change of provisions (in ths EUR)
Optimistic scenario	-8.39%	-351	-7.81%	-74	-8.56%	-277
Pessimistic scenario	8.73%	365	7.65%	72	9.05%	293

Bearing in mind the complexity of the IFRS 9 standard in terms of LGD model development on the one hand, as well as the size of the Bank, the relatively simple portfolio structure and a small number of data on the other hand, the Bank uses the LGD parameters defined by the Basel Framework. In accordance with its estimate of LGD parameters, the Bank adds a conservative factor of 5 pp.

The values of LGD parameters used by the Bank are as follows:

- Retail collateralized - 40%
- Retail uncollateralized - 80%
- Legal entities - 50%
- Banks - 45%
- Sovereigns - 45%
- Loans secured with a special-purpose deposit - 15%, and those fully secured by deposit – 0%

The exposure at default (EAD) is gross book value of exposure at the reporting date, with the Credit Conversion Factor (CCF) of 20% and 50% for guarantees (in line with Regulation 575/2013). The Bank performed analysis of called payments under guarantees during previous ten years, and the amount that converted from off-balance sheet items to balance sheet items is significantly less than implemented CCFs.

CLASSIFICATION IN RISK CATEGORIES IN LINE WITH REGULATORY REQUIREMENTS

Risk groups "B" and "C"

Exposure to the customers classified as in default are classified in risk subcategory B-1 or worse and appropriate impairment is recognized. Impairment according to the risk subcategory B-1 must be at least 2%.

Exceptionally, the Bank may estimate that impairment of exposure to a customer in the status of default in risk subgroup B-1 is less than 2%, but the Bank shall take into account the likelihood or probability of credit loss in a way that reflects the probability of the credit loss and likelihood of a lack of credit loss, even if the likelihood of credit loss is very small.

Risk category B – partly recoverable exposure which are classified into three subcategories, depending on the percentage of the impairment losses recognized in relation to the nominal carrying amount:

B1 – when the level of impairment and provisions does not exceed 30% of the exposure amount;
B2 – when the level of impairment and provisions amounts to more than 30% (minimum 30.01%) and not more than 70% of the exposure amount;
B3 – when the level of impairment and provisions is more than 70% (minimum 70.01%) and less than 100% of the exposure amount.

The Bank classifies its exposures into two groups: small loan portfolio (group of related exposures below 66 thousand EUR) and individually significant exposures (group of related exposures exceeding 66 thousand EUR). Impairment of small loan portfolio is assessed for impairment on collectively basis.

In accordance with Decision on the classification of the exposures into risk categories and the method of determining credit losses (Official Gazette 114/2017,110/2018) the Bank is assessing credit risk or recovery of placements on a small loan portfolio basis and act in accordance with the criteria of days-past due buckets applicable to partially recoverable placements on an individual basis.

CLASSIFICATION AND IMPAIRMENT LEVELS FOR SMALL LOAN PORTFOLIO

Risk group	Impairment	Number of days
B 1	10%	91-120
B 1	20%	121-180
B 2	30%	181-210
B 2	40%	211-230
B 2	50%	231-250
B 2	60%	251-270
B 3	70%	271-300
B 3	80%	301-330
B 3	90%	331-365
C	100%	More than 365

The level of impairment of individually significant exposures classified into risk categories B and C is determined as a probability weighted difference between the gross carrying amount of an individual exposure and the present value of estimated debtor's future cash flows discounted by applying the effective interest rate.

The Management Board believes that both individual and collective impairment losses and provisions are sufficient.

LEGAL CASES

The Bank performs a risk classification of lawsuits taking into consideration the following principles: legal grounds of the claim; prior legal practice; opinions of relevant outsourced attorneys and other independent legal or other experts.

Lawsuits are classified into two groups: where the Bank expects a fully successful outcome and where the Bank expects to lose the case.

The Management Board believes that the provisions for legal cases are sufficient at the reporting date.

TAXATION

The Bank provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of a taxpayer's records.

FAIR VALUE HIERARCHY

Fair value hierarchy is presented in Note 32.

5. Interest income and similar income

a) Interest income analyzed by product:

	2024 EUR 000	2023 EUR 000
Interest income calculated using the effective interest method		
Interest income from loans to and receivables from customers	20,704	15,442
Interest income from financial investments at amortized cost	5,838	4,534
Interest income from deposits	5,781	4,528
	32,323	**24,504**
Other interest income	442	49
Interest income from financial investments held for trading	442	49
TOTAL	**32,765**	**24,553**

b) Interest income analyzed by sectors:

	2024 EUR 000	2023 EUR 000
Companies	13,776	8,770
Financial institutions	7,197	5,597
Individuals (retail)	6,800	6,511
Central government and local authorities	4,988	3,673
Other	4	2
TOTAL	**32,765**	**24,553**

6. Interest expense and similar charges

a) Interest expense analyzed by product:

	2024 EUR 000	2023 EUR 000
Interest expense from term deposits	9,468	4,130
Interest expense from demand deposits	333	44
Interest expense from borrowings	858	826
Other	33	31
TOTAL	**10,692**	**5,031**

b) Interest expense analyzed by sector:

	2024 EUR 000	2023 EUR 000
Interest expense to individuals (retail)	4,458	1,866
Interest expense to financial institutions	2,337	1,590
Interest expense to companies	2,120	759
Interest expense to non-residents	1,407	784
Other	370	32
TOTAL	**10,692**	**5,031**

7. Impairment losses and provisions

a) Impairment losses and provisions

				2024 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment of loans to and receivables from customers (Note 15c)	155	601	(903)	(147)
Impairment of placements with other banks (Note 14a)	32	–	–	32
Impairment of other assets (Note 18a)	–	1	(44)	(43)
Impairment of financial investments at amortized cost (Note 13a)	(264)	27	–	(237)
Provisions for off-balance-sheet exposure to credit risk (Note 20b)	(113)	12	158	57
Other impairment	–	–	–	–
TOTAL	**(190)**	**641**	**(789)**	**(339)**

				2023 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment of loans to and receivables from customers (Note 15c)	121	621	(1.044)	(302)
Impairment of placements with other banks (Note 14a)	(35)	–	–	(35)
Impairment of other assets (Note 18a)	–	1	(35)	(34)
Impairment of financial investments at amortized cost (Note 13a)	(15)	37	–	(22)
Provisions for off-balance-sheet exposure to credit risk (Note 20b)	(26)	44	(4)	14
Other impairment	(60)	–	–	(60)
TOTAL	**(430)**	**300**	**(335)**	**(395)**

b) provisions for court cases

	2024 EUR 000	2023 EUR 000
	Ukupno	Ukupno
Provisions for court cases (Note 20a)	(50)	(41)
TOTAL	**(50)**	**(41)**

8. Fee and commission income and expense

a) Fee and commission income

	2024 EUR 000	2023 EUR 000
Letter of credit and guarantee fees	3,473	2,763
Payment transaction fees	3,211	2,245
Other banking services	406	292
TOTAL	**7,090**	**5,300**

b) Fee and commission expenses

	2024 EUR 000	2023 EUR 000
Payment transaction	339	317
Card business	237	257
Domestic banks	174	184
Domestic clients	14	12
Croatian National Bank	4	4
TOTAL	**768**	**774**

9a. Net gains on derecognition of financial assets measured through FVTPL

	2024 EUR 000	2023 EUR 000
Domestic sovereign bonds	26	-
Domestic corporate bonds	29	-
Foreign sovereign bonds	233	12
TOTAL	**288**	**12**

9b. Net gains from translation of monetary assets and liabilities and foreign exchange spot trading

	2024 EUR 000	2023 EUR 000
Net gains/(losses) from translation of monetary assets and liabilities		
- items denominated in foreign currency	64	(121)
- items linked to foreign currency	2	(2)
Net gain from foreign exchange spot trading	536	821
TOTAL	**602**	**698**

9.c Ostali prihodi

	2024 EUR 000	2023 EUR 000
Income from invoiced notaries expenses	18	20
Net gain/(loss) from sale of assets	(6)	-
Income from operating lease	1	2
Other	63	21
TOTAL	**76**	**43**

10. Staff costs and other administrative expenses

a) Staff costs

	2024 EUR 000	2023 EUR 000
- Net salaries to employees	5,543	5,150
- Contributions, taxes and surtaxes from salaries	2,568	2,433
- Contributions on salaries	1,253	1,179
- Other	1.062	829
TOTAL	**10,426**	**9,591**

Staff costs include EUR 1,536 thousand (2023: EUR 1,453 thousand) of defined pension contributions payable into obligatory pension plans.

During 2024, average number of employees was 264 (2023: 258).

b) Other administrative expenses

	2024 EUR 000	2023 EUR 000
Maintenance expenses	1,028	856
Other services	893	1,085
Intellectual services	664	421
Material costs and similar charges	301	320
Mail and phone expenditure	258	204
Marketing and advertisement expenditure	240	354
Rent expenses	194	182
Insurance and protection expenses	148	157
Costs of deposit insurance	-	167
Other expenditure	1,014	970
TOTAL	**4,740**	**4,716**

In 2024. audit services amounted to EUR 151 thousand (2023: EUR 104 thousand) and refer to the audit of annual report, audit of semi-annual report and other consulting services. Audit fee for 2024 amounts to EUR 66 thousand (2023: EUR 63 thousand).

11. Income tax

	2024 EUR 000	2023 EUR 000
Current income tax expense	2,006	1,751
Deferred income tax credit	173	(277)
Total Income tax expense	**2,179**	**1,474**
Accounting profit before tax	**11,736**	**8,079**
Income tax at 18% (2023: 18%)	2.112	1.454
Non-deductible expenses	254	126
Non-taxable income	(187)	(106)
Income tax for the year	**2,179**	**1,474**
Income tax expense recognised in profit or loss	**2,179**	**1,474**
Effective income tax rate	**19%**	**18%**

a) changes in Deferred tax asset

The Bank started recognizing deferred tax asset in 2023.

			2024 EUR 000
	Opening balance 1 January	**Recognised in profit or loss**	**Closing balance 31 December**
FVTPL financial assets	(4)	1	(3)
Deferred fees	(237)	190	(47)
Accrued expenses	(36)	(18)	(54)
TOTAL	**(277)**	**173**	**(104)**

			2023 EUR 000
	Opening balance 1 January	**Recognised in profit or loss**	**Closing balance 31 December**
FVTPL financial assets	-	(4)	**(4)**
Deferred fees	-	(237)	**(237)**
Accrued expenses	-	(36)	(36)
TOTAL	-	**(277)**	**(277)**

12. Cash and cash equivalents

	31 December 2024 EUR 000			31 December 2023 EUR 000		
	EUR	Foreign currency	Total	EUR	Foreign currency	Total
Current accounts with the CNB	4,740	-	4,740	5,002	196	5,198
Current accounts with other banks	1,946	13,447	15,393	388	776	1,164
Cash in hand	4,499	115	4,614	13,112	415	13,527
ECL allowance	-	-	-	-	-	-
TOTAL	**11,185**	**13,562**	**24,747**	**18,502**	**1,387**	**19,889**

In 2024, the Bank placed all surplus in liquidity (EUR 230 million) in an overnight deposit with the CNB (2023: EUR 212 million).

13. Financial investments

a) Financial investments at amortised cost

	31 December 2024 EUR 000	31 December 2023 EUR 000
Domestic sovereign bonds	51,431	38,341
Foreign sovereign bonds	99,410	68,962
Foreign corporate bonds	5,568	8,010
Domestic sovereign T-bill	-	1,977
Factoring – receivables from companies	375	590
Factoring – receivables from state and local authorities	12	63
Forfaiting – financial institutions	11,348	-
Bills of exchange – companies	8,532	1,729
ECL allowance	(530)	(285)
TOTAL	**176,146**	**119,378**

In 2022, the Bank reassessed the business model of managing the securities portfolio and came to the conclusion that there had been a change in the business model. The aforementioned changes were mainly driven by Croatia's entry into the Eurozone in 2023, regulatory changes, but also changes in the organizational structure of the Bank, including changes to the planning, monitoring and organization of the Treasury. Taking into account that the EURO becomes the local currency, which already in 2022 has resulted in the easing of monetary policy (with a reduction in the ratio of required reserves of the Croatian National Bank), easier management of the foreign exchange position and greater access to ECB financing, which overall reduces the need to dispose of securities for liquidity management Banks except in stressful situations.

Taking into account the aforementioned reasons, at 31.10.2022, the Bank moved all securities from the HTC&S portfolio to the HTC portfolio. The aforementioned decision was considered in the context of meeting the criteria for changing the business model in accordance with the requirements of IFRS 9. The securities were reclassified at their fair value adjusted for the amount in the reserve recognized in equity, and as a result the value of the bonds was changed prospectively as if they were always measured at amortized cost.

If the reclassification process was not performed as of 31.10.2022, total FV of HTC&S portfolio and amounts recognized in OCI would have been:

	31 Dec 2022	31 Dec 2023	31 Dec 2024
FV	60,491	49,585	38,835
OSD	(4,019)	(2,080)	(864)

Movement in impairment allowance against financial investments at amortised cost:

	2024 EUR 000	2023 EUR 000
Balance at 1 January	**285**	**281**
Charge (release) for the year (Note 7)	237	(22)
Write off	8	26
Balance at 31 December	**530**	**285**

b) Financial investments held for trading

	31 December 2024 EUR 000	31 December 2023 EUR 000
Foreign sovereign bonds	9,985	4,341
TOTAL	**9,985**	**4,341**

14. Placements with other banks

	31 December 2024 EUR 000	31 December 2023 EUR 000
Placements with other domestic banks - in EUR	231,188	224,085
Placements with other domestic banks - in foreign currency with original maturity up to 3 months	-	466
Placements with other domestic banks - in foreign currency with original maturity over 3 months	-	9,867
ECL allowance	(12)	(46)
TOTAL	**231,176**	**234,372**

a) Movement in impairment allowance against placements with other banks in EUR:

	2024 EUR 000	2023 EUR 000
Balance at 1 January	(46)	(1.361)
Release/(Charge) recognized in profit or loss (note 7)	(32)	(35)
Write off	2	1.350
Balance at 31 December	**(12)**	**(46)**

15. Loans to and receivables from customers

a) Analysis according to types of loans

	31 December 2024 EUR 000	31 December 2023 EUR 000
Short-term loans:		
Companies	41,553	23,533
Retail customers	2,868	5,290
Other customers	5,854	19,858
Total short-term loans	**50,275**	**48,681**
Long-term loans:		
Companies	162,689	136,258
Retail customers	147,425	152,774
Other customers	17,423	7,728
Total long-term loans	**327,537**	**296,760**
Total short-term and long-term loans	**377,812**	**345,441**
Impairment allowance	(7,556)	(7,425)
TOTAL	**370,256**	**338,016**

The classification above is based on original contractual maturity, while the remaining contractual maturities are analysed in Note 28.

b) Loans by industry/product

	31 December 2024 EUR 000	31 December 2023 EUR 000
Services	77,365	52,629
Manufacturing	58,381	46,584
Trade	14,869	13,279
Construction	40,851	24,618
Tourism	12,427	12,836
Agriculture	9,264	12,275
Other	5,179	19,335
Gross corporate	**218,336**	**181,556**
Cash loans	52,833	58,765
Housing loans	55,191	58,229
Tourist loans	13,953	12,937
Overdraft	802	852
Mortgage loans	250	417
Credit card receivables	665	691
Other	26,533	26,178
Retail gross	**150,227**	**158,069**
Other gross	**9,249**	**5,816**
Total gross	**377,812**	**345,441**
Impairment allowance	(7,556)	(7,425)
TOTAL	**370,256**	**338,016**

c) Impairment allowance for loans and receivables from customers

				2024 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2024	**314,105**	**25,772**	**5,564**	**345,441**
New assets originated or purchased	129,475	6,381	31	135,887
Assets derecognised or repaid (excluding write offs)	(67,990)	(6,174)	(505)	(74,669)
Transfers to Stage 1	7,857	(7,857)	–	–
Transfers to Stage 2	(10,996)	11,177	(180)	1
Transfers to Stage 3	(4,732)	(1,922)	6,654	–
Collection	(25,549)	(2,763)	(439)	(28,751)
Amounts written off	–	–	(97)	(97)
Foreign exchange adjustments	–	–	–	–
At 31 December 2024	**342,170**	**24,614**	**11,028**	**377,812**

				2023 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	**283,667**	**16,847**	**13,022**	**313,536**
New assets originated or purchased	117,187	669	245	118,101
Assets derecognised or repaid (excluding write offs)	(48,277)	(1,701)	(3,772)	(53,750)
Transfers to Stage 1	(14,907)	13,846	1,061	–
Transfers to Stage 2	2,501	(2,648)	147	–
Transfers to Stage 3	–	809	(809)	–
Collection	(26,066)	(2,050)	(631)	(28,747)
Amounts written off	–	–	(3,699)	(3,699)
Foreign exchange adjustments	–	–	–	–
At 31 December 2023	**314,105**	**25,772**	**5,564**	**345,441**

				2024 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2024	**2,301**	**1,352**	**3,772**	**7,425**
New assets originated or purchased	980	91	4	1,075
Assets derecognised or repaid (excluding write offs)	(664)	(168)	(345)	(1,177)
Transfers to Stage 1	1,408	(322)	(1,086)	–
Transfers to Stage 2	(66)	337	(271)	–
Transfers to Stage 3	–	(18)	18	–
Net Increase / (Reversal) of provisions	(1,813)	(521)	2,583	249
Amounts written off	–	–	(16)	(16)
Foreign exchange adjustments	–	–	–	–
At 31 December 2024	**2,146**	**751**	**4,659**	**7,556**

				2023 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	2,180	731	8,359	11,270
New assets originated or purchased	947	24	62	1,033
Assets derecognised or repaid (excluding write offs)	(386)	(37)	(7,545)	(7,968)
Transfers to Stage 1	1,009	(800)	(209)	-
Transfers to Stage 2	(17)	75	(58)	-
Transfers to Stage 3	-	(60)	60	-
Net Increase / (Reversal) of provisions	(1,432)	1,419	6,645	6,632
Amounts written off	-	-	(3,542)	(3,542)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**2,301**	**1,352**	**3,772**	**7,425**

Net impairment charge for loans to and receivables from customers is included in the analysis within Note 7 Impairment losses and provisions and is recognized in profit or loss.

16. Property, plant and equipment and intangible assets

a) Movement in property, plant and equipment in thousand EUR

	Land	**Buildings**	**Equipment**	**Furniture and vehicles**	**Assets under construction**	**Total**
Cost						
Balance as at 1 January 2024	**1**	**5,596**	**2,922**	**1,232**	-	**9,751**
Additions	-	11	522	87	86	706
Transfer	-	-	-	-	-	-
Write-off and disposals	-	-	(141)	(33)	-	(174)
Balance as at 31 December 2024	**1**	**5,607**	**3,303**	**1,286**	**86**	**10,283**
Depreciation						
Balance as at 1 January 2024	-	**1,493**	**2,089**	**566**	-	**4,148**
Charge for the year	-	148	336	159	-	643
Write-off and disposals	-	-	(141)	(33)	-	(174)
Balance as at 31 December 2024	-	**1,641**	**2,284**	**692**	-	**4,617**
Net carrying amount 1 January 2024	**1**	**4,103**	**833**	**666**	-	**5,603**
Net carrying amount 31 December 2024	**1**	**3,966**	**1,019**	**594**	**86**	**5,666**

	Land	Buildings	Equipment	Furniture and vehicles	Assets under construction	Total
Cost						
Balance as at 1 January 2023	**1**	**5,620**	**2,644**	**904**	**81**	**9,250**
Additions	–	10	176	126	223	535
Transfer	–	–	102	202	(304)	–
Write-off and disposals	–	(34)	–	–	–	(34)
Balance as at 31 December 2023	**1**	**5,596**	**2,922**	**1,232**	**–**	**9,751**
Depreciation						
Balance as at 1 January 2023	**–**	**1,345**	**1,758**	**449**	**–**	**3,552**
Charge for the year	–	152	331	117	–	600
Write-off and disposals	–	(4)	–	–	–	(4)
Balance as at 31 December 2023	**–**	**1,493**	**2,089**	**566**	**–**	**4,148**
Net carrying amount 1 January 2023	**1**	**4,275**	**886**	**455**	**81**	**5,698**
Net carrying amount 31 December 2023	**1**	**4,103**	**833**	**666**	**–**	**5,603**

b) Movement in right-of-use assets
thousand EUR

	Buildings	Motor vehicles	Total
Cost			
Balance as at 1 January 2024	4,293	396	4,689
Additions	157	–	157
Disposal	(192)	(10)	(202)
Balance as at 31 December 2024	**4,258**	**386**	**4,644**
Depreciation			
Balance as at 1 January 2024	**1,922**	**131**	**2,053**
Charge for the year	723	74	797
Disposal	(132)	(4)	(136)
Balance 31 December 2024	**2,513**	**201**	**2,714**
Net carrying amount 1 January 2024	**2,371**	**265**	**2,636**
Net carrying amount 31 December 2024	**1,745**	**185**	**1,930**

	Buildings	Motor vehicles	Total
Cost			
Balance at 1 January 2023	4,225	310	4,535
Additions	959	86	1,045
Disposal	(912)	-	(912)
Balance 31 December 2023	**4,272**	**396**	**4,668**
Depreciation			
Balance as at 1 January 2023	1,868	112	1,980
Charge for the year	707	67	774
Disposal	(674)	(48)	(722)
Balance 31 December 2023	**1,901**	**131**	**2,032**
Net carrying amount 1 January 2023	**2,357**	**198**	**2,555**
Net carrying amount 31 December 2023	**2,371**	**265**	**2,636**

c) Movement in intangible assets
in thousand EUR

	Leasehold improvements	Software	Assets under construction	Total
Cost				
Balance as at 1 January 2024	2,370	2,655	192	5,217
Additions	8	286	923	1,277
Transfer	9	51	(59)	-
Write off	(162)	-	-	(162)
Balance as at 31 December 2024	**2,225**	**2,992**	**1,056**	**6,273**
Amortisation				
Balance as at 1 January 2024	1,355	1,772	-	3,127
Charge for the year	271	359	-	630
Write off	(162)	-	-	(162)
Balance as at 31 December 2024	**1,464**	**2,131**	-	**3,595**
Net carrying amount 1 January 2024	**1,015**	**883**	**192**	**2,090**
Net carrying amount 31 December 2024	**761**	**861**	**1,056**	**2,678**

Assets in preparation is related to Core system improvements and investment into new business application for managing the financing process.

	Leasehold improvements	Software	Assets under construction	Total
Cost				
Balance as at 1 January 2023	1,662	2,465	291	4,418
Additions	708	85	6	799
Transfer		105	(105)	–
Write off	–	–	–	–
Balance as at 31 December 2023	**2,370**	**2,655**	**192**	**5,217**
Amortisation				
Balance as at 1 January 2023	1,172	1,350	–	2,522
Charge for the year	183	422	–	605
Write off	–	–	–	–
Balance as at 31 December 2023	**1,355**	**1,772**	–	**3,127**
Net carrying amount 1 January 2023	**490**	**1,115**	**291**	**1,896**
Net carrying amount 31 December 2023	**1,015**	**883**	**192**	**2,090**

17. Foreclosed assets

	31 December 2024 EUR 000	31 December 2023 EUR 000
Properties acquired in exchange for uncollectible receivables	81	86
TOTAL	**81**	**86**

The book value of the foreclosed assets approximates the fair value of these assets.

18. Other assets

	31 December 2024 EUR 000	31 December 2023 EUR 000
Receivables for fees and commissions	674	629
Prepaid expenses	278	409
Receivables for advances	96	71
Receivables from customers	10	18
Other receivables	285	232
Impairment allowance	(134)	(94)
TOTAL	**1,209**	**1,265**

a) Movement in impairment allowance against other assets

	2024 EUR 000	2023 EUR 000
Balance at 1 January	**94**	**171**
Charge	60	45
Reversal	(17)	(11)
Net charge recognized in profit or loss (Note 7)	43	34
Write off	(3)	(111)
Balance at 31 December	**134**	**94**

19. Current accounts and deposits and interest-bearing borrowings

a) Current accounts and deposits from banks and financial institutions

EUR 000

			31 December 2024			31 December 2023
	EUR	Foreign currency	**Total**	EUR	Foreign currency	**Total**
Current accounts	7,941	7	**7,948**	2,776	1,812	**4,588**
Term deposits	39,098	-	**39,098**	26,392	1,150	**27,542**
TOTAL	**47,039**	**7**	**47,046**	**29,168**	**2,962**	**32,130**

b) Current accounts and deposits from customers

ba) Current accounts from customers

EUR 000

			31 December 2024			31 December 2023
	EUR	Foreign currency	**Total**	EUR	U stranoj valuti	**Total**
Corporate	120,337	4,268	**124,605**	126,054	1,558	**127,612**
Retail	87,372	6,159	**93,531**	58,469	5,530	**63,999**
State and other institutions	2,092	-	**2,092**	10,289	-	**10,289**
Total current accounts	209,801	10,427	**220,228**	194,812	7,088	**201,900**

bb) Term deposits from customers

						EUR 000
			31 December 2024			31 December 2023
	EUR	Foreign currency	**Total**	EUR	Foreign currency	**Total**
Retail	203,416	22,912	**226,328**	217,633	16,467	**234,100**
Corporate	62,230	1,921	**64,151**	67,976	–	**67,976**
State and other institutions	3,602	–	**3,602**	998	–	**998**
Total term deposits	269,248	24,833	**294,081**	286,607	16,467	**303,074**

bc) Total current accounts and term deposits from customers

						EUR 000
			31 December 2024			31 December 2023
	EUR	Foreign currency	**Total**	EUR	Foreign currency	**Total**
Retail	290,788	29,071	**319,859**	276,102	21,997	**298,099**
Corporate	182,567	6,189	**188,756**	194,030	1,558	**195,588**
State and other institutions	5,694	–	**5,694**	11,287	–	**11,287**
TOTAL	479,049	35,260	**514,309**	481,419	23,555	**504,974**

c) Interest-bearing borrowings

	31 December 2024 EUR 000	31 December 2023 EUR 000
Repo loan	122,995	82,574
Borrowings from Croatian Bank for Reconstruction and Development	27,580	22,567
TOTAL	**150,575**	**105,141**

Repo loans with original maturity up to 1 year are contracted with interest rate 0.25%-3.35%. Domestic and foreign sovereign bonds are used as collateral.

d) Net cash from financing activities

	1 January 2024	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2024
Short-term loans	(104,776)	6,990	–	–	–	(97,786)
Long-term loans	(364)	(52,425)	–	–	–	(52,789)
Lease liabilities	(2,700)	(845)		–	1,535	(2,010)
Total liabilities	**(107,840)**	**(46,280)**	–	–	**1,535**	**(152,585)**

	1 January 2023	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2023
Short-term loans	(35,608)	(69,168)	-	-	-	(104,776)
Long-term loans	(169)	(195)	-	-	-	(364)
Lease liabilities	(2,622)	(836)	-	-	758	(2,700)
Total liabilities	**(38,399)**	**(70,200)**	-	-	**758**	**(107,840)**

20. Provisions for liabilities and charges

	31 December 2024 EUR 000	31 December 2023 EUR 000
Provisions for off-balance-sheet exposure to credit risk (Note 25)	819	875
Provisions for legal cases initiated against the Bank	92	42
Other provisions	60	60
TOTAL	**971**	**977**

Movements in provisions are included in the analysis in Note 7 Impairment losses and provisions and are recognized in profit or loss.

a) Movements in provisions for legal cases initiated against the Bank:

	2024 EUR 000	2023 EUR 000
Balance at 1 January	42	29
Increase in provisions	51	25
Release of unused amounts	(1)	16
Net charge recognized in profit or loss (Note 7)	50	41
Used during year	-	(28)
Balance at 31 December	**92**	**42**

b) Movements in provisions for identified losses on off-balance-sheet exposure to credit risk

	2023 EUR 000	2022 EUR 000
Balance at 1 January	**875**	**885**
Release for off-balance sheet provisions recognised in profit or loss (Note 7)	(57)	(14)
Write offs	1	4
Balance at 31 December	**819**	**875**

21. Other liabilities

	31 December 2024 EUR 000	31 December 2023 EUR 000
Liabilities for loan prepayments	1,226	895
Liabilities for leasing	2,010	2,700
Liabilities for closed accounts	2,051	2,579
Liabilities to employees	1,310	1,226
Liabilities to suppliers	588	478
Liabilities for taxes and contributions	50	39
Other liabilities	2,343	1,832
TOTAL	**9,578**	**9,749**

Liabilities for closed accounts represents accounts that are being closed due to customers death or closed accounts without turnover due to expired risk evaluation (according to Anti-Money Laundering Act). The most significant items of other liabilities refer to collected revenues from fees for overdraft facilities in the amount of EUR 462 thousand and card liabilities in the amount of EUR 274 thousand.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2024 EUR 000	2023 EUR 000
Balance at 1 January	**2,700**	**2,622**
Additions	183	1,176
Interest	33	30
Payments	(845)	(836)
Disposals	(61)	(292)
Balance at 31 December	**2,010**	**2,700**

22. Subordinated liabilities

In 2024 the Bank converted hybrid instrument in equity in the amount of EUR 10,135 thousand (Balance as at 31 December 2023: 10,052 thousand).

23. Equity

	31 December 2024 EUR 000	31 December 2023 EUR 000
Ordinary share capital (Note 23a)	78,758	51,758
Legal and capital reserves (Note 23b)	957	627
Retained earnings	20,878	11,651
TOTAL	**100,593**	**64,036**

a) Ordinary share capital

In 2024, the Bank's shareholder made a decision to increase the Bank's share capital from EUR 51,757,776 by the amount of EUR 27,000,288 to a total amount of EUR 78,758,064 of which EUR 17,000,422 relates to the increase of share capital by cash transfer, and EUR 9,999,864 by the conversion of subordinated loan.

Ordinary share capital amounts to EUR 78,758 thousand (31 December 2023: EUR 51,758 thousand) and is divided into 156,266 ordinary shares (31 December 2023: 102,694 shares) with a nominal value of EUR 504,00 each.

The shareholder structure was as follows:

Shareholder	ISIN	Number of ordinary shares at 31 December 2024	% of the ordinary share capital	Number of ordinary shares at 31 December 2023	% of the ordinary share capital
SÜZER HOLDING A.S.	BRBA-R-A	156,266	100,00	102,694	100,00
TOTAL		**156,266**	**100,00**	**102,694**	**100,00**

b) Legal and capital reserves

Legal reserves represent accumulated transfers from retained earnings in accordance with the Croatian Company Law, which stipulates that a minimum of 5% of current profits is transferred to undistributable legal reserves, until such reserves along with other capital reserves reach a minimum of 5% of the issued capital. The legal reserve can be used for covering losses from previous years if the losses are not covered from the profit of the current year, or if there are no other available reserves.

	31 December 2024 EUR 000	31 December 2023 EUR 000
Legal reserves	915	585
Capital reserves	42	42
TOTAL	**957**	**627**

24. Related parties transactions

The Bank considers that it has an immediate related-party relationship with its key shareholders and their direct and indirect subsidiaries, the Supervisory Board members, Management Board members and other executive management (together "key management personnel"), close family members of key management personnel, and entities controlled by key management personnel or their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures".

The majority owner of the Bank is Süzer Holding Anonim Sirketi which is headquartered in Turkey, The Bank entered into banking transactions with the majority owner during the year, generating income and expense for the year, and assets and liabilities at year end.

Related party transactions as at and for the year ended 31 December 2024 and 31 December 2023 were as follows:

SÜZER HOLDING	31 December 2024 EUR 000	31 December 2023 EUR 000
Loans to and receivables from customers	-	107
Other receivables	-	-
	-	**107**
Received deposits		
Current accounts	403	410
Term deposits	4,467	4,060
Subordinated liabilities	-	10,052
Other liabilities (off balance for credit cards)	320	320
TOTAL	**5,190**	**14,842**

SÜZER HOLDING	2024 EUR 000	2023 EUR 000
Interest income on loans to and receivables from customers	103	5
Other income	5	5
	108	**10**
Expenses on received deposits		
Current accounts	(1)	-
Term deposits	(852)	(309)
TOTAL	**(853)**	**(309)**

Key management personnel	31 December 2024 EUR 000	31 December 2023 EUR 000
Loans to and receivables from customers	372	384
Other receivables	-	-
	372	**384**
Received deposits		
Current accounts	232	52
Term deposits	471	392
Other liabilities (Off balance for credit cards)	61	48
TOTAL	**764**	**492**

	2024 EUR 000	2023 EUR 000
Interest income on loans to and receivables from customers	14	18
Other income	2	2
	16	**20**
Expenses on received deposits		
Term deposits	(14)	(8)
TOTAL	**(14)**	**(8)**

Compensation to key management personnel was:

	2024 EUR 000	2023 EUR 000
Net salaries to key management personnel	1,446	1,513
Contributions, taxes and surtaxes from salaries	826	365
Contributions on salaries	349	850
Other	49	37
TOTAL	**2,670**	**2,765**

The key management personnel in the Bank are the members of the Management Board, procurators and executive directors and other senior management. The expense of contributions paid to mandatory pension funds in the year ended 31 December 2024 for key management personnel amounted to EUR 359 thousand (for year ended 31 December 2023: EUR 332 thousand).

Total amount of management compensation is related to salary paid and benefit in kind on the monthly basis and it does not include long-term or bonus arrangements or termination rights.

25. Contingencies and commitments

Commitments include guarantees and unused overdraft facilities on current accounts of retail customers.

				31 December 2024 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Issued guarantees and letter of intent	234,866	299	3,096	238,261
Issued letters of credit	50	0	0	50
Unused overdraft facilities	29,409	396	12	29,817
TOTAL	**264,325**	**695**	**3,108**	**268,128**
Provisions for off-balance-sheet exposure to credit risk (Note 20)	(743)	(10)	(66)	(819)
TOTAL	**263,582**	**685**	**3,042**	**267,309**

				31 December 2023 EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Issued guarantees and letter of intent	177,047	6,059	430	183,536
Issued letters of credit	300	0	0	300
Unused overdraft facilities	29,719	284	8	30,011
TOTAL	**207,066**	**6,343**	**438**	**213,847**
Provisions for off-balance-sheet exposure to credit risk (Note 20)	(635)	(23)	(218)	(876)
TOTAL	206,431	6,320	220	212,971

26. Maximum exposure to credit risk and concentration of credit risk

a) Maximum exposure to credit risk

	Note	31 December 2024 EUR 000	31 December 2023 EUR 000
Current accounts with the CNB and other banks	12	20,133	6,363
Placements with other banks	14	231,176	234,372
Financial investments at amortised cost	13a)	176,146	119,378
Financial assets held for trading	13b)	9,985	4,341
Loans to and receivables from customers	15a)	370,256	338,016
Other assets	18	1,065	950
Total exposure to credit risk from balance-sheet items		**808,761**	**703,420**
Exposure to credit risk from off balance sheet items is as follows:			
Guarantees and letters of intent	25	238,261	183,536
Letters of credit	25	50	300
Unused overdraft facilities	25	29,817	30,011
Total exposure to credit risk from off-balance-sheet items		**268,128**	**212,971**
TOTAL		**1,076,889**	**916,391**

b) Concentration of credit risk

Concentration of credit risk towards State and local authorities

	Note	31 December 2024 EUR 000	31 December 2023 EUR 000
Tekući računi kod HNB-a	12	4,740	5,198
Financial investments at amortised cost	13a)	51,443	40,380
Other receivables		52	30
Impairment allowance		(12)	(23)
TOTAL		**56,223**	**45,585**

The impairment allowance presented in the above table relates to expected credit losses calculated on the related balances, which is in these financial statements offset against loans to and receivables from customers and is presented for illustrative purpose only.

Apart from exposures towards state and local authorities, the maximum exposure to credit risk towards one customer (including groups of related parties) at the end of 2024 amounted to EUR 16,392 thousand (2023: EUR 13,542 thousand).

27. Credit portfolio quality

The Bank applies an internal system of assessment of portfolio quality based on the assessment system prescribed by the CNB. The tables below present the credit quality by class of financial asset and ageing analysis of due outstanding receivables.

Collateral and other security instruments

The amount and type of the necessary collateral depends on the assessment of counterparty credit risk. The Bank has defined guidelines for acceptance of the type of collateral and evaluation of collateral.

Basic types of collateral are:

- Deposits
- Mortgages over real estate
- Charges over movable property
- Guarantees.

In the following tables, category other customers and companies from note 15 are included within corporate.

As at 31 December 2024

	Neither past due nor impaired				
	Low-risk grades EUR 000	**Standard and sub-standard grades EUR 000**	**Past due but not impaired EUR 000**	**Specifically impaired EUR 000**	**Total EUR 000**
Current accounts with banks (Note 12)	–	20,133	–	–	**20,133**
Financial investments at amortised cost (Note 13a)	–	176,146	–	–	**176,146**
Financial assets held for trading (Note 13b)	–	9,985	–	–	**9,985**
Placements with other banks (Note 14)	–	231,176	–	–	**231,176**
Loans to and receivables from customers (Note 15a)	–	**361,859**	**2,028**	**6,369**	**370,256**
* retail	–	142,683	1,151	2,099	**145,933**
* corporate and other	–	219,176	877	4,270	**224,323**
Other assets	–	931	–	–	931
TOTAL	–	**800,242**	**1,959**	**6,427**	**808,628**

	As at 31 December 2023				
	Neither past due nor impaired				
	Low-risk grades EUR 000	Standard and sub-standard grades EUR 000	Past due but not impaired EUR 000	Specifically impaired EUR 000	Total EUR 000
Current accounts with banks (Note 12)	-	6,363	-	-	**6,363**
Financial investments at amortised cost (Note 13a)	-	119,378	-	-	**119,378**
Financial assets held for trading (Note 13b)	-	4,341	-	-	**4,341**
Placements with other banks (Note 14)	-	234,372	-	-	**234,372**
Loans to and receivables from customers (Note 15a)	-	**333,173**	**3,050**	**1,793**	**338,016**
* retail	-	183,150	1,287	554	**184,991**
* corporate and other	-	150,023	1,763	1,239	**153,025**
Other assets	-	856	-	-	856
TOTAL	-	**698,483**	**3,050**	**1,793**	**703,326**

				31 December 2024 EUR 000
Gross exposure (per Stages)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts with the CNB and other banks	20,135	-	-	**20,135**
Placements with other banks	231,188	-	-	**231,188**
Financial investments at amortised cost	176,676	-	-	**176,676**
Financial assets held for trading	9,939	-	-	**9,939**
Loans to and receivables from customers	**342,168**	**24,615**	**11,029**	**377,812**
Other assets	888	13	164	1,065
Total exposure to credit risk from balance-sheet items	**780,994**	**24,628**	**11,193**	**816,816**
Exposure to credit risk from off balance sheet items is as follows:				
Guarantees and letters of intent	234,866	299	3,096	**238,261**
Letters of credit	50	-	-	**50**
Unused overdraft facilities	29,409	396	12	29,817
Total exposure to credit risk from off balance-sheet items	**264,325**	**695**	**3,108**	**268,128**
Total exposure to credit risk from balance and off balance-sheet items	**1,045,319**	**25,323**	**14,301**	**1,084,943**

Gross exposure (per Stages)	Stage 1	Stage 2	Stage 3	31 December 2023 EUR 000 Total
Current accounts with the CNB and other banks	6,362	-	-	**6,362**
Placements with other banks	234,418	-	-	**234,418**
Financial investments at amortised cost	117,599	2,064	-	**119,663**
Financial assets held for trading	4,341	-	-	**4,341**
Loans to and receivables from customers	**314,105**	**25,772**	**5,564**	**345,441**
Other assets	792	8	150	950
Total exposure to credit risk from balance-sheet items	**677,617**	**27,844**	**5,714**	**711,175**
Exposure to credit risk from off balance sheet items is as follows:				
Guarantees and letters of intent	177,047	6,059	430	**183,536**
Letters of credit	300	0	0	**300**
Unused overdraft facilities	29,719	284	8	**30,011**
Total exposure to credit risk from off balance-sheet items	**207,066**	**6,343**	**438**	**213,847**
Total exposure to credit risk from balance and off balance-sheet items	**884,683**	**34,187**	**6,152**	**925,022**

Collateral and other credit enhancements held

The table below sets out the carrying amount of secured exposures and the value of identifiable collateral (mainly residential and commercial property) held against loans and advances to customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against:

			31 December 2024			31 December 2023
	Carrying amount	Collateral	Unsecured	Carrying amount	Collateral	Unsecured
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Loans and advances to customers at amortised cost						
Corporate						
Stage 1 and Stage 2	168,092	74,110	28,970	144,535	67,671	14,328
Stage 3	4,270	3,020	-	554	255	-
	172,362	**77,130**	**28,970**	**145,089**	**67,926**	**14,328**
Retail						
Stage 1 and Stage 2	118,945	75,779	24,889	113,519	57,256	39,886
Stage 3	1,791	911	308	651	138	588
	120,736	76,690	25,197	114,170	57,394	40,474
Total	**293,098**	**153,820**	**54,167**	**259,259**	**125,320**	**54,802**

The table below show the market value of collateral:

Type of collateral	Market value of collateral	
EUR 000	31. 12. 2024	31. 12. 2023
Commercial property	74,727	59,207
Cash deposits	8,037	12,201
Movable property	2,040	6,453
Other types of collateral	10,542	16,488
Residential property	58,474	30,970
Total	**153,820**	**125,319**

Assets obtained by taking possession of collateral

Bank did not realize any new repossessions in 2024 (2023: EUR 1 thousand)..

28. Maturity profile of assets and liabilities

Assets and liabilities are allocated within time buckets according to their remaining contractual maturity period.

As at 31 December 2024
EUR 000

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Cash and current accounts with banks	24,747	-	-	-	-	**24,747**
Financial investments at amortised cost	2,151	10,060	18,577	145,358	-	**176,146**
Financial investments held for trading	-	-	9,985	-	-	**9,985**
Loans to and receivables from customers	32,590	10,157	57,975	88,574	180,960	**370,256**
Placements with other banks	230,665	70	300	141	-	**231,176**
Property, plant and equipment	-	-	-	-	5,666	**5,666**
Right of use assets	62	124	558	778	408	**1,930**
Intangible assets	-	-	-	-	2,678	**2,678**
Foreclosed assets	-	-	-	-	81	**81**
Deferred tax asset	-	-	104	-	-	**104**
Other assets	1,209	-	-	-	-	1,209
TOTAL ASSETS	**291,424**	**20,411**	**87,499**	**234,851**	**189,793**	**823,978**
LIABILITIES						
Current accounts and deposits from banks and financial institutions	30,645	13,818	2,583	-	-	**47,046**
Current accounts and deposits from customers	263,893	62,950	162,559	16,05	8,812	**514,309**
Interest-bearing borrowings	89,380	11,482	26,652	7,645	15,416	**150,575**
Subordinated liability	-	-	-	-	-	-
Provisions for liabilities and charges	-	-	-	-	971	**971**
Income tax liability	-	-	906	-	-	**906**
Lease liability	64	128	576	795	447	**2,010**
Other liabilities	7,568	-	-	-	-	**7,568**
TOTAL LIABILITIES	**391,550**	**88,378**	**193,276**	**24,535**	**25,646**	**723,385**
EQUITY						
TOTAL EQUITY	-	-	-	-	**100,593**	**100,593**
TOTAL LIABILITIES AND EQUITY	**391,550**	**88,378**	**193,276**	**24,535**	**126,239**	**823,978**
MATURITY GAP	**(100,126)**	**(67,967)**	**(105,777)**	**210,316**	**63,554**	-
Issued guarantees and letter of intent	54,926	27,258	45,887	74,620	35,570	**238,261**
Issued letters of credit	-	-	50	-	-	**50**
Unused overdraft facilities	9,456	649	13,296	2,557	3,859	29,817
TOTAL OFF-BALANCE SHEET	**64,382**	**27,907**	**59,233**	**77,177**	**39,429**	**268,128**

Na dan 31. prosinca 2023
EUR 000

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Cash and current accounts with banks	19,889	-	-	-	-	**19,889**
Financial investments at amortised cost	1,825	541	14,267	20,313	82,432	**119,378**
Financial investments held for trading		-			4,341	**4,341**
Loans to and receivables from customers	24,315	14,691	59,503	74,959	164,548	**338,016**
Placements with other banks	234,002	70	300	-	-	**234,372**
Property, plant and equipment	-	-	-	-	5,603	**5,603**
Right of use assets	65	130	585	1,172	684	**2,636**
Intangible assets	-	-	-	-	2,090	**2,090**
Foreclosed assets	-	-	-	-	86	**86**
Deferred tax asset	-	-	277	-	-	**277**
Other assets	1,265	-	-	-	-	1,265
TOTAL ASSETS	**281,361**	**15,432**	**74,932**	**96,444**	**259,784**	**727,953**
LIABILITIES						
Current accounts and deposits from banks and financial institutions	13,507	15,599	3,024	-	-	**32,130**
Current accounts and deposits from customers	215,031	28,169	198,284	45,020	18,470	**504,974**
Interest-bearing borrowings	55,386	401	2,552	33,734	13,068	**105,141**
Subordinated liability	0	0	0	0	10,052	**10,052**
Provisions for liabilities and charges	-	-	-	-	977	**977**
Income tax liability	-	-	894	-	-	**894**
Lease liability	65	132	594	1,197	712	**2,700**
Other liabilities	7,049	-	-	-	-	7,049
TOTAL LIABILITIES	**291,038**	**44,301**	**205,348**	**79,951**	**43,279**	**663,917**
EQUITY						
TOTAL EQUITY	-	-	-	-	**64,036**	**64,036**
TOTAL LIABILITIES AND EQUITY	**291,038**	**44,301**	**205,348**	**79,951**	**107,315**	**727,953**
MATURITY GAP	**(9,677)**	**(28,869)**	**(130,416)**	**16,493**	**152,469**	-
Issued guarantees and letter of intent	29,381	8,638	55,780	72,435	17,302	**183,536**
Issued letters of credit	-	185	114	-	-	**300**
Unused overdraft facilities	6,180	558	9,057	5,042	9,173	30,011
TOTAL OFF-BALANCE SHEET	**35,561**	**9,381**	**64,951**	**77,477**	**26,475**	**213,847**

The table above is based on contractual maturity of financial instruments. Although there is a significant gap up to 1 year, the bank expects that substantial part of demand deposit will remail stable, based on internal model with which the bank defines “stable” and “unstable” deposits. When determining “stable” and “unstable” deposits, the balance of demand deposits at the end of the month in the period of the last 5 years is observed. For each year, the monthly minimum and maximum balance during the year is calculated separately. After calculating the minimum and maximum balances during the year, they are put in the ratio (MIN/MAX). From the obtained ratios for the last 5 years, the average is taken, which represents "stable" deposits. The obtained average is "rounded" to a smaller number of multiples of 5 (or in some cases even more) for a more conservative approach and easier distribution of deposits over a period of up to 5 years. Stable deposits are then distributed over a period of 1 to 5 years, while unstable deposits are distributed from 0 to 1 year.

Analysis of undiscounted cash flow of financial liabilities by remaining contracted amounts:

As at 31 December 2024
EUR 000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
LIABILITIES						
Current accounts and deposits from banks and financial institutions	30,645	13,818	2,583	-	-	**47,046**
Current accounts and deposits from customers	264,196	63,495	163,482	16,262	8,862	**516,297**
Interest-bearing borrowings	89,380	11,482	26,652	7,645	15,416	**150,575**
Provisions for liabilities and charges	-	-	-	-	971	**971**
Subordinated liability	-	-	-	-	-	-
Income tax liability	-	-	906	-	-	**906**
Lease liability	67	134	601	832	458	**2,092**
Other liabilities	**7,568**	-	-	-	-	**7,568**
TOTAL LIABILITIES	**391,856**	**88,929**	**194,224**	**24,739**	**25,707**	**725,455**
OFF-BALANCE SHEET	**64,383**	**27,907**	**59,233**	**77,177**	**39,429**	**268,129**

As at 31 December 2023
EUR 000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
LIABILITIES						
Current accounts and deposits from banks and financial institutions	13,509	15,698	3,050	-	-	**32,257**
Current accounts and deposits from customers	215,081	28,372	199,384	45,492	18,581	**506,910**
Interest-bearing borrowings	55,386	401	2,552	33,734	13,068	**105,141**
Provisions for liabilities and charges	0	0	0	0	10,104	**10,104**
Subordinated liability	0	0	0	0	977	**977**
Income tax liability	0	0	894	0	0	**894**
Lease liability	65	132	594	1,197	712	**2,700**
Other liabilities	7,049	0	0	0	0	7,049
TOTAL LIABILITIES	**291,090**	**44,603**	**206,474**	**80,423**	**43,442**	**666,032**
OFF-BALANCE SHEET	**35,561**	**9,381**	**64,951**	**77,477**	**26,475**	**213,845**

29. Exposure to foreign currency risk

Foreign currency structure of the balance sheet is presented in the following tables:

As at 31 December 2024
EUR 000

ASSETS	EUR (and EUR linked)	USD	CHF	Other currencies	Total
Cash and current accounts with banks	10,738	13,509	316	184	**24,747**
Financial investments at amortised cost	158,623	9,268	8,255	-	**176,146**
Financial investments held for trading	9,985	-	-	-	**9,985**
Loans to and receivables from customers	358,872	11,384	-	-	**370,256**
Placements with other banks	231,176	-	-	-	**231,176**
Property, plant and equipment	5,666	-	-	-	**5,666**
Right of use assets	1,930	-	-	-	**1,930**
Intangible assets	2,678	-	-	-	**2,678**
Foreclosed assets	81	-	-	-	**81**
Deferred tax asset	104	-	-	-	**104**
Other assets	1,209	-	-	-	**1,209**
TOTAL ASSETS	**781,062**	**34,161**	**8,571**	**184**	**823,978**
LIABILITIES					
Current accounts and deposits from banks and financial institutions	47,039	7	-	0	**47,046**
Current accounts and deposits from customers	479,051	33,181	1,767	310	**514,309**
Interest-bearing borrowings	144,152	-	6,423	-	**150,575**
Subordinated liability	-	-	-	-	-
Provisions for liabilities and charges	971	-	-	-	**971**
Income tax liability	906	-	-	-	**906**
Lease liability	2,010	-	-	-	**2,010**
Other liabilities	7,568	-	-	-	**7,568**
TOTAL LIABILITIES	**681,697**	**33,188**	**8,190**	**310**	**723,385**
EQUITY					
TOTAL EQUITY	**100,593**	-	-	-	**100,593**
TOTAL LIABILITIES AND EQUITY	**782,290**	**33,188**	**8,190**	**310**	**823,978**
NET ASSETS/ LIABILITIES AND EQUITY	**(1,228)**	**973**	**381**	**(126)**	-

As at 31 December 2023
EUR 000

ASSETS	EUR (and EUR linked)	USD	CHF	Other currencies	HRK	Total
Cash and current accounts with banks	18,506	188	181	581	433	**19,889**
Financial investments at amortised cost	109,648	9,730	-	-	-	**119,378**
Financial investments held for trading	4,341	0	-	-	-	**4,341**
Loans to and receivables from customers	332,641	5,375	0	0	-	**338,016**
Placements with other banks	224,078	6,801	2,343	1,150	-	**234,372**
Property, plant and equipment	5,603	-	-	-	-	**5,603**
Right of use assets	2,636	-	-	-	-	**2,636**
Intangible assets	2,090	-	-	-	-	**2,090**
Foreclosed assets	86	-	-	-	-	**86**
Deferred tax asset	277	-	-	-	-	**277**
Other assets	1,265	-	-	-	-	**1,265**
TOTAL ASSETS	**701,171**	**22,094**	**2,524**	**1,731**	**433**	**727,953**
LIABILITIES						
Current accounts and deposits from banks and financial institutions	29,168	1,811	-	1,151	-	**32,130**
Current accounts and deposits from customers	481,426	20,293	2,434	821	-	**504,974**
Interest-bearing borrowings	105,141	-	-	-	-	**105,141**
Subordinated liability	10,052					**10,052**
Provisions for liabilities and charges	977	-	-	-	-	**977**
Income tax liability	894	-	-	-	-	**894**
Lease liability	2,700	-	-	-	-	**2,700**
Other liabilities	7,049	-	-	-	-	**7,049**
TOTAL LIABILITIES	**637,407**	**22,104**	**2,434**	**1,972**	**0**	**663,917**
EQUITY						
TOTAL EQUIT	**64,036**	-	-	-	-	**64,036**
TOTAL LIABILITIES AND EQUITY	**701,443**	**22,104**	**2,434**	**1,972**	-	**727,953**
NET ASSETS/ LIABILITIES AND EQUITY	**(272)**	**(10)**	**90**	**(241)**	**433**	-

Sensitivity of profit and loss to exchange rate fluctuations

The table below represents sensitivity of the profit or loss to exchange rate fluctuations. The effect of exchange rate fluctuations is presented using highest daily EUR/USD volatility and calculating the impact on the biggest long and short open EUR currency position, as follows:

Currency risk	2024
Maximum overall open foreign currency position including options (% of the regulatory capital)	5.34%
Open FX position including options in USD (% of the regulatory capital)	5.10%
Impact (loss) of the highest daily EUR/USD volatility (in thousands EUR)	(73)

Currency risk	2023
Maximum overall open foreign currency position including options (% of the regulatory capital)	2.91%
Open FX position including options in USD (% of the regulatory capital)	2.63%
Impact (loss) of the highest daily EUR/USD volatility (in thousands EUR)	(26)

30. Exposure to interest-rate risk

The following table shows sensitivity of Bank equity (economic value) to reasonable interest rate movements (parallel shift), on condition that all other variables are constant. The sensitivity presented below is prepared based on methodology used to prepare sensitivity report "EVKI" as reported to regulator (Croatian National Bank).

Key risk indicators - banking book (EUR '000)	31. 12. 2024	31. 12. 2023	Reg limit
▲ EVE 6 additional scenarios	-6,976	-2,615	
▲ EVE 6 additional scenarios / T1 capital	7,45%	4,41%	15%
Impact of +100bp interest rate change on net interest income (in 12m)	1,887	2,388	

6 additional scenarios ▲ EVE (EUR '000)	31. 12. 2024	31. 12. 2023
Parallel up	(6.976)	(2.091)
Parallel down	4.130	1.434
Steepener	(2.142)	(2.615)
Flattener	524	1.156
Short up	(1,169)	755
Short down	615	(1.532)
Max negative effect	(6.976)	(2.615)
Max negative effect (ABS) / T1 capital	7,45%	4,41%

Average effective interest rates

The average effective interest rates for interest-earning financial assets and interest-bearing financial liabilities during the year calculated on average quarterly balances for the Bank are as follows:

	2024	2023
	Effective interest rate	**Effective interest rate**
Cash and current accounts with banks	0,00%	0,00%
Placements with other banks	0,05%	0,23%
Financial assets at amortised cost	3,97%	3,92%
Financial investments held for trading	3,88%	1,48%
Loans to and receivables from customers	5,71%	4,86%
Current accounts and deposits from banks and financial institutions	3,40%	2,82%
Current accounts from customers	0,16%	0,02%
Term deposits from customers	2,84%	1,42%
Interest–bearing borrowings	0,69%	1,18%
Subordinated liabilities	6,25%	6,25%

31. Risk and capital management

Note 31 complements notes 26 to 30, whereby note 31 provides general risk management policies and principles, notes 26 to 30 provide quantitative disclosures of exposure to various risks.

a) Financial risk management

The operations of the Bank are exposed to various types of risk, which arise from the uncontrollable character of the financial market. The Bank tries to control and minimize the risks. The most significant types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes the risk of change of interest rates, risk of change of foreign exchange rates and change of market value of securities.

b) Credit risk

Credit risk is the most significant type of risk to which the Bank is exposed in its operations. Credit risk arises from the inability of the other party to service their liabilities as they fall due. The Bank monitors the exposure to credit risk and the quality of the portfolio on a regular basis.

Credit risk management is principally implemented through the selection of customers with good credit-standing and seeking adequate collateral.

In granting placements, the quality, i,e. creditworthiness of the customer, is the main criteria. The Bank additionally reduces exposure to credit risk by securing placements with collateral. The Bank has established a Risk Assessment and Measurement Unit (in charge of regular credit risk management and monitoring). Risk Management Department also participates in the process of granting all significant placements, as well as in the process of approving the Bank's lending policies.

In measurement of credit risk of loans and advances to customers and banks, the Bank uses three major factors:

(i) the creditworthiness;
(ii) regular settlement of contractual obligations;
(iii) the quality of collateral, as explained below.

(i) The Bank assesses creditworthiness through the calculation of the Debt service coverage ratio (DSCR), which represents the ratio of the available cash for the repayment of financial liabilities and amount of financial liabilities to be repaid on a monthly and/or annual basis.
In the context of creditworthiness assessment internal rating, calculated through an internal rating tool based on key financial indicators, is used as indicator of the Client's quality.

(ii) Settlement of obligations means payment of all obligations within contractual maturities, without establishing a new receivable.

(iii) The quality of the collateral is determined by marketability, protection of legal documentation and the possibility of enforcing collection.

The Bank structures the levels of credit risk by placing limits on the amount of risk accepted in relation to one borrower and a group of related parties, and industrial segments. Limits on the level of credit risk by industry sectors are regularly reviewed.

Exposure to credit risk is also managed by regular analysis of the ability of borrowers and potential borrowers to meet all obligations to the Bank and by changing lending limits where appropriate. The assessment of possible losses is monitored on a regular basis to enable timely identification of such placements and calculation of impairment losses.

The following table sets out the credit analysis for non-trading financial assets measured at amortised cost:

	31 December 2024		31 December 2023	
		Carrying amount		Carrying amount
	PD	EUR 000	PD	EUR 000
Loans and advances to customers				
Corporate				
Grades 1-4: Strong	0.00-0.03	57,280	0.00-0.03	61,570
Grades 5-8: Higher Risk	0.03-0.12	91,969	0.03-0.12	66,102
Grades 9: Substantial Risk	0.13-0.16	14,184	0.13-0.16	1,777
No rating		60,890		93,684
		224,323		**223,133**
Retail		145,933		114,883
		145,933		**114,883**
Total		**370,256**		**338,016**

The following table sets out the credit quality of debt securities. The analysis has been based on combination external rating (Fitch, S&P, Moody's):

	31 December 2024		31 December 2023	
		Carrying amount		Carrying amount
	PD	EUR 000	PD	EUR 000
Government bonds and treasury bills				
AAA - A3	0.0000-0.0006	66,164	0.0000-0.0006	1,649
BAA 1-3	0.0002-0.001	8,861	0.0002-0.001	102,949
BA1 and below	0.002-0.0316	85,640	0.002-0.0316	8,879
Total		**160,665**		**113,477**

	31 December 2024		31 December 2023	
		Carrying amounts		Carrying amount
	PD	EUR 000	PD	EUR 000
Corporate bonds				
AAA - A3	0.0000-0.0006	-	0.0000-0.0006	-
BAA 1-3	0.0002-0.001	-	0.0002-0.001	-
BA1 and below	0.002-0.0316	5,489	0.002-0.0316	7,898
Total		**5,489**		**7,898**

c) Liquidity risk

Liquidity risk represents the risk that the Bank will not be able to settle its liabilities as they fall due, and finance or liquidate assets on the basis of acceptable prices.

In order to ensure the quality of funding sources, the Bank funds itself from various sources: deposits of retail customers and legal entities, special participations, and share capital, which reduces dependence on only one source, and consequently liquidity risk.

The Bank prepares strategies in order to ensure that the needs of the Bank for cash funds in certain currencies are covered. The Bank's strategy is oriented towards ensuring adequate liquidity level which meets both estimated and unforeseen needs for cash funding. In case of an unforeseen need for cash funds, the Bank could take actions such as control of the Bank's credit activity, withdrawal of the available lines of credit and other necessary measures.

The Bank manages its assets and sources of funding taking into consideration financial flows, cash flows and concentrations, all with the aim of matching the cash inflows and outflows of the Bank. Such management includes the identification of known, expected and potential cash outflows and making different strategies of assets and liabilities management in order to ensure the needs of the Bank for cash inflows. Accordingly, liquidity risk management system includes: assessment and measurement of liquidity risk exposure, setting and monitoring limits as well as reporting on their utilization.

Liquidity risk management is achieved by operational short-term liquidity management and long-term liquidity management.

The Management Board of the Bank is responsible for liquidity risk management.

d) Market risk

- *Foreign currency risk* mainly arises from transactions in USD and CHF, or linked to USD, CHF and to a lesser extent, other currencies.

  Control and mitigation of foreign currency risk is implemented by monitoring foreign currency deposit and simultaneous contracting of loans with foreign currency clause. Foreign currency risk is controlled on a daily basis, according to regulatory, but also internally determined limits of certain currencies. The Bank directs its business activities trying to minimize gaps between assets and liabilities denominated in foreign currency directly or with foreign currency clauses. The Bank manages its assets and liabilities by matching certain foreign currency assets with liabilities in order optimize the risk and profitability relationship due to currency movements. With introduction of euro in 2023, this risk has significantly decreased.

- *Interest rate risk* is the risk of change of the prices of financial assets as a result of the changes in interest rates. Interest rate risk is controlled through monitoring the interest rate sensitivity of assets and liabilities.

  Risk management activities are mainly carried out in the context of the Bank's sensitivity to interest rate changes. Exposure to interest rate risk is the result of mismatch between assets and liabilities, which carry variable and /or fixed rates and / or reprice at a different time and it is monitored using the analysis of mismatch between assets and liabilities.

  The objective of interest rate risk management is to ensure an optimal and stable net interest margin. In accordance with its asset and liability management policy, the Bank monitors the mismatch between assets and liabilities in the statement of financial position, using various criteria for possible change of interest rate. The calculation represents the amount of changes in the value of equity resulting from simultaneous changes in interest rates by 200 basis points. The above amount should be within 20% change of economic value of regulatory capital and at 31st December represents 7.45%.

- *Price risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than fluctuations resulting from currency and interest rate), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

e) Capital management

The primary goals of the Bank related to capital management are alignment with all legal capital requirements, by concurrently retaining sufficient capital adequacy for the purpose of supporting business activity, in order to maximise the value for shareholders.

The Bank manages the structure of equity and risks arising from its business activity.

The Bank's regulatory capital requirements were based on EU Regulation No 575/2013.

The table below summarises the composition of regulatory capital and ratios of the Bank (risk weighted assets have been unaudited as of the date of the issuance of these financial statements):

	Unaudited 31 December 2024 EUR 000	Audited 31 December 2023 EUR 000
Regulatory capital		
Issued ordinary share capital and preference shares	78,758	51,758
Reserves – legal	957	627
Retained earnings	15,801	11,651
Adjustment for intangible assets	(1,917)	(1,069)
Value adjustments due to the requirements for prudent valuation	(10)	(4)
Insufficient coverage for non-performing exposures	(4)	-
Subordinated liability	-	10,000
Total regulatory capital	**93,585**	**72,963**
Risk-weighted assets		
Credit risk-weighted assets	396,308	340,470
Exposure to operational risk	38,035	31,085
Total risk weighted assets	**434,343**	**371,555**
Common Equity Tier 1 capital ratio	**21.55%**	**16.95%**
Tier 1 capital ratio	**21.55%**	**16.95%**
Total capital adequacy ratio	**21.55%**	**19.64%**

Prescribed minimal capital ratios in accordance with Article 92 of EU Regulation No 575/2013 are as follows:

- Common Equity Tier 1 capital ratio of 4.5% of the total risk exposure amount,
- Tier 1 capital ratio of 6% of the total risk exposure amount,
- Total capital ratio of 8% of the total risk exposure amount,

In addition to regulatory prescribed minimal capital adequacy ratios and in accordance with Articles 117 and 130 of CNB's Credit Institutions Act and Articles 129 and 133 of CRD IV, the Bank is also obliged to maintain specifically set capital buffers.

f) Operational risk management

Operational risk represents risk of loss due to inadequate or unsuccessful internal processes, employees or due to external events.

Responsibility for the implementation of operational risk management system and control of operational risk management at the level of the Bank is assigned to the Risk control function.

32. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

Cash and balances with Croatian National Bank

The carrying value of cash and balances with the CNB approximate their fair value due to short-term maturity of these financial instruments.

Placements with other banks

Placements with other banks are stated at amortized cost. The fair value calculated by discounting the expected future cash flows of principal and interest is not significantly different from their book values in light of their short-term maturities.

Loans and advances

Fair value is based on a discounted cash flows using currently applicable interest rates on loans for similar terms or similar credit characteristics. Using the discounting method of cash flows and interest (assuming that the loan is repayable according to the agreed terms and taking into account the existing specific provisions), there is a difference between the fair value of the loan portfolio and the carrying amount. The fair value of loans to non-performing customers is estimated on the basis of a discounted cash flow analysis or the estimated value of the underlying security instrument. Estimated fair value of loans and advances to customers represents the discounted amount of expected future cash receipts. Expected future cash inflows are discounted using the market interest rate. Fair value of loans to customers as at 31 December 2024 amounted to EUR 370 million (31 December 2023: EUR 335 million). The fair value of loans and advances is based on valuation models and is categorised as Level 3.

Financial investments at amortised cost

The fair value of financial investments at amortised cost has at 31 December 2024 amounted to EUR 155 million (31 December 2023: EUR 115 million).

Deposits from banks and customers

For demand deposits, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values. There is no significant difference between the fair value of these deposits and their carrying value.

Interest-bearing borrowings

The fair value of interest – bearing borrowings has at 31 December 2024 amounted to EUR 123 million (31 December 2023: EUR 108 million).

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly (indicative prices in active markets)
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between levels in 2024 and 2023.

				31 December 2024
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets held for trading				
Foreign sovereign bonds	9,985	–	–	**9,985**
Total	**9,985**	–	–	**9,985**

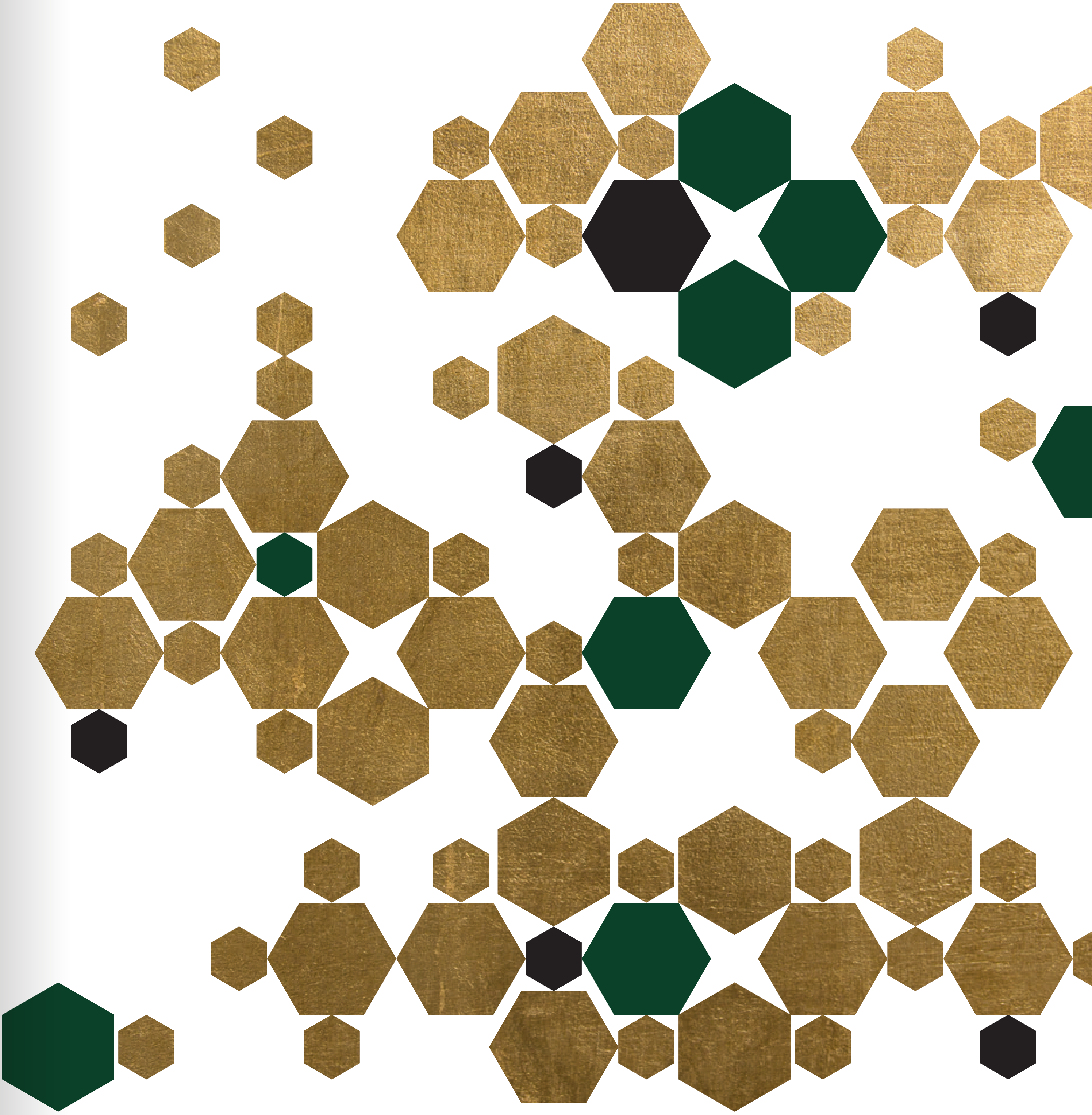
				31 December 2023
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets	EUR 000	EUR 000	EUR 000	EUR 000
Financial assets held for trading				
Foreign sovereign bonds	4,341	–	–	**4,341**
Total	**4,341**	–	–	**4,341**

		31 December 2024
	Book value	Fair value
Financial assets	EUR 000	EUR 000
Loans to and receivables from customers	370,256	369,985
Total	**370,256**	**369,985**

		31 December 2023
	Book value	Fair value
Financial assets	EUR 000	EUR 000
Loans to and receivables from customers	338,016	335,206
Total	**338,016**	**335,206**

		31 December 2024
	Book value	Fair value
Financial liabilities	EUR 000	EUR 000
Current accounts and deposits from customers	514,309	565,838
Total	**514,309**	**565,838**

		31 December 2023
	Book value	Fair value
Financial liabilities	EUR 000	EUR 000
Current accounts and deposits from customers	504,974	505,511
Total	**504,974**	**505,511**



Independent Auditors' report to the shareholder of KentBank d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KentBank d.d. ("the Bank"), which comprise the statement of financial position of the Bank as at 31 December 2024, and the statements of comprehensive income, cash flows and changes in equity of the Bank for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditors' report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of loans to and receivables from customers

As at 31 December 2024, gross loans to and receivables from customers: EUR 377,812 thousand, related impairment allowance: EUR 7,556 thousand and impairment loss recognised in the income statement: EUR 147 thousand (31 December 2023, gross loans to and receivables from customers: EUR 345,441 thousand, impairment allowance: EUR 7,425 thousand and impairment loss recognised in the income statement: EUR 302 thousand).

Refer to Note 3 Accounting policies (Financial instruments), Note 4 Significant accounting estimates and judgements (Classification of exposures in risk categories and determination of impairment losses), Note 27 Credit portfolio quality and Note 15 Loans to and receivables from customers and Note 7a Impairment losses and provisions.

Key audit matter	How our audit addressed the matter
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within the loans and advances at the reporting date. We focused on this area as the determination of impairment allowances requires a significant judgment from the Management Board. The Bank calculates allowances for credit losses in accordance with IFRS 9 Financial Instruments, based on the ECL model with dual-measurement approach, under which the impairment allowance is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether or not there has been a significant increase in credit risk since initial recognition. The impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) are determined by modelling techniques ("collective impairment allowance") relying on key parameters, including the probability of default (PD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment incorporated into the model assumptions.	Our audit procedures in this area included, among others: — Inspecting the Bank's ECL impairment provisioning methods and models, and assessing its compliance with the relevant regulatory and financial reporting framework; — Making relevant inquiries of the Bank's risk management and information technology (IT) personnel to update our understanding of the loan impairment process, IT applications used therein, as well as key data sources and assumptions in the ECL model. Also, testing of IT control environment for data security and access, assisted by our own IT specialists; — Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, including those over the identification of loss events and default, appropriateness of classification of exposures into performing and non-performing, calculation of days past due and calculation of the impairment allowances; In addition, for loss allowances calculated on a collective basis: — Obtaining an understanding of the key internal rating models for corporate loans, and assessing the relevance and reliability of the key data used therein; — Obtaining the relevant forward-looking information and key macroeconomic forecasted variables used in the Bank's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and by reference to publicly available sources;

Independent Auditors' report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of loans to and receivables from customers *(continued)*

Key audit matter	How our audit addressed the matter
Expected credit losses for non-performing exposures (Stage 3) exceeding EUR 66 thousand individually and individually non-significant exposures secured by hard collateral (as defined by the Croatian National Bank ("the CNB")), are determined on an individual basis by means of a discounted cash flow analysis. The process involves reliance on a number of significant subjective assumptions, including those in respect of the probable sale proceeds from the related collateral and minimum period for collateral disposal. Due to the above factors, including the significantly higher estimation uncertainty stemming from the current volatile economic outlook, slowing economic growth and rising interest rates we considered impairment of loans to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	— Assessing whether the definition of significant increase in credit risk and an event of default are appropriate and whether the staging criteria were consistently applied; — Challenging selected key parameters within the collective ECL model, such as the probability of default (PD) and loss given default (LGD) by reference to, among other things, our own analysis of the Bank's data on past default occurrence and realized losses on those defaultsFor all impairment allowances: For impairment allowances calculated individually: — For a risk-based sample of exposures critically assessing the existence of any triggers for classification to Stage 2 or Stage 3, by reference to the underlying evidence (loan files), through inquiries of the loan officers and credit risk management personnel and by considering business operations of the respective customers as well as market conditions and historical debt service; — For exposures with Stage 3 triggers identified, challenging key assumptions applied in the estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant. For all impairment allowances: — Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage; — Evaluating the accuracy and completeness of the financial statement disclosures relating to expected credit losses against the requirements of the relevant financial reporting framework.

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Independent Auditors' report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Other Information

Management is responsible for the other information. The other information comprise of the Management Board Report included in the Annual Report of the Bank, but does not include the financial statements and our auditor's report thereon.

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

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

With respect to the Management Board Report, we also performed procedures which include considering whether the Management Board Report has been prepared and include information in accordance with applicable legal requirements.

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

- the information given in the Management Board Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Board Report has been prepared, in all material respects, in all material respects, in accordance with applicable legal requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements which are presented fairly, in all material respects in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Independent Auditors’ report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors’ report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions (Official Gazette 42/2018, 122/2020, 119/2021 and 108/2022), the Management Board of the Bank has prepared the schedules (“the Schedules”), which comprise an alternative presentation of the statement of financial position as of 31 December 2024, and of the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a reconciliation (“the Reconciliation”) of the Schedules with the financial statements. The Management Board of the Bank is responsible for the Schedules and the Reconciliation. The financial information in the Schedules is derived from the financial statements on which we have expressed an opinion as set out above.

We were appointed by those charged with governance on 28 March 2024 to audit the financial statements of KentBank d.d. for the year ended 31 December 2024. Our total uninterrupted period of engagement is four years, covering the period from 1 January 2021 to 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 20 March 2025;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

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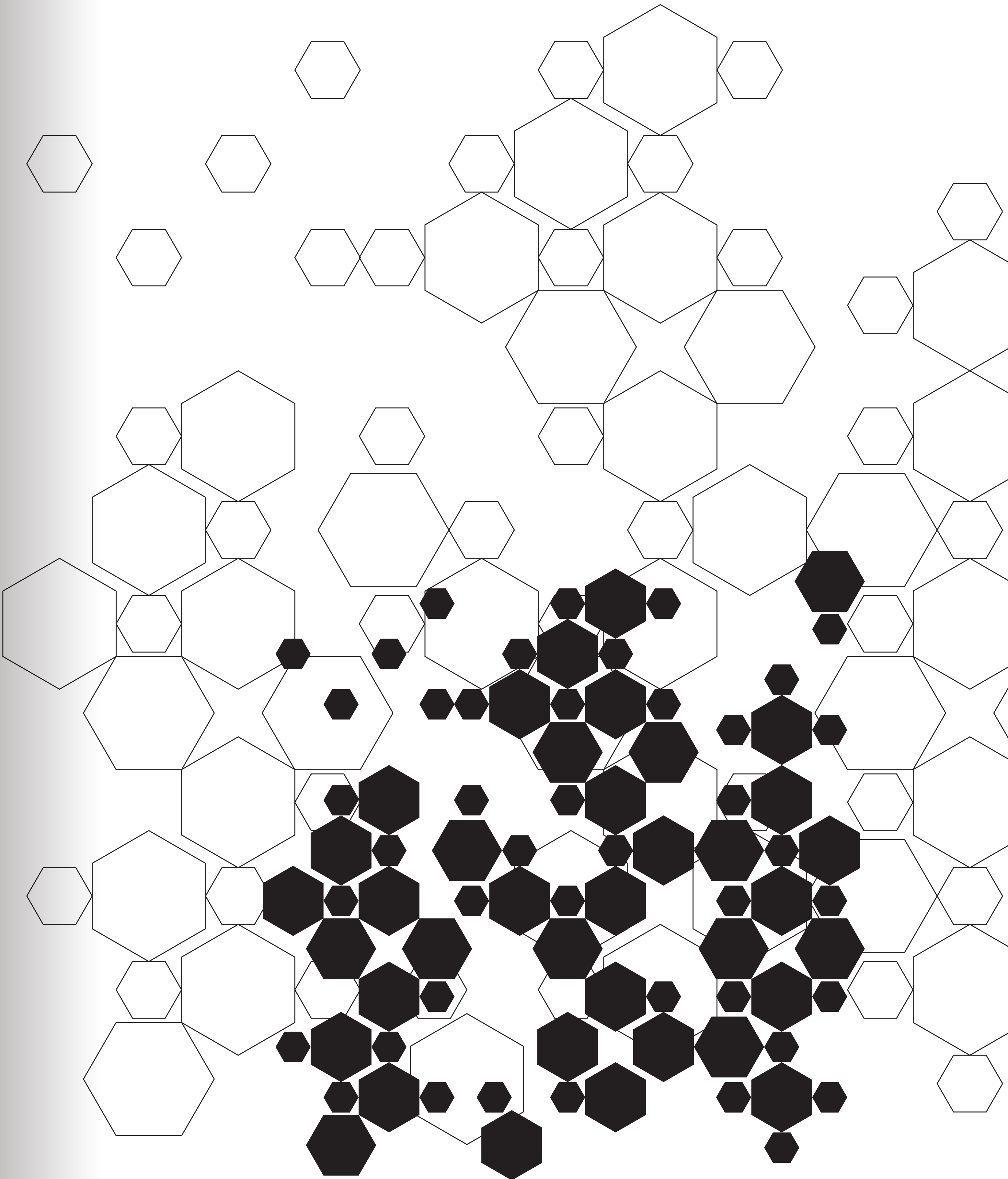
5

21 March 2025

Katarina Kecko
Director, Croatian Certified Auditor



Appendix 1 – Supplementary schedules for CNB

Croatian National Bank adopted on 10 May 2018 the Decision on the Structure and Content of the Financial Statements of Banks (Official Gazette 42/2018, 122/20, 119/2021 and 108/2022).

Supplementary schedules for the CNB prepared pursuant to the above Decision are presented below along with the reconciliation of the supplementary schedules for CNB with the statutory financial statements, prepared in accordance with IFRS EU.

INCOME STATEMENT for the period 01. 01. 2024 to 31. 12. 2024
Amounts in EUR

Position name	"AOP code"	Previous period	Current period
1	2	4	5
1. Interest income	069	25,180,784	33,833,580
2. Interest expenses	070	5,643,259	11,751,512
3. Expenses on share capital repayable on demand	071	0	0
4. Dividend income	072	0	0
5. Fee and commission income	073	5,292,988	7,083,445
6. Fee and commission expenses)	074	780,947	769,886
7. Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	075	0	0
8. Gains or (-) losses on financial assets and liabilities held for trading, net	076	832,034	823,555
9. Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	077	0	0
10. Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	078	0	0
11. Gains or (-) losses from hedge accounting, net	079	0	0
12. Exchange differences [gain or (-) loss], net	080	-122,866	66,228
13. Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	081		
14. Gains or (-) losses on derecognition of non-financial assets, net	082	0	0
15. Other operating income	083	202,983	67,477
16. (Other operating expenses)	084	**252,466**	**65,358**
16. TOTAL OPERATING INCOME, NET (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 to 082 - 083)	085	**24,709,251**	**29,287,527**

INCOME STATEMENT for the period 01. 01. 2024 to 31. 12. 2024
Amounts in EUR

Position name	"AOP code"	Previous period	Current period
17. Administrative expenses	086	14,232,371	15,105,754
18. Depreciation	087	1,979,218	2,070,414
19. Modification gains or (-) losses, net	088	0	0
20. Provisions or (-) reversal of provisions	089	87,042	-26,976
21. Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	090	332,725	402,262
22. Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	091	0	0
23. Impairment or (-) reversal of impairment on non-financial assets	092	0	0
24. Negative goodwill recognised in profit or loss	093	0	0
25. Share of the profit or (-) loss of investments in subsidaries, joint ventures and associates accounted for using the equity method	094	0	0
26. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	095	0	0
27. PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**096**	**8,077,895**	**11,736,072**
28. Tax expense or (-) income related to profit or loss from continuing operations	097	1,474,007	2,178,848
29. PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS (AOP 095 - 096)	**098**	**6,603,888**	**9,557,225**
30. Profit or (-) loss after tax from discontinued operations (AOP 099 - 100)	**099**	**0**	**0**
30.1. Profit or (-) loss before tax from discontinued operations	100		
30.2. Tax expense or (-) income related to discontinued operations	101		
31. PROFIT OR (-) LOSS FOR THE YEAR (AOP 097 + 098; 102 + 103)	102	**6,603,888**	**9,557,225**
32. Attributable to minority interest [non-controlling interests]	103		
33. Attributable to owners of the parent	104		

BALANCE SHEET AS AT 31. 12. 2024
Amounts in EUR

Position name	AOP code	Previous period	Current period
1	2	4	5
Assets			
1. Cash, cash balances at central banks and other demand deposits	001	232,589,394	254,708,101
1.1 Cash on hand	002	13,723,111	4,613,488
1.2 Cash balances at central banks	003	217,712,077	234,710,913
1.3 Other demand deposits	004	1,154,206	15,383,700
2. Financial assets held for trading	005	4,340,665	9,985,321
2.1 Derivatives	006	0	0
2.2 Equity instruments	007	0	0
2.3 Debt securities	008	4,340,665	9,985,321
2.4 Loans and advances	009	0	0
3. Non-trading financial assets mandatorily at fair value through profit or loss	010	2	0
3.1 Equity instruments	011	2	0
3.2 Debt securities	012	0	0
3.3 Loans and advances	013	0	0
4. Financial assets designated at fair value through profit or loss	014	0	0
4.2 Debt securities	015	0	0
4.3 Loans and advances	016	0	0
5. Financial assets at fair value through other comprehensive income	017	0	0
5.1 Equity instruments	018	0	0
5.1 Debt securities	019	0	0
5.2 Loans and advances	020	0	0
6. Financial assets at amortised cost	021	479,603,852	548,190,720
6.1 Debt securities	022	118,730,196	164,577,741
6.2 Loans and advances	023	360,873,656	383,612,978
7. Derivatives – Hedge accounting	024	0	0
8. Fair value changes of the hedged items in portfolio hedge of interest rate risk	025	0	0
9. Investments in subsidiaries, joint ventures and associates	026	0	0
10. Tangible assets	027	9,260,990	7,595,805
11. Intangible assets	028	1,068,718	2,677,988
12. Tax assets	029	276,657	104,306
13. Other assets	030	823,566	727,489
14. Non-current assets and disposal groups classified as held for sale	031		
15. TOTAL ASSETS	032	727,963,843	823,989,729
Liabilities			
16. Financial liabilities held for trading	033	0	0
16.1 Derivatives	034	0	0
16.2 Short positions	035	0	0
16.3 Deposits	036	0	0
16.4 Debt securities issued	037	0	0
16.5 Other financial liabilities	038	0	0
17. Financial liabilities designated at fair value through profit or loss	039	0	0
17.1 Deposits	040	0	0
17.2 Debt securities issued	041	0	0
17.3 Other financial liabilities	042	0	0
18. Financial liabilities measured at amortised cost	043	655,002,345	713,943,378
18.1 Deposits	044	652,297,711	711,930,294
18.2 Debt securities issued	045	0	0
18.3 Other financial liabilities	046	2,704,634	2,013,084
19. Derivatives – Hedge accounting	047	0	0
20. Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	0	0
21. Provisions	049	1,058,471	1,081,937
22. Tax liabilities	050	893,505	905,674

BALANCE SHEET AS AT 31. 12. 2024
Amounts in EUR

Position name	AOP code	Previous period	Current period
1	2	4	5
23. Share capital repayable on demand	051	0	0
24. Other liabilities	052	6,974,148	7,465,718
25. Liabilities included in disposal groups classified as held for sale	053	0	0
26. TOTAL LIABILITIES		663,928,470	723,396,707
Capital			
27. Capital	055	51,757,776	78,758,064
28. Share premium	056	0	0
29. Equity instruments issued other than capital	057	0	0
30. Other equity	058	0	0
31. Accumulated other comprehensive income	059	0	0
32. Retained earnings	060	5,046,903	11,320,596
33. Revaluation reserves	061	0	0
34. Other reserves	062	626,807	957,137
35. (-) Treasury shares	063	0	0
36. Profit or loss attributable to owners of the parent	064	6,603,887	9,557,225
37. (-) Interim dividends	065	0	0
38. Minority interests [Non-controlling interests]	066	0	0
39. TOTAL EQUITY	067	64,035,373	100,593,022
40. TOTAL EQUITY AND TOTAL LIABILITIES	068	727,963,843	823,989,729

CASH FLOW STATEMENT – Indirect method in the period from 01. 01. 2024 to 31. 12. 2024
Amounts in EUR

Position name	AOP code	Previous period	Current period
1	2	4	5
OPERATING ACTIVITIES AND ADJUSTMENTS			
1. Profit / (loss) before tax	001	6.603.888	9.557.225
2. Impairment	002	332.725	402.262
3. Depreciation	003	1.979.218	10.273.792
4. Net unrealised profit/(loss) from financial assets and liabilities at fair value through income statement	004	0	0
5. (Gains) / losses from sale of tangible assets	005	0	0
6. Other non-monetary items	006	0	0
Change from assets and liabilities from operating activities			
7. Deposits with CNB	007	0	0
8. Deposits at financial institiution and loans to fininancial institutions	008	0	0
9. Loans to other clients	009	-56.194.870	-23.141.584
10. Financial assets at fair value through other comprehensive income	010	0	0
11. Financial assets held for trading	011	-2.585.179	-5.644.656
12. Non-trading financial assets mandatorily at fair value through profit or loss	012	0	2
13. Financial assets designated at fair value through profit or loss	013	0	0
14. Financial assets at amortised cost	014	0	0
15. Other assets from operating activities	015	-578.804	-7.093.100
Net increase/(decrease) in operating liabilities			
16. Deposits with banking institutions	016	0	0
17. Current accounts	017	-15.285.912	23.449.420
18. Saving accounts	018	236	92
19. Time deposits	019	129.125.669	-9.344.538
20. Derivative financial liabilities and other financial liabilities held for sale	020	0	0
21. Other liabilities	021	-2.827.441	503.739
22. Unpaid interest from operating activities	022	0	0
23. Dividends received	023	0	0
24. Paid interest from operating activities	024	0	0
25. Paid income tax	025	0	0
A) Net cash inflow / (outflow) from operating activities (AOP 001 do 025)	026	60.569.530	-1.037.346
INVESTMENT ACTIVITIES			
1. Cash receipts from (payments to acquire) tangible and intangible assets	027	-1.335.562	-2.832.884
2. Cash receipts from the disposal of (payments for the investment in) subsidiaries, associates and joint ventures	028	0	0
3. Cash receipts from sales of (cash payments to acquire) securities and other financial instruments from investment acitivities	029	-32.652.288	-45.847.546
4. Dividends received	030	0	0
5. Other receipts from(payments for) investments	031	65.356	-691.414
B) Net cash inflow / (outflow) from investment activities (AOP 027 do 031)	032	-33.922.494	-49.371.844
FINANCIAL ACTIVITIES			
1. Net increase / (decrease) in received loans	033	69.268.691	45.527.609
2. Net increase / (decrease) of issued debt securities	034	0	0
3. Net increase / (decrease) of subordinated and hybrid instruments	035	0	0
4. Proceeds from issue of share capital	036	0	27.000.288
5. (Dividends paid)	037	0	0
6. Other proceeds(payments) from financing activities	038	0	0
C) Net cash inflow / (outflow) from financial activities (AOP 033 do 038)	039	69.268.691	72.527.897
D) Net increase / (decrease) of cash and cash equivalents (AOP 026+032+039)	040	95.915.727	22.118.707
Cash and cash equivalents at the beginning of the year	041	136.673.667	232.589.394
Effect of currency exchange rate conversion on cash and cash equivalents	042		
Cash and cash equivalents at the end of the year (AOP 040+041+042)	**043**	**232.589.394**	**254.708.101**

STATEMENT OF CHANGES IN EQUITY in the period from 1. 1. 2024 to 31. 12. 2024
Amounts in EUR

							Atributable to shareholders of the Bank							Minority interest		
Position name	AOP code	Note number	Share capital	Share premium	Equity instruments issued except capital	Other equity holdings	Accumulated other comprehensive income	Retained earnings/ loss	Revalua-tion re-serves	Other reserves	Treasury shares	Profit / loss attributable to owners of the parent company	Dividends during the business year	Accumulated other com-prehensive income	Other items	Total equity and reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 do 16)
1. Balance at 1 January 2024	01		51,757,776	0	0	0	0	11,650,791	0	626,807	0	0	0	0	0	64,035,373
2. Effect of error correction	02															0
3. Changes in accounting policies	03															0
4. Restated balance at 1 January 2024 (001+002)	04		51,757,776	0	0	0	0	11,650,791	0	626,807	0	0	0		0	64,035,373
5. Issuance of ordinary shares	05															0
6. Issuance of Preferred Shares	06															0
7. Issuance of other equity instruments	07															0
8. Execution or expiration of other issued equity instruments	08															0
9. Converting Debt to Owners instruments	09															0
10. Reduction of capital	10		27,000,288													27,000,288
11. Dividends	11															0
12. Purchase of treasury shares	12															0
13. Sale or cancellation of treasury shares	13															0

STATEMENT OF CHANGES IN EQUITY in the period from 1. 1. 2024 to 31. 12. 2024
Amounts in EUR

			Atributable to shareholders of the Bank										Minority interest			
Position name	AOP code	Note number	Share capital	Share premium	Equity instruments issued except capital	Other equity holdings	Accumulated other comprehensive income	Retained earnings/ loss	Revalua-tion re-serves	Other reserves	Treasury shares	Profit / loss attributable to owners of the parent company	Dividends during the business year	Accumulated other com-prehensive income	Other items	Total equity and reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 do 16)
14. Reclassifica-tion of Financial Instruments from equity instruments in liabilities	**14**															0
15. Reclassifica-tion of Financial Instruments from liabilities to equity instruments	15		0													0
16. Transfers between compo-nents of equity instruments	16							- 330,194		330,330						136
17. Increase or decrease in owner-ship instruments as a result of business combination	17															0
18. Share-based payments	18															0
19. Other increase or decrease in ownership instruments	19															0
20. Total compre-hensive income for the current year	20						0	9,557,225								9,557,225
Balance at 31 December 2024 (003 + 010 + 011 + 012 + 013 + 016)	**21**		**78,758,064**	**0**	**0**	**0**	**0**	**20,877,821**	**0**	**957,137**	**0**	**0**	**0**	**0**	**0**	**100,593,022**

Statutory financial statements		**Supplementary schedules for CNB**				
Position name	**Amount in EUR '000**	**Position name**	**AOP code**	**Amount in EUR '000**	**Difference**	**Explanation of difference**
Interest and similar income	32,765	1. Interest income	069	33,834	- 1,069	Note 1, 2 and 11
Interest expense and similar charges	- 10,692	2. Interest expense	070	- 11,752	1,060	Note 2 and 3
		3. Expenses on share capital repayable on demand	071			
		4. Dividend income	072			
Fee and commission income	7,090	5. Fee and commission income	073	7,083	7	Note 1
Fee and commission expense	- 768	6. Fee and commission expenses)	074	- 770	2	Note 3 and 11
Net realised gains from financial assets available for sale	-	7. Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	075	-	-	Note 4
Net gains from translation of monetary assets and liabilities, fixing of CHF rate and foreign exchange spot trading	288	8.Gains or (-) losses on financial assets and liabilities held for trading, net	076	824	66	
Net gains/(losses) on derecognition of financial assets measured through FVTPL	602	9.Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	077			
		10. Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	078	-	-	
		11. Gains or (-) losses from hedge accounting, net	079	-	-	
		12. Exchange differences [gain or (-) loss], net	080	66	- 66	Note 4
		13. Gains or (-) losses on derecognition of non-financial assets, net	081	-	-	
Other income	76	14. Other operating income	082	67	9	Note 5, 6 and 11
		15. (Other operating expenses)	083	- 65	65	Note 5, 7 and 11
Staff costs	- 10,426				- 10,426	Note 8
Other administrative expenses	- 4,740	17. Administrative expenses	085	- 15,106	10,366	Note 7 and 8
Depreciation and amortisation	- 2,070	18. Depreciation	086	- 2,070	-	
		19. Modification gains or (-) losses, net	087	-	-	
		20. Provisions or (-) reversal of provisions	088	27	- 27	Note 9 and 10
Impairment losses and provisions	- 389	21. Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	089	- 402	13	Note 6 and 11
		22. Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	090		-	
		23. Impairment or (-) reversal of impairment on non-financial assets	091		-	
		24. Negative goodwill recognised in profit or loss	092		-	
		25. Share of the profit or (-) loss of investments in subsidaries, joint ventures and associates accounted for using the equity method	093		-	
		26. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	094	-	-	
PROFIT (LOSS) BEFORE TAX	11,736	22. PROFIT/(LOSS) BEFORE TAX	095	**11,736**	-	
Income tax expense	- 2,179	**23. INCOME TAX**	096	- 2,179	-	
LOSS FOR THE YEAR	9,557	24. PROFIT/(LOSS) FOR THE PERIOD	097	**9,557**	-	

Note 1: Difference of EUR -7 thousand of Interest income from placements to non-banking financial institutions is presented within Fees and commission income for CNB reporting.

Note 2: Difference of EUR -1,601 thousand of Cancellation interest with premature deliverance of deposit is presented in interest expense in financial statements.

Note 3: Difference of EUR -1 thousand of Expenses based on commissions/fees for banking services of residents is presented within Fees and commission expense for CNB reporting.

Note 4: Difference in EUR -66 thousand of foreign exchange differences in relation to dealing with foreign currencies reclassified to Exchange differences [gain or (-) loss], net for CNB reporting.

Note 5: Difference in income from reversal of unused vacation day provision (EUR -6 thousand) included in staff costs in statutory financial statements.

Note 6: Difference of EUR 14 thousand of Income from reversal of provisions for litigation initiated against the bank is presented within Impairment losses and provisions in Financial statements.

Note 7: Difference of EUR 60 thousand of other expenses is presented in other administrative expenses in financial reporting.

Note 8: Difference of EUR -10,426 thousand of expenses for salaries, taxes and contribution and other expenses related to employees are presented within administrative expenses for CNB reporting.

Note 9: Difference of EUR -50 thousand of provisions and reversal of provisions for court cases are presented in Impairment losses and provisions in Financial statements

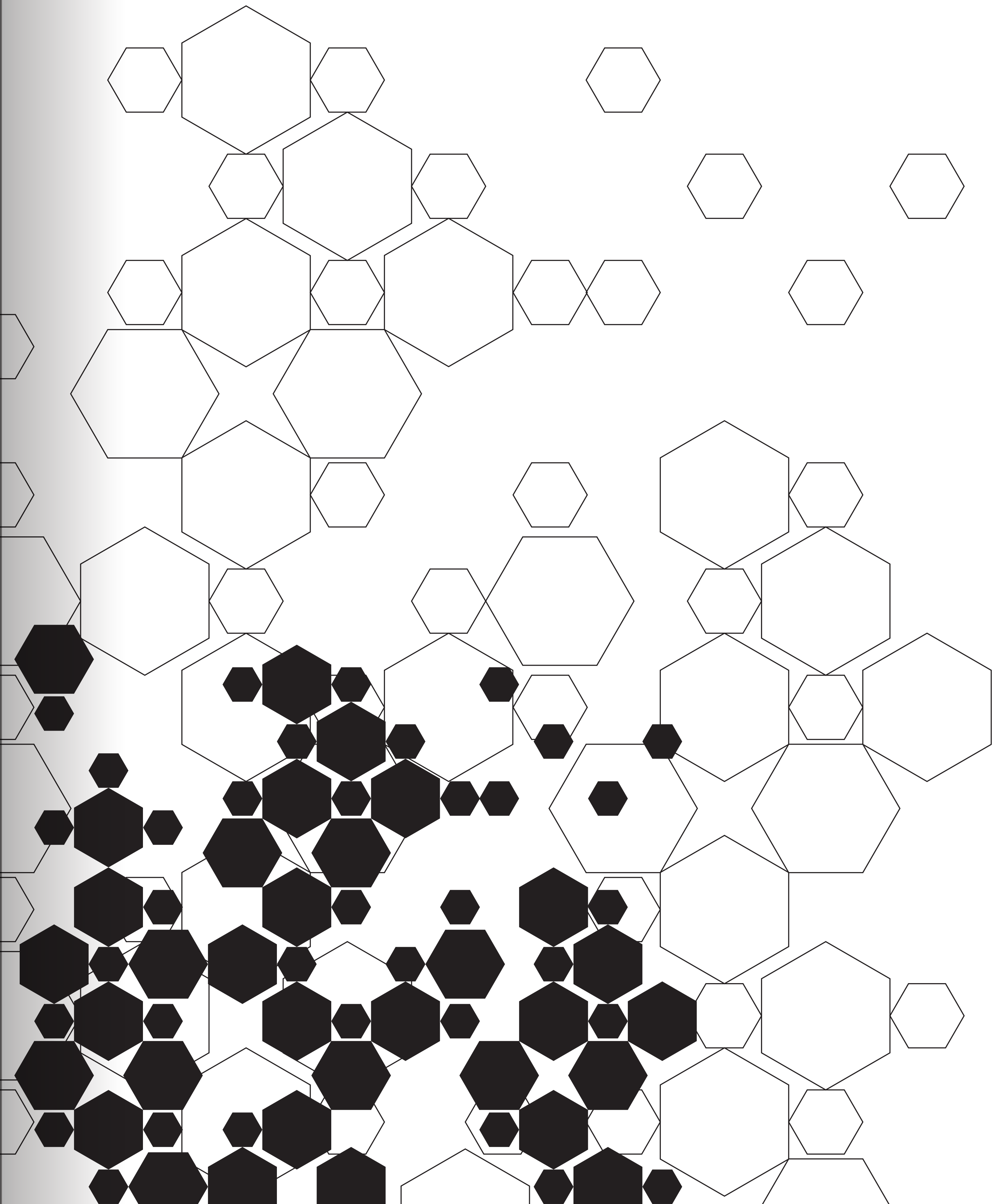
Note 10: Difference of EUR 77 of thousand other provision are presented in Impairment losses and provisions in financial statements.

Note 11: Rounding difference.

Statutory financial statements		Supplementary schedules for CNB				
Name of line	Amount in EUR ‘000	Name of position	AOP code	Amount in EUR ‘000	Difference	Explanation of difference
ASSETS		**ASSETS**				
Cash and current accounts with banks	24,747	**1.Cash, cash balances at central banks and other demand deposits**	001	**254,708**	229,961	
		1.1 Cash on hand	002	4,613	0	Note 1
		1.2 Cash balances at central banks	003	234,711	0	
		1.3 Other demand deposits	004	15,384	0	
Obligatory reserve with CNB and compulsory CNB bills	–				0	
Placements with other banks	231,176				231,176	Note 1 and 2
Financial investments helld for trading	9,985	**2.Financial assets held for trading**	005	**9,985**	0	
		2.1 Derivatives	006	–	0	
		2.2 Equity instruments	007	–	0	
		2.3 Debt securities	008	9,985	0	
		2.4 Loans and advances	009	–	0	
		3.Non-trading financial assets mandatorily at fair value through profit or loss	010	**0**	0	
		3.1 Equity instruments	011	–	0	
		3.2 Debt securities	012	–	0	
		3.3 Loans and advances	013	–	0	
Financial investments through the profit and loss	–	**4.Financial assets designated at fair value through profit or loss**	014	**0**	0	
		4.2 Debt securities	015	–	0	
		4.3 Loans and advances	016	–	**0**	
Financial assets at fair value through other comprehensive income	–	**5.Financial assets at fair value through other comprehensive income**	017	0	0	
		5.1 Equity instruments	018	–	**0**	
		5.1 Debt securities	019	–	0	
		5.2 Loans and advances	020	–	**0**	
		6.Financial assets at amortised cost	021	548,191	0	
Financial investments at amortised cost	176,146	6.1 Debt securities	022	164,578	**11,568**	Note 3
Loans to and receivables from customers	370,256	6.2 Loans and advances	023	383,613	**- 13,357**	Note 2, 3, 4 and 7
		7.Derivatives – Hedge accounting	024	0	0	
		8.Fair value changes of the hedged items in portfolio hedge of interest rate risk	025	0	0	
		9.Investments in subsidiaries, joint ventures and associates	026	0	0	
Foreclosed assets	81				81	Note 5
Property, plant and equipment	5,666	**10. Tangible assets**	027	7,596	- 1,930	Note 6
Right of use assets	1,930				1,930	Note 6
Intangible assets	2,678	**11. Intangible assets**	028	2,678	0	
Deffered tax asset	104	**12. Tax assets**	029	104	0	
Other assets	1,209	**13. Other assets**	030	727	482	Note 5 and 7
		14. Non-current assets and disposal groups classified as held for sale	031	0	0	
TOTAL ASSETS	**823,978**	**15. TOTAL ASSETS**	**032**	**823,990**	**-12**	

Statutory financial statements		Supplementary schedules for CNB				
Name of line	Amount in EUR '000	Name of position	AOP code	Amount in EUR '000	Difference	Explanation of difference
LIABILITIES		**LIABILITIES**				
		16. Financial liabilities held for trading	033	0	0	
		16.1 Derivatives	034	0	0	
		16.2 Short positions	035	0	0	
		16.3 Deposits	036	0	0	
		16.4 Debt securities issued	037	0	0	
		16.5 Other financial liabilities	038	0	0	
		17. Financial liabilities designated at fair value through profit or loss	039	**0**	0	
		17.1 Deposits	040	0	0	
		17.2 Debt securities issued	041	0	0	
		17.3 Other financial liabilities	042	0	0	
Subordinated liabilities	-				0	
		18. Financial liabilities measured at amortised cost	043	713,943		
Current accounts and deposits from banks and financial institutions	47,046	18.1 Deposits	044	711,930	-2,013	Note 8
Current accounts and deposits from customers	514,309	18.2 Debt securities issued	045	0		
Interest-bearing borrowings	150,575	18.3 Other financial liabilities	046	2,013		
		19. Derivatives – Hedge accounting	047	**0**	0	
		20. Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	**0**	0	
Provisions for liabilities and charges	971	**21. Provisions**	049	**1,082**	-111	Note 9
Income tax liability	906	**22. Tax liabilities**	050	**906**	0	
		23. Share capital repayable on demand	051	**0**	0	
Other liabilities	9,578	**24. Other liabilities**	052	**7,466**	2,112	Note 4, 8 and 9
		25. Liabilities included in disposal groups classified as held for sale	053	**0**	0	
Total liabilities	723,385	**26. TOTAL LIABILITIES**	054	**723,397**	-12	
EQUITY		**EQUITY**			0	
Issued share capital	78,758	27. Capital	055	**78,758**	0	
		28. Share premium	056	0	0	
		29. Equity instruments issued other than capital	057	0	0	
		30. Other equity	058	0	0	
Fair value reserve	-	31. Accumulated other comprehensive income	059	**0**	0	
Accumulated loss	20,878	32. Retained earnings	060	**11,321**	9,557	Note 10
		33. Revaluation reserves	061	0	0	
Legal and other reserves	957	34. Other reserves	062	**957**	0	
		35. (-) Treasury shares	063	0	0	
		36. Profit or loss attributable to owners of the parent	064	9,557	-9,557	Note 10
		37. (-) Interim dividends	065	0	0	
		38. Minority interests [Non-controlling interests]	066	0	0	
Total equity	100,593	39. TOTAL EQUITY	067	100,593	0	
TOTAL LIABILITIES AND EQUITY	**823,978**	**40. TOTAL EQUITY AND TOTAL LIABILITIES**	**068**	**823,990**	-12	

Note 1: Difference of EUR 229,261 thousand placements to other banks is presented in Financial statements in Placements with other banks
Note 2: Difference of EUR 1,215 thousand placements to other banks is presented in Financial statements in Financial assets at amortised cost
Note 3: Difference of EUR 11.568 thousand of Factoring, forfaiting and reservation is presented in Loans and advances in CNB reporting
Note 4: Difference EUR -11 thousand of deferred fees is presented in Other Liabilities in financial statements
Note 5: Difference of EUR 81 thousand of Foreclosed assets is Presented in Other assets in CNB reporting.
Note 6: Difference of EUR -1.930 thousand of Tangible assets presented in CNB reporting is shown under Right of use assets
Note 7: Difference of EUR -563 thousand of Receivables of Noninterest income and Accrued fees on Loans is presented in Other assets in Financial statements
Note 8: Difference of EUR -2,013 thousand of Payables for income distribution and Fees for deposits and Liabilities for leasing is presented statements under Other Liabilities
Note 9: Difference of EUR -110 thousand of Accruals for unused vacation is presented in Financial statements as Other liabilities,
Note 10: Difference EUR 9.557 thousand Profit for the year is a separate line of equity for CNB reporting




Lenovo

Appendix 2

Disclosures in accordance with Article 164 of the Credit Institutions Act

Pursuant to Article 164 of the Credit Institutions Act, the Bank discloses following information:

1) The Bank is licensed for the following services:

- receiving deposits or other repayable funds,
- lending, including consumer lending, mortgage loans and, where permitted under a special law, financing of commercial transactions, including export finance based on the purchase at a discount without recourse of long-term, non-matured receivables collateralized with a financial instrument (forfaiting),
- repurchase of receivables with or without recourse (factoring),
- issuance of guarantees or other sureties,
- payment services in accordance with special laws,
- services related to lending, such as collecting data, making analyzes and providing information on the creditworthiness of legal and natural persons who independently perform the activity,
- renting safety deposit boxes,
- intermediary services in money market transactions,
- receiving deposits or other repayable funds from the public and approving loans from these funds, for the Bank's own account
- issuing other payment instruments and managing them if the providing of these services is not considered as providing of payment services in accordance with special laws,
- issuing of electronic money,
- representing in insurance
- trading for its own account or for a client's account in:

- money market instruments,
- transferable securities,
- foreign payment transactions, including exchange transactions,
- financial terms and options,
- currency and interest instruments

2) The total revenue of the Bank in 2024 amounted to EUR 29,361 thousand;

3) The Bank employs 264 full-time employees;

4) Profit before tax in 2024 amounted to EUR 11,736 thousand;

5) Income tax in 2024 amounted to EUR 2,179 thousand;

6) During 2024, the Bank did not receive public subsidies.