



**KARLOVAČKA BANKA d.d.**  
**Ivana Gorana Kovačića 1, Karlovac**

**Annual Report**  
**and**  
**Independent Auditor's Report**  
**for the year 2025**

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

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**REPORT OF THE MANAGEMENT BOARD ACCOMPANYING AUDITED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2025**

**Business Environment**

**International Environment**

As stated by the Croatian National Bank in its published materials, global economic developments in 2025 proved relatively resilient to trade tensions and heightened uncertainty in trade policy. As a result, global economic growth projections were revised upwards compared to earlier expectations.

The impact of protectionist trade measures on global growth remained relatively limited, and global economic expansion slowed only marginally compared to 2024. These developments were further supported by reduced uncertainty surrounding U.S. trade policy, following a series of trade agreements concluded in the second half of the year.

Amid relatively robust economic activity, global growth projections were revised upward, along with expectations for global trade growth. Nevertheless, a moderation in growth is still anticipated in the coming year. Global inflation continued to ease, supported in part by declining commodity prices.

Economic activity in the euro area continued to grow moderately in 2025, with quarter-on-quarter growth of 0.3% recorded in the final quarter, slightly exceeding previous expectations. Overall, annual growth in 2025 reached 1.5% compared to year 2024. Industrial production, construction activity, and retail trade demonstrated solid momentum, while the economic sentiment indicator reached its highest level in nearly four years at the beginning of 2026.

Inflation in the euro area continued to decline, decreasing from 2.0% to 1.7% in January 2026, largely driven by lower energy prices and a slight easing of core inflation. Expectations continue to point to inflation stabilising around target levels, alongside moderate economic growth.

**Croatian Economy**

According to the Hrvatska narodna banka, economic activity in Croatia accelerated towards the end of 2025 following modest growth in the third quarter. Real GDP is estimated to have increased by approximately 1.3% quarter-on-quarter in the fourth quarter.

Industrial production increased by 3.3% compared to the previous quarter, while real retail trade rose by 2.0%, indicating a recovery in personal consumption.

For the full year 2025, real GDP growth is estimated at approximately 3%. This growth was achieved despite a pronounced decline in services exports, particularly due to reduced real consumption by foreign tourists. Conversely, investment and goods exports increased, supported by strong growth in the construction sector and intensified infrastructure activity. Net exports made a significant negative contribution to overall growth, reflecting higher imports and reduced services exports.

Labour market developments in 2025 were marked by a gradual slowdown in employment growth. In the final quarter, employment remained broadly unchanged, with the registered unemployment rate at 4.3%. At the same time, wages continued to grow strongly. The annual nominal growth rate of gross wages reached 10.4% in the fourth quarter, while real wage growth stood at 6.8%.

Inflation in Croatia continued to decline, reaching 3.6% in January 2026 according to the Harmonised Index of Consumer Prices. Food price inflation slowed to 3.1%, energy inflation also stood at 3.1%, while services inflation remained elevated at around 7%.

## Monetary Development in Croatia

The interest rate on the deposit facility of credit institutions with the central bank—a key indicator of the monetary policy stance of the European Central Bank—has remained unchanged at 2.00% since June 2025, when it was last reduced to 2.00%. The Governing Council emphasised that the latest assessment of inflation prospects confirms that inflation is expected to stabilise at the target level of 2% over the medium term. The economy has remained resilient despite an adverse global environment.

Interest rates on loans and deposits in Croatia stabilised during the second half of 2025 at levels reached mid-year. In December, the average interest rate on new corporate loans stood at 3.36%, housing loans to households at 3.03%, and general-purpose cash loans at 5.53%. Interest rates on newly term-deposited funds amounted to 1.93% for corporates and 1.80% for households.

Credit activity remained strong, although some deceleration was observed towards the end of the year. Annual growth in housing loans accelerated to 15.5%, while growth in general-purpose cash loans slowed further to 11.3%. As a result, total household lending growth increased from 12.9% to 13.1% on an annual basis. Corporate lending growth reached 12.8% in December. Domestic deposits sectors increased by EUR 0.8 billion in December, with continued growth in overnight deposits and a decline in the share of term deposits. Annual growth in total deposits continued to decelerate, decreasing from 6.6% in November to 6.4% in December.

## Key Risks and Outlook

At the international level, geopolitical risks remain present and may increase financial market volatility and affect financing conditions. In an environment of gradually easing inflationary pressures, monetary policy remains cautious. In the domestic market, key risks are associated with persistently elevated services inflation, strong wage growth dynamics, and the sensitivity of the tourism sector to price competitiveness. Economic growth in 2026 is expected to remain moderate, at approximately 2.8%.

## Financial result of the Bank's operations

Within the described business environment, based on the audited annual financial statements, the Bank operated successfully in the period from 1 January 2025 to 31 December 2025, generating a net profit after tax of EUR 6.82 million, with a return on assets (ROA) of 1.3% and a return on equity (ROE) of 11.6%.

Both indicators declined compared to the previous year, when ROA stood at 1.9% and ROE at 18.9%. Nevertheless, the achieved profitability levels are considered satisfactory, as they are in line with planned targets. This performance was achieved in an environment characterised by significant excess liquidity and reduced, yet still relatively elevated, key ECB interest rates, averaging above 2% during the year.

Net profit for 2025 amounted to EUR 6.82 million, representing a decrease of 28.6% (EUR 2.73 million) compared to 2024, but exceeding the planned net profit for 2025 by 3.4%.

The planned decrease in net profit is attributable to:

- a 9% decrease in net interest income
- an 11% increase in interest expenses on deposits
- a 55% decrease in income from trading activities
- a 15.5% increase in administrative expenses
- a 33.6% increase in depreciation costs
- a negative impact of impairments and provisions in a net amount of EUR 371 thousand

Total net operating income in 2025 amounted to EUR 18 million, representing a decrease of EUR 2.23 million, or 11%, compared to 2024.

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Net interest income amounted to EUR 14.43 million, representing a decrease of 9% or EUR 1.4 million compared to the previous year. This level of net interest income was achieved in an environment of a 6.3% decline in interest income and an 11% increase in interest expenses.

Interest income from total loans increased by 3.1%, driven by higher income from loans to corporates (+3%), households (+8.8%), and financial institutions (+39%). At the same time, interest income from loans to government entities decreased by 26%, primarily due to the decline in EURIBOR.

Interest income from the debt securities portfolio increased by 43% during the same period, reflecting a 55% expansion of the portfolio as well as a shift toward higher-yielding securities.

Interest income from deposits declined by 35%, or EUR 2.34 million in nominal terms, as a result of the gradual reduction in key interest rates of the European Central Bank from 4% to 2%.

In 2025, interest expenses increased by 11%, or EUR 0.26 million, mainly due to higher expenses on term deposits from corporates as well as increased costs related to demand deposits under special conditions.

As a result, the net interest margin decreased by 13.3% compared to the end of 2024, declining from 3.3% to 2.86%.

Net fee and commission income amounted to EUR 3.01 million, representing a slight increase of 0.44% compared to the same period of the previous year. This increase was driven by a 3.6% rise in fee and commission income, alongside a 12.8% increase in related expenses.

Other non-interest income and expenses mainly relate to trading income, which amounted to EUR 0.53 million and decreased by 55% compared to the same period last year, primarily due to reduced trading volumes and less favourable market conditions.

Administrative expenses, depreciation, and contributions to resolution funds and deposit insurance schemes amounted to EUR 9.5 million, representing an increase of 19.2% compared to the same period in 2024. The total level of these costs increased by EUR 1.53 million, with employee expenses rising by 15%, primarily due to salary increases implemented at the end of 2024.

Other administrative expenses increased by 15%, mainly as a result of higher prices of goods and services.

Depreciation increased by 34% in the same period, reflecting significant investments in tangible assets in the prior period, while deposit insurance costs amounted to EUR 181 thousand in 2025, compared to none in the previous year.

The total effect of impairments and provisions for losses across all categories at the end of 2025 was negative, resulting in a net expense of EUR 371 thousand. The increase in provisions in 2025 is partly attributable to portfolio growth and changes in internal calculation methodologies in line with applicable regulations.

The Bank's total assets amounted to EUR 528.4 million at the end of 2025, representing an increase of EUR 22.5 million, or 4.5%, compared to the end of 2024. This increase was achieved in an environment of persistently high liquidity, both at the Bank level and across the banking sector. At the same time, the Bank maintained and further increased its investments in highly liquid sovereign debt securities of the Republic of Croatia.

Highly liquid assets—comprising cash, balances with central banks, and other demand deposits—amounted to EUR 113 million, representing a decrease of EUR 53.4 million, or 32%, compared to the end of 2024. This decline was primarily driven by a significant reduction in key ECB interest rates, which led the Bank to increase its investments in debt securities.

Liquid assets in the form of debt securities amounted to EUR 150.5 million at the end of 2025, representing an increase of EUR 53 million, or 55%, compared to the end of 2024. As a result of these investments, their share in the Bank's total assets reached 28% at year-end, with an average yield of 2.5%, representing an increase of 5.6% compared to the 2024 yield of 2.3%.

Placements with banks amounted to EUR 37.1 million at the end of 2025, increasing by EUR 13.3 million, or 56%, compared to the end of 2024.

Total loans amounted to EUR 219.4 million at the end of 2025, representing an increase of EUR 8.8 million, or 4.2%, compared to the end of 2024. Consequently, the share of loans in total assets remained stable at 41.5%.

Within the loan portfolio, household lending increased by 9.9%, while lending to other financial institutions rose by 8.8%. At the same time, loans to non-financial corporates decreased by 1.8%, and loans to the general government declined by 2.2%.

Through the implementation of measures defined under the NPL reduction strategy, the Bank reduced its non-performing loan portfolio by 5% in 2025, maintaining its share at 2%.

Tangible assets amounted to EUR 5.1 million at the end of 2025, representing a decrease of EUR 0.36 million, or 6.7%, compared to the end of 2024. As a result, the share of tangible assets in total assets declined from 1.1% at the end of 2024 to 0.97% at the end of 2025. At the same time, repossessed assets and investment property decreased from EUR 1.6 million to EUR 1.0 million, representing a decline of 36.8%.

Total customer deposits amounted to EUR 462.9 million at the end of May, representing an increase of 3.5% compared to the end of the previous year. Term deposits increased by EUR 3.5 million, or 2.5%. Household term deposits declined by 5%, while term deposits from non-financial corporates increased significantly by 226%. Over the same period, demand deposits increased by 4%. Total deposits accounted for 87.6% of the Bank's funding sources, slightly decreasing compared to 88.4% at the end of the previous year.

As a result of the above developments, the net interest margin declined to 2.86% at the end of 2025, representing a decrease of 13.6% compared to 3.31% in 2024.

The Bank maintained a high level of liquidity throughout 2025, as measured by all relevant indicators. The Liquidity Coverage Ratio (LCR) stood at 576% at year-end, or 5.7 times the regulatory minimum, reflecting continued high excess liquidity. The Bank also maintained a strong level of stable funding, with the Net Stable Funding Ratio (NSFR) at 211%, more than double the regulatory minimum.

The Bank's cost-to-income ratio (C/I ratio) amounted to 52.98%, representing a deterioration of 13.4 percentage points compared to the end of 2024. This decline in operational efficiency was primarily driven by higher growth in general administrative expenses and depreciation, alongside a reduction in income, mainly due to lower income from deposits with banks following the decline in the European Central Bank reference rate.

The Bank's capital amounted to EUR 62.04 million at the end of 2025, representing an increase of 12.4% compared to the end of 2024, and accounted for 11.7% of total funding sources. At year-end 2025, the Bank reported a total capital adequacy ratio of 29.51%, significantly exceeding both regulatory and internally defined minimum requirements. Together with available liquid assets, this provides a solid capacity to support planned lending activities.

## **Risk Management**

The achievement of a satisfactory positive financial result in 2025 was also supported by sound and responsible risk management. Given its business model and risk profile, the Bank continuously enhances its processes for monitoring and managing all risks to which it is exposed. During the past financial year, particular focus remained on the most significant risk categories: credit risk, interest rate risk, liquidity risk, and operational risk.

In addition to stable operating performance, the effectiveness of risk management is reflected in the Bank's overall risk exposure, which consistently remained within both regulatory and internally defined limits. Exposure to all key risks has been assessed as moderate, with a stable risk outlook and an adequate risk management framework in place for each category. Alongside maintaining a consistently high level of liquidity, the Bank achieved further positive developments in credit risk exposure during 2025. These are reflected in a 5% reduction in non-performing loans, a decrease in both the level and share of past-due loans, as well as reduced concentration risk and increased diversification within the credit portfolio.

## **Own shares**

During 2025, the Bank did not purchase its own shares.

The Bank is not subject to the obligation to prepare a sustainability report.

## **The Bank's plan and expectations in 2026**

Taking into account the results achieved and activities undertaken in the previous period, the Management Board of Karlovačka banka concludes that the Bank has maintained stable operations despite challenges in the economic and regulatory environment. Continued focus on key risk management, strengthening of the capital position and profitability, and maintaining adequate liquidity will remain key management priorities.

In the coming period, particular emphasis will be placed on further digitalisation of business processes, enhancement of customer experience, development of new services, and strengthening of market competitiveness. At the same time, the Bank remains committed to responsible and sustainable business practices, the development of the local community, and transparent communication with shareholders, clients, and regulators.

Based on achieved results and planned activities, the Management Board expects a stable and sustainable continuation of operations, along with further improvement in key performance indicators in the upcoming period. The Bank will continue to operate in line with best corporate governance practices, with a clear focus on security, efficiency, and long-term development.

The Management Board of Karlovačka banka hereby expresses its gratitude to all shareholders for their trust and support in the Bank's strategic development.

We express our special thanks to our clients, whose loyalty and cooperation form the foundation of our business.

We also thank the members of the Supervisory Board for their constructive oversight, support, and partnership in achieving the Bank's objectives.

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Finally, we would like to express our sincere appreciation to all employees of the Bank for their dedication, professionalism, and contribution, without which the achieved results would not have been possible.

In Karlovac, 20 March 2026



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**Marino Rade**  
President of the Management Board



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**Stjepan Oreški**  
Management Board Member

**KARLOVAČKA BANKA PLC.**

**Supervisory Bord**

**REPORT**  
**ON THE ACTIVITIES OF THE SUPERVISORY BOARD IN 2025**

In 2025, the Supervisory Board of Karlovačka banka d.d. was composed of: Nedjeljko Strikić – President of the Supervisory Board, Bernarda Ivšić – Deputy President of the Supervisory Board and Zdravko Marić, Ana Žabčić and Mato Crkvenac, as Supervisory Board Members.

The Supervisory Board convened regularly and in 2025 held a total of 27 sessions, of which 24 were held by fax.

During 2025, the Risk and Audit Committee held 2 in-person meetings and 7 briefings, of which the Supervisory Board was informed.

In addition to making decisions that are within the responsibility of the Supervisory Board under the provisions of the Companies Act, the Credit Institutions Act and the Bank's Statute; the activities of the Supervisory Board have been directed, in cooperation with the Bank's Management Board, to the development of the Bank's business and implementation of efficient and reliable management system of the Bank.

Furthermore, the Supervisory Board has been acquainted with all significant ongoing court cases and estimates regarding provisions thereof as well as with their estimated outcome.

During 2025, the Supervisory Board supervised the Management Board's management of the Bank's operations and has established that the Bank had operated in accordance with the Law and Acts of the Bank as well as with the decisions of the General Assembly

The Supervisory Board was regularly briefed on the operations of the Risk and Audit Board and monitored its work on all relevant counts from their domain

The Supervisory Board confirms that the annual financial statements have been prepared in accordance with the Bank's records and that they show the Bank's correct financial and business condition.

The Supervisory Board agrees with the proposed Decision on profit allocation which will be submitted for adoption to the General Assembly of the Bank.

In Karlovac, 30 March 2026

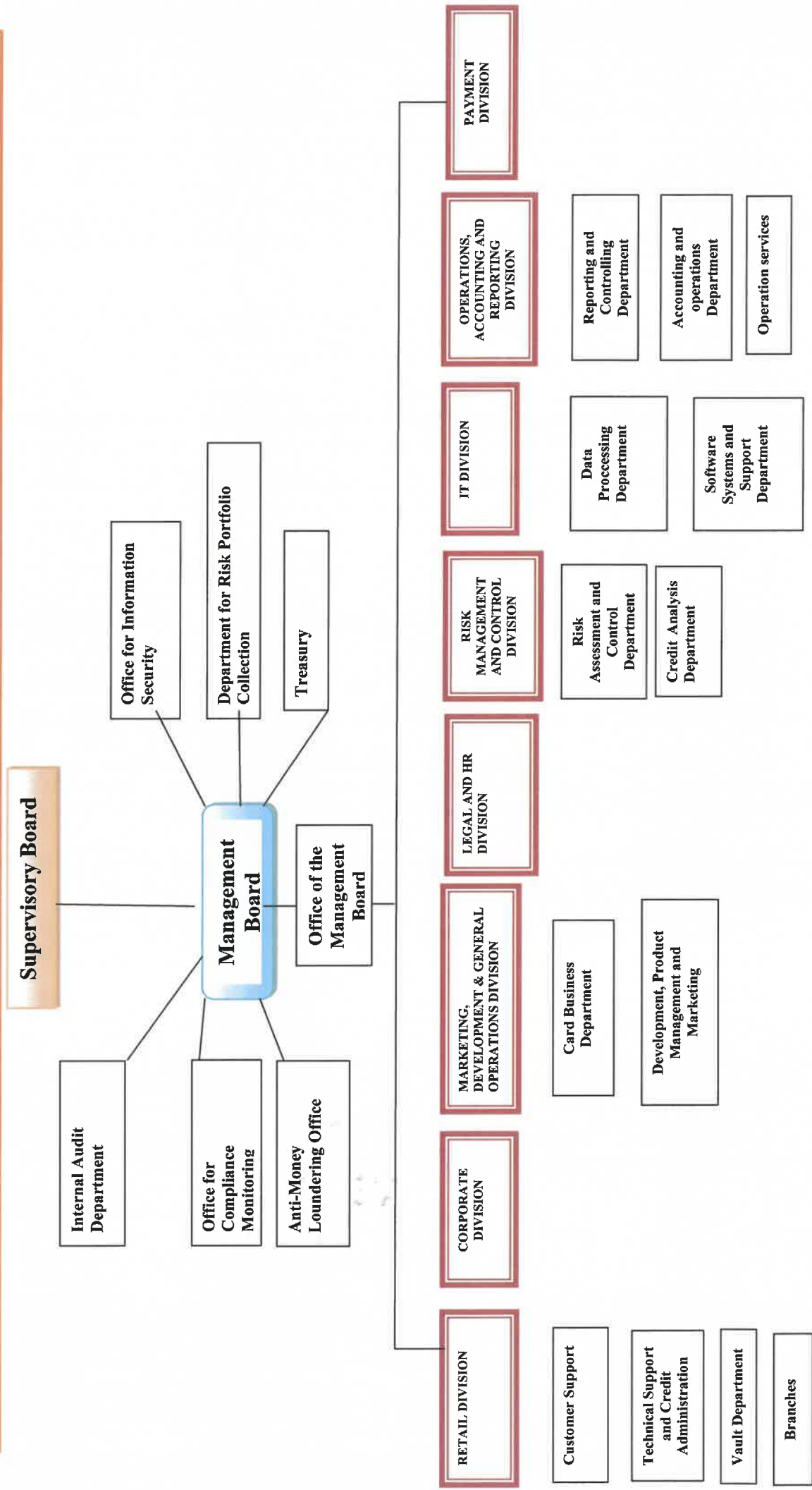


**Supervisory Bord President**

**mr.sc. Nedjeljko Strikić**

Management and organisation

Organisational chart of Karlovačka banka d.d. – 2025



**Correspondent Banks as at 31 December 2025**

**Standing Settlement Instructions for KALCHR2X (CP = Commercial Payments FX = Foreign Exchange MM = Money Market)**

AUD	Privredna banka Zagreb dd, Zagreb	PBZGHR2XXXX	IBAN: HR2023400091990016076	CP		
AUD	Zagrebacka banka dd, Zagreb	ZBAHR2XXXX	IBAN: HR3423600001900000547		FX	MM
CAD	Privredna banka Zagreb dd, Zagreb	PBZGHR2XXXX	IBAN: HR2023400091990016076	CP		
CAD	Zagrebacka banka dd, Zagreb	ZBAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
CHF	Privredna banka Zagreb dd, Zagreb	PBZGHR2XXXX	IBAN: HR2023400091990016076	CP		
CHF	Raiffeisenbank Austria dd, Zagreb	RZBHR2XXXX	IBAN: HR6024840081900001513	CP	FX	MM
CHF	Zagrebacka banka dd, Zagreb	ZBAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
CZK	Zagrebacka banka dd, Zagreb	ZBAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
DKK	Privredna banka Zagreb dd, Zagreb	PBZGHR2XXXX	IBAN: HR2023400091990016076	CP		
DKK	Zagrebacka banka dd, Zagreb	ZBAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
EUR	Banco Bilbao Vizcaya Argentaria SA, Madrid	BBVAESMMXXX	IBAN: ES3801820061710080109344	CP		
EUR	Erste Group Bank AG, Vienna	GIBAATWGXXX	IBAN: AT712010040331963300	CP	FX	MM
EUR	Karlovacka Banka dd, Karlovac	KALCHR2XXXX	SEPA Participant	CP		
EUR	Karlovacka Banka dd, Karlovac	KALCHR2XXXX	Target2 Participant	CP	FX	MM
EUR	UniCredit SpA, Milan	UNCRITMMXXX	IBAN: IT40L0200832978000000000925	CP	FX	MM
GBP	Privredna banka Zagreb dd, Zagreb	PBZGHR2XXXX	IBAN: HR2023400091990016076	CP		
GBP	Zagrebacka banka dd, Zagreb	ZBAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM

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JPY	Zagrebacka banka dd, Zagreb	ZABAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
NOK	Zagrebacka banka dd, Zagreb	ZABAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
SEK	Skandinaviska Enskilda Banken AB, Stockholm	ESSESESSXXX	IBAN: SE5650000000052018512463	CP	FX	MM
SEK	Zagrebacka banka dd, Zagreb	ZABAHR2XXXX	IBAN: HR3423600001900000547	CP	FX	MM
USD	Raiffeisenbank Austria dd, Zagreb  via any of below banks: CITIBANK N.A., SWIFT BIC: CITIUS33  THE BANK OF NEW YORK MELLON, SWIFT BIC: IRVTUS3N  STANDARD CHARTERED BANK, SWIFT BIC: SCBLUS33	RZBHHR2XXXX	IBAN: HR8224840081900001505	CP	FX	MM
USD	Erste and Steiermaerkische bank dd  Through ESBCHR22XXX's USD account with:ERSTE GROUP BANK AG, AUSTRIA, SWIFT BIC: GIBAATWGXXX  Via GIBAATWGXXX's USD account with: BANK OF AMERICA, N.A., USA, SWIFT BIC: BOFAUS3NXXX	ESBCHR22XXX	IBAN:HR4724020061970000118/USD	CP		

**Branch Network and Contact Details**

**KARLOVAČKA BANKA d.d.**

Seat : Ivana Gorana Kovačića 1  
47 000 Karlovac  
Hrvatska  
Telefon (+385 47) 417 501  
Fax (+385 47) 614 206  
[www.kaba.hr](http://www.kaba.hr)

e-mail: [info@kaba.hr](mailto:info@kaba.hr)

SWIFT BIC: KALCHR2X

**Business network**

**BRANCHES**

**Zagreb**

Preradovićeva 15  
10 000 Zagreb  
Telefon (+385 1) 6041 005  
Fax (+385 1) 4813 557  
[www.kaba.hr](http://www.kaba.hr)

**Rijeka**

Prolaz Marije Krucifikse Kozulić 4 (Zagrad)  
51 000 Rijeka  
Telefon (+385 51) 324 507  
Fax (+385 51) 323 641  
[www.kaba.hr](http://www.kaba.hr)

**Central Office**

Ivana Gorana Kovačića 1  
47 000 Karlovac  
Telefon (+385 47) 417 525  
Fax (+385 47) 614 204  
[www.kaba.hr](http://www.kaba.hr)

**Vladka Mačeka**

Vladka Mačeka 8  
47 000 Karlovac  
Telefon (+385 47) 417 412  
Fax (+385 75) 802 086  
[www.kaba.hr](http://www.kaba.hr)

**Draganić Office**

Draganić 10  
47 201 Draganići  
Telefon (+385 47) 715 772  
Fax (+385 75) 802 090

**Tržnica**

Trg hrvatskih branitelja 2  
47 000 Karlovac  
Telefon (+385 47) 412 171  
Fax (+385 75) 802 089  
[www.kaba.hr](http://www.kaba.hr)

**Duga Resa**

Jozefinska cesta 15  
47 250 Duga Resa  
Telefon (+385 47) 844 537  
Fax (+385 47) 801 748  
[www.kaba.hr](http://www.kaba.hr)

**Jastrebarsko**

Zrinski-Frankopanska 2  
10 450 Jastrebarsko  
Telefon (+385 1) 6270 203  
Fax (+385 75) 802 094

[www.kaba.hr](http://www.kaba.hr)

**Žakanje**

Žakanje 59 d  
47 276 Žakanje  
Telefon (+385 47) 757 914  
Fax (+385 75) 802 088

[www.kaba.hr](http://www.kaba.hr)

**Slunj**

Trg dr. Franje Tuđmana 15  
47 240 Slunj  
Telefon (+385 47) 777 320  
Fax (+385 75) 802 093

[www.kaba.hr](http://www.kaba.hr)

**Topusko**

(temporarily closed  
due to renovation)

Trg Josipa bana Jelačića 7  
44 415 Topusko  
Telefon (+385 44) 885 152  
Fax (+385 44) 885 152

[www.kaba.hr](http://www.kaba.hr)

**Ogulin**

Ivana Gorana Kovačića 8  
47 300 Ogulin  
Telefon (+385 47) 537 465  
Fax (+385 75) 802 092

[www.kaba.hr](http://www.kaba.hr)

**Ozalj**

Trg braće Radić 2  
47 280 Ozalj  
Telefon (+385 47) 731 188  
Fax (+385 47) 638 684

[www.kaba.hr](http://www.kaba.hr)

## **RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS**

The Management Board of Karlovačka banka d.d., Karlovac, Ivana Gorana Kovačića 1 (hereinafter: "the Bank") is responsible for ensuring that the annual financial statements for the year 2025 are prepared in accordance with the Accounting Act (Official Gazette No 151/2025) and the International Financial Reporting Standards as to give true and fair view of the financial position, business results, changes in equity and cash flows of the Bank for that period.

In preparing the annual financial statements, the Management Board of the Bank is responsible for:

- selection and consistent application of appropriate accounting policies in accordance with the applicable financial reporting standards;
- giving reasonable and prudent judgments and estimates;
- preparation of annual financial statements using the going concern basis of accounting, unless the assumption is inappropriate.

In accordance with the Accounting Act, the Management Board of the Bank is responsible for preparation and contents of the Statement of the Management Board on the Bank's position as well as the Statement on the Corporate Governance Code.

Financial statements on pages 23 do 100, and the forms on pages 102 to 113 with accompanying adjustments on pages 113 to 120, which have been prepared in accordance with the Croatian National Bank's Decision on the structure and content of annual financial statements of credit institutions (OG 42/2018 and amendments thereof in OG 122/2020, 119/2021 and 108/2022), have been approved by the Management Board on 6 March 2026 for submitting to the Supervisory Board and signed below.

On behalf of the Management Board:

  
\_\_\_\_\_  
Marino Rade  
Management Board President

   
\_\_\_\_\_  
Stjepan Oreski  
Management Board Member

Karlovačka banka d.d.  
Ivana Gorana Kovačića 1  
47000 Karlovac  
Republika Hrvatska  
Karlovac, 30 March 2026

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of Karlovačka banka d.d., Karlovac**

### **The report on the audit of the annual financial statements**

#### **Opinion**

We have audited the financial statements of Karlovačka banka d.d. ("the Bank"), which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Bank's financial position as at 31 December 2025, and its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Commission and published in the Official Journal ("EU IFRS").

#### **Basis for Opinion**

We performed the audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our Independent Auditor's report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including the International Independence Standards issued by the International Ethics Standards Board for Accountants ("IESBA Code"), as applicable to audits of financial statements of public interest entities, together with the ethical requirements relevant to our audit of financial statements of public interest entities in the Republic of Croatia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

#### **Key audit matters**

Key audit matters are those which were, in our professional judgment, of the utmost importance for our audit of the financial statements of the current period and include most significant recognized risks of significant misstatement as a result of error or fraud with the greatest impact on our audit strategy, the allocation of our available resources and the time spent by the engaged audit team. We have dealt with these matters in the context of our audit of the annual financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

We have determined that the following matters were key audit matters and should be published in our Independent Auditor's report.

**Key audit matters (continued)**

Impairment of loans and advances to clients	
<p>As of 31 December 2025, gross loans and advances to clients in the financial statements amounted to EUR 228.6 million, corresponding provisions for impairment amounted to EUR 9.2 million, and the impairment loss recognized in the statement of profit or loss amounted to EUR 0.3 million (31 December 2024: gross loans and advances to customers: EUR 219.7 million, provisions for impairment: EUR 9.1 million, loss from provisions recognized in the statement of profit or loss: EUR 0.2 million).</p>	
Key audit matter	How we addressed the key audit matter
<p>Impairment represents the Management Board's best estimate of the risk of default and expected credit losses within the portfolio of loans and advances as of the reporting date. We focused on this area given that the amounts stated in the reports are significant, as well as due to the nature of the judgments and assumptions that the Management had to make.</p> <p>International Financial Reporting Standards ("IFRS") require Management to make judgments about the future, and various items in the financial statements are subject to estimation uncertainty. Estimates required for impairment of loans and advances to clients represent significant estimates.</p> <p>The main sources of uncertainty in estimates related to the impairment of loans and advances to customers are the identification of loans that deteriorate, the assessment of a significant increase in credit risk, forecasts of future cash flows, the estimation of inflows from the realization of collateral and the determination of expected credit loss for loans and advances to customers that are themselves uncertain.</p> <p>Impairment is measured either as a 12-month expected credit loss or as a lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.</p>	<p><b>Audit procedures</b></p> <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• review of the Bank's methodology for calculating expected credit loss and assessment of compliance with the relevant requirements of the International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"),</li> <li>• understanding the process of determining the impairment of loans and advances, the IT applications used, the assumptions for the data used in the expected credit loss model</li> <li>• evaluation of the design, implementation and operational effectiveness of controls in credit risk management and lending business processes and testing of key controls related to the approval, recording and monitoring of loans and advances,</li> <li>• testing the design, implementation and operational effectiveness of key controls in the areas of determining client ratings, as well as controls related to the identification of events that cause impairment, the adequacy of the classification between income and non-income loans and advances and their segmentation into homogeneous groups, calculation of days of delay, assessment of collateral value and calculation of provisions for impairment,</li> </ul>

Key audit matter (continued)	How we addressed the key audit matter
<p>For individually significant clients or exposures to legal entities that are individually greater than EUR 66,000 and have defaulted (non-revenue exposures), the assessment of impairment is based on knowledge of each debtor, and often on an assessment of the fair value of the associated collateral. The corresponding provision for impairment is determined on an individual basis based on the present value of discounted future cash flows.</p> <p>Impairment of income-generating exposures to households and legal entities, non-income-generating exposures to households, and non-income-generating exposures to legal entities of less than EUR 66,000 individually are determined by applying the collective model ("collective impairment").</p> <p>Historical experience, identification of exposures with significant credit quality deterioration, forward-looking information and management estimates are included in the model assumptions. The Bank continuously adjusts the parameters of the model, which also requires our increased attention during the audit..</p> <p><b>Related disclosures in the accompanying the annual financial statements</b></p> <p>For additional information, see note 3.18. (Key accounting estimates) 3.9 (Financial instruments), 14 (Expenses / (income) impairment and provisions), 24 (Loans and advances to clients) and note 45 (Credit risk).</p>	<ul style="list-style-type: none"> <li>• checking, on the basis of a sample, whether the definition of default is consistently applied and checking the correctness of the allocation to individual stages of credit risk in accordance with relevant policies,</li> <li>• evaluation of the entire model for calculating expected credit losses, including the calculation of the main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD),</li> <li>• we tested the adequacy of individual impairments, based on a sample of individual credits and loans, with a focus on exposures with potentially the greatest impact on the annual financial statements due to their size and riskiness, and smaller exposures that we assessed as high risk based on our internal assessment,</li> <li>• we performed evidence testing on the selected sample in order to assess the correctness of the classification of loans and advances,</li> <li>• in certain cases, we used our own judgment to determine the parameters for calculating impairment losses on loans and advances and compared our calculations with the impairment calculated by the Bank.</li> <li>• evaluating the accuracy and completeness of disclosures in financial statements.</li> </ul>

**Other information in the Annual Report**

The Management is responsible for the other information. The other information comprises of the information included in the Annual Report but does not include the separate and consolidated annual financial statements and our Independent auditor's report on them.

Our opinion on the annual financial statements does not include other information and, except to the extent otherwise explicitly stated in our report, we do not express any kind of assurance conclusion with on them..

In connection with our audit of the separate and consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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. In this sense, we do not have anything to report.

### **Other information in the Annual Report (continued)**

The Management Board is responsible for compiling the Management Report for the Bank as an integral part of the Bank's Annual Report. With respect to the Management Report of the Bank we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report of the Bank has been prepared in accordance with the requirements of Article 24 of the Accounting Act.

Based on the work that has been required as part of our audit of the financial statements and procedures above, in our opinion the information given in the Management Board Report of the Bank are in accordance with the financial information stated in the annual financial statements of the Bank set out on pages 23 to 100 on which we expressed our opinion as stated in the Opinion section above.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Annual report. We have nothing to report in this respect.

### **Responsibilities of Management and those charged with Governance for the Annual Financial Statements**

The Bank's Management Board is responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS, and for such internal controls as the Management determines necessary to enable the preparation of annual financial statements that are free from material misstatement due to fraud or error.

In preparing the annual financial statements, the 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.

### **Auditor's Responsibility for the Audit of the Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a higher 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 made based on these annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual 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 control.
- 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 control.

### **Auditor's Responsibility for the Audit of the Annual Financial Statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Make conclusion 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 on a going concern basis. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue on a going concern basis.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 control that we identify during our audit.

We also give a statement to those charged with governance that we have acted in accordance with relevant ethical requirements regarding independence and that we will communicate with them on all relationships and other issues that can reasonably be considered to affect our independence as well as, where applicable, about related safeguards.

Among the matters we are communicating with those charged with governance, we determine those matters that are of utmost importance in revising the current financial statements for the current period and are therefore key audit matters. We describe these matters in our independent auditor's report unless the law or regulations prevents public disclosure or when, in exceptionally rare circumstances, we decide that the matter should not be reported in our independent auditor's report as it can reasonably be expected that the negative effects of the announcement will surpass the welfare of public interest in such disclosure.

## Report on other legal requirements

On the date of this Independent Auditor's Report we have been engaged in carrying out the statutory audit of the Bank's annual financial statements since 2022, which is 4 years in total.

In the audit of the Bank's annual financial statements for 2025 we have determined the following materiality levels for the financial statements EUR 1,124 thousand, which represents approximately 2% of the of the Bank's net assets in 2025.

We chose Net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is commonly measured by users and is a generally acceptable benchmark.

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

During the period between the starting date of the Bank's audited annual financial statements for 2025 and the date of this Report, we did not provide prohibited non-audit services to the Bank and did not provide services for designing and implementing internal control or risk management procedures related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained our independence from the Bank in performing our audit.

Based on the Decision of the Croatian National Bank on the structure and content of the annual financial statements of banks (OG 42/18, 122/20, 119/21 and 108/22), the Bank's Management Board prepared the forms shown on pages 101 to 113 ("Forms"). The financial information set out in the Forms is consistent with the information set out in the annual financial statements set out on pages 23 to 100 on which we have expressed an opinion as set out in the Opinion section above.

Based on the obligation arising from the Credit Institutions Act (OG 159/13, 19/15, 102/15, 15/18, 70/19, 47/20, 146/20, 151/22 and 145/24), the Bank presented the requested information on page 101 which contains all the information required by Article 164 (1). The information presented is derived from the Bank's financial statements set out on pages 23 to 100 on which we have expressed an opinion as set out in the Opinion section above.

The partner engaged in the audit of the Bank's annual financial statements for the year 2025 resulting in this Independent auditor's report is Ivan Čajko, certified auditor.

In Zagreb, 30 March 2026

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

For signatures, please refer to the original Croatian auditor's report, which prevails.
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Hrvoje Stipić, President of the  
Management Board

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Ivan Čajko, Certified Auditor

**KARLOVAČKA BANKA d.d.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 December 2024**

Description	Note	2025 EUR '000	2024 EUR '000
Interest income	4	17,026	18,193
Interest expenses	5	2,596	2,339
<b>Net interest income</b>		<b>14,430</b>	<b>15,854</b>
Income from fees and commissions	6	4,246	4,099
Expenses from fees and commissions	7	1,176	1,043
<b>Net income from fees and commissions</b>		<b>3,070</b>	<b>3,056</b>
Profit from financial operations	8	534	1,195
Net (expenses) from exchange rate differences	9	(23)	(14)
Other operating income	10	42	201
<b>Total other income</b>		<b>553</b>	<b>1,382</b>
General administrative and other operating expenses	11,12,13	(9,749)	(8,108)
Income/(Expenses) of impairment and provisions	14	(371)	(432)
<b>Total other expenses</b>		<b>(10,120)</b>	<b>(8,540)</b>
<b>Profit from regular operations</b>		<b>7,933</b>	<b>11,752</b>
<b>Profit tax</b>	15	<b>(1,111)</b>	<b>(2,199)</b>
<b>Profit for the year</b>		<b>6,822</b>	<b>9,553</b>
<b>Other comprehensive income for the current year, net of taxes</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,822</b>	<b>9,553</b>
<b>Profit per share in EUR</b>	16	<b>0,39</b>	<b>0,54</b>

Significant accounting policies and other notes on pages 27 to 100 form an integral part of these financial statements

**KARLOVAČKA BANKA d.d.**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2025**

Description	<i>Note</i>	31 December 2025	31 December 2024
		EUR '000	EUR '000
<b>ASSETS</b>			
Cash resources	18	112,939	166,358
Placements with banks	20	37,127	23,808
Financial assets through other comprehensive income	20	20	20
Financial assets at amortized cost	21	150,462	97,403
Financial assets at fair value through profit or loss (FOB and FOP)	22	13	13
Loans and advances to clients	23	219,411	210,612
Property, plant and equipment	24	5,100	5,464
Intangible assets	25	160	27
Foreclosed assets and investment property	26	1,005	1,590
Other assets	27	2,122	547
<b>Total assets</b>		<b>528,359</b>	<b>505,842</b>
<b>LIABILITIES</b>			
Liabilities to banks	28	4	4
Demand deposits	29	315,664	303,507
Term deposits	30	147,193	143,600
Liabilities for loans received	31	13	65
Other liabilities	32	2,789	2,941
Provisions	33	655	506
<b>Total liabilities</b>		<b>466,318</b>	<b>450,623</b>
<b>CAPITAL</b>			
Share capital	35	17,700	17,700
Profit of the current year		6,822	9,553
Reserves		37,519	27,966
<b>Total capital</b>		<b>62,041</b>	<b>55,219</b>
<b>Total capital and liabilities</b>		<b>528,359</b>	<b>505,842</b>

Significant accounting policies and other notes on pages 27 to 100 form an integral part of these financial statements

**KARLOVAČKA BANKA d.d.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2025**

Description	Share capital	Own shares	Fair value reserves through OCI	Capital gain	Reserves		Retained earnings	Profit for the current year	Total
	EUR '000	EUR '000	EUR '000	EUR '000	Legal reserves	Other reserves	EUR '000	EUR '000	EUR '000
<b>Balance as of 31 December 2023</b>	<b>17,700</b>	-	-	-	<b>720</b>	<b>5,749</b>	<b>12,770</b>	<b>8,727</b>	<b>45,666</b>
Profit schedule	-	-	-	-	436	-	8,291	(8,727)	-
Increase in share capital	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Profit for the current year	-	-	-	-	-	-	-	9,553	9,553
<b>Balance as of 31 December 2024</b>	<b>17,700</b>	-	-	-	<b>1,156</b>	<b>5,749</b>	<b>21,061</b>	<b>9,553</b>	<b>55,219</b>
Profit schedule	-	-	-	-	17	-	9,536	(9,553)	-
Increase in share capital	-	-	-	-	-	-	-	-	-
Reduction of share capital	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-
Profit for the current year	-	-	-	-	-	-	-	6,822	6,822
<b>Balance as of 31 December 2025</b>	<b>17,700</b>	-	-	-	<b>1,173</b>	<b>5,749</b>	<b>30,597</b>	<b>6,822</b>	<b>62,041</b>

Significant accounting policies and other notes on pages 27 to 100 form an integral part of these financial statements

**KARLOVAČKA BANKA d.d.**  
**CASH-FLOW STATEMENT - INDIRECT METHODS**  
**for the year ended 31 December 2024**

Description	2025. EUR '000	2024. EUR '000
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	7,933	11,752
<i>Adjustment to net cash generated from operating activities</i>		
Depreciation and amortization	829	620
Loan impairments	302	163
Impairments and corrections in the value of other assets	13	17
Provisions for court cases and employees	5	(3)
Adjustments to the value of property, plant and equipment and foreclosed assets	(154)	505
Other corrections and provisions (net)	205	(251)
Decrease / (Increase) of receivables from the CNB	15	-
(Increase) / Decrease in placement with banks	605	535
(Increase) / Decrease in loans and advances to clients	(9,102)	(18,387)
Decrease/(Increase) of financial assets measured at amortized cost	(53,180)	(7,810)
Decrease of financial assets at fair value, which is valued through PL	-	(9)
(Increase) of other assets	(1,588)	259
Increase/(Decrease) of liabilities to financial institutions	-	-
Increase in demand deposits	12,158	6,546
Increase/(Decrease) in term deposits	3,593	17,088
Increase/(Decrease) in other liabilities	(69)	(660)
Paid income taxes	(1,111)	(2,199)
<b>Net cash flow from operating activities</b>	<b>(39,546)</b>	<b>8,168</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(596)	(3,042)
(Increase)/Decrease in foreclosed assets	737	(66)
Other changes	(1)	7
<b>Net cash flow from investing activities</b>	<b>140</b>	<b>(3,101)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Decrease) in loan liabilities	(52)	(52)
<b>Net cash flow from financing activities</b>	<b>(52)</b>	<b>(52)</b>
<b>Net change in cash and cash equivalents</b>	<b>(39,458)</b>	<b>5,015</b>
<b>Cash and cash equivalents at the beginning of the year (Note 38)</b>	<b>189,305</b>	<b>184,290</b>
<b>Cash and cash equivalents at the end of the year (Note 38)</b>	<b>149,847</b>	<b>189,305</b>

Significant accounting policies and other notes on pages 27 to 100 form an integral part of these financial statements

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2025**

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**I GENERAL INFORMATION**

**1.1. Legal framework and activities**

Karlovačka banka d.d. Karlovac ("the Bank") is a joint stock company established in 1989 by the Decision of the General Assembly. The Bank is registered at the Commercial Court in Zagreb, Permanent Office in Karlovac under registration number MBS 020000334 (OI 08106331075). The Bank's seat is located in Karlovac, Ivana Gorana Kovačića 1.

The principal activities of the Bank include receiving deposits and other repayable funds, granting loans and borrowings and issuing guarantees and other bank warranties.

The Bank's share capital as at 31 December 2025 amounted to EUR 17,700 thousand which is divided into 17,570,409 shares, whereof 17,559,585 ordinary shares with nominal value of EUR 1 and 10,824 preferred shares with nominal value of EUR 13. Pursuant to the Decision of the General Assembly dated 14 December 2020 all the shares of the Bank that had been listed on the Zagreb Stock Exchange were withdrawn from the regulated market.

The Bank's shareholders as at 31 December 2025 and 31 December 2024 are stated below:

Shareholder	31 December	31 December
	2025	2024
	%	%
Marko Vuković	44.68	44.65
Ivan Žabčić	44.68	44.65
Pinjuh Jakov	1.75	1.75
Stanić Miro	1.75	1.75
Sandi Šola	1.70	1.70
Guerrero Devlahovic Jaime Ivan	0.65	0.65
Boris Vidić	0.51	-
Projekt Mejaši	-	0.34
Croatia Handball Federation	0.32	0.32
Gašpar Ante	-	-
Dragović Tatjana	0.25	0.25
Other shareholders	3.71	3.94
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

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**1.2. Corporate Governance structure**

The Bank's bodies are the General Assembly, the Supervisory Board and the Management Board.

As at 31 December 2025 the Bank's bodies were as follows:

**GENERAL ASSEMBLY**

Nedjeljko Strikić      President of the General Assembly since 2 July 2014

**SUPERVISORY BORD**

Nedjeljko Strikić      President of the Supervisory Board since 16 February 2018  
Bernarda Ivšić          Deputy President of the Supervisory Board since 16 February 2018  
Zdravko Marić          Member of the Supervisory Board since 22 January 2025  
Ana Žabčić              Member of the Supervisory Board since 16 February 2018  
Mato Crkvenac          Member of the Supervisory Board since 16 February 2018

**MANAGEMENT BOARD**

Željka Surač            President of the Management Board since 6 March 2015 until 31 December 2025  
Marino Rade            Member of the Management Board since 22 April 2014, President of the  
Management Board as of 1 January 2026  
Stjepan Oreški        Member of the Management Board since 19 January 2023

The President and the Members of the Management Board represent the Bank individually and independently.

The Bank's operations are managed by the Management Board

As at 31 December 2025 the Bank had 164 employees (31 December 2024: 164 employees). Employee qualification structure as at 31 December 2025 and 31 December 2024 is stated below:

DESCRIPTION	Number of employees	
	31 December 2025	31 December 2024
PhD	1	1
Master's degree	4	4
University degree	73	76
College degree	24	21
Secondary school	62	62
<b>TOTAL</b>	<b>164</b>	<b>164</b>

As of 31 December 2024, the Bank operated through the Central Office in Karlovac, 12 branches and one office: Central, Vladka Mačeka with the Draganići office, Tržnica located in Karlovac, and cities and towns: Zagreb, Rijeka, Jastrebarsko, Duga Resa, Ogulin, Ozalj, Slunj, Žakanje and Topusko.

## **II BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS**

### **2.1. Statement of compliance**

Financial statements of Karlovačka banka d.d. Karlovac have been prepared in accordance with International Financial Reporting Standards ("IFRS") as established by the European Commission and published in the official gazette of the European Union and in accordance with specific legal requirements for accounting of banks in the Republic of Croatia. Banking operations in Croatia are regulated by the Credit Institutions Act, in accordance with which financial reporting is prescribed by the Croatian National Bank ("the CNB").

The accounting regulations of the CNB are based on International Financial Reporting Standards. Main differences between the accounting regulations of the CNB and IFRSs are the following:

- The CNB prescribes minimum amounts of impairment provision for secured placements depending on the default time and status, while in accordance with the IFRS reporting framework, impairments do not necessarily have to follow the amount and the trend stated by the 'Decision on the classification of exposures into risk groups and the method of determining credit losses'. Calculations according to the CNB's Decision usually result in higher provisions and impairments.
- The next difference between the IFRSs and accounting rules of CNB relates to provisions for passive legal disputes. According to the 'Decision on obligatory provisioning for passive legal disputes against a credit institution', the Bank is obliged to ensure funds for court disputes for which there is no risk of loss or for which a cash outflow is estimated to be less than 10% of the total amount, if the total amount of court dispute exceeds 0.1% of the assets of the credit institution according to the audited financial statements for the previous year. The provision is made in the amount of estimated cash outflow, at minimum of 1% of the total amount of the court dispute, whereas according to IFRS in such a situation it is not necessary for the provision to be recognised. As at 31 December 2025, as well as at 31 December 2024, the Bank had no such provisions.

#### **Basis of preparation:**

Financial statements have been prepared on the basis of fair value of financial assets classified in the valuation portfolio through other comprehensive income as well as financial assets that are valued at fair value through profit or loss. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised or historical cost.

For the preparation of financial statements the Management Board is required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as well as disclosure of contingent liabilities at the balance sheet date and amounts of revenues and expenses and other comprehensive income during the reporting period. Estimates and related assumptions are based on historical experience and various other factors that are believed to be realistic in the current circumstances as well as the information available at the financial position date, the result of which makes the basis for estimating book value of assets and liabilities not directly visible from other sources. Actual results may differ from those estimates.

Estimates and key assumptions are reviewed regularly. Changes to accounting estimates are recognised in the period in which they occur if they impact that period exclusively, or in the period in which they occur or future period if they affect the current or future period.

Key estimates used when applying accounting policies during preparation of the financial statements relate to depreciation calculation of fixed tangible and intangible assets, impairment of assets, impairment of receivables and provisions for court disputes and other losses and the disclosure of potential liabilities.

### III SUMMARY OF ACCOUNTING POLICIES

#### 3.1. Changes in accounting policies

##### ***APPLICATION OF NEW STANDARDS, INTERPRETATIONS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)***

###### ***(I) Initial application of new amendments to the existing standards effective for the current financial period***

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

- Effects of changes in foreign exchange rates: lack of exchangeability (Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates”)

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

The following illustrative examples were issued during 2025 without an effective date:

- **Illustrative Examples on Reporting Uncertainties in Financial Statements**  
On 28 November 2025, the International Accounting Standards Board (IASB) issued *Uncertainties in Financial Statements – Illustrative Examples*, amending several IFRS Accounting Standards to include examples demonstrating how entities may apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. These illustrative examples accompany the IFRS Accounting Standards and do not have an effective date. The IASB had issued a near-final version of these illustrative examples in July 2025.

The Bank considered these illustrative examples in the preparation of its separate financial statements, and no additional disclosures or changes in presentation were required.

###### ***(II) Standards amendments to the existing standards and interpretations issued by IASB and not adopted in the European Union, but not yet effective***

The following amendments become effective for annual reporting periods beginning on or after 1 January 2026:

- **Amendments to the Classification and Measurement of Financial Instruments** (Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*)
- **Nature-dependent Electricity Contracts** (Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*)

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

###### ***(III) Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU***

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on (date of entry into force set out below relate to IFRSs issued by the IASB):

The following standards are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

**III SUMMARY OF ACCOUNTING POLICIES – continued**

**3.1. Changes in accounting policies - continued**

The Bank is currently assessing the effects of these new accounting standards.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors: Even though IFRS 18 will not have any effect on the recognition and measurement of items in the financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Bank does not expect to be eligible to apply IFRS 19.

### **III SUMMARY OF ACCOUNTING POLICIES – continued**

#### **3.2. Interest income and expenses**

Interest income and expenses are recognised in the statement of profit or loss as they occur for all interest-bearing financial instruments, including those measured at amortised cost and at fair value, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense during the relevant period. Interest income receivables accrued for exposures in risk categories A1, A2 and B1 are recorded in the Bank's balance sheet accounts. For interest receivables on exposures classified in the risk category B1, in addition to the recording of income, an adjustment of the receivables in the amount of 100% within the balance sheet items is performed at the same time.

The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument.

When loan repayment becomes doubtful, the principal amount is decreased to its recoverable amount and interest income is excluded from the statement of profit or loss. It is subsequently recognised as collected excluded receivables only in the case of actual collection after the collection of the principal.

Interest income related to fees on loans which are included in the calculation of effective interest rate is recognised only for loans with a maturity term of up to one year, while for long-term placements it is accrued to the entire lifetime of placements collection.

#### **3.3. Fee and commission income and expenses**

Fees and commissions' income and expenses comprise fees and commissions from domestic and international payment transactions, guarantees, letters of credit, card business and assets management. They are recognised in the statement of profit or loss when the corresponding service is provided, except when they are included in effective interest rate calculation.

Fees and commissions expenses comprise fees to the authorised banks for executed foreign payment transactions and for the services of the Financial Agency (FINA) and the Croatian National Bank (CNB) for domestic payments and card transactions.

#### **3.4. Net gains and losses from financial instruments at fair value through profit or loss and the result of foreign exchange trading and exchange rate differences arising on translation of monetary assets and liabilities**

This category includes earnings from foreign currency trading, realised and unrealised gains and losses from debt securities and equity securities held for trading, other financial instruments carried at fair value through profit or loss and derivative financial instruments.

**III SUMMARY OF ACCOUNTING POLICIES – continued**

**3.5. Foreign currency translation**

Transactions in foreign currencies are translated into national currency (EUR) at the exchange rate ruling at the date of the transaction. Euro is the official currency of the Bank and the financial statements are presented in EUR.

Monetary assets and liabilities denominated in foreign currencies date are translated to EUR at the balance sheet date at the middle foreign exchange rate of the CNB ruling on that day. Exchange rate differences arising on translation are recognised in the statement of profit or loss.

Non-monetary items denominated in foreign currencies and valued at fair value are translated to EUR using the exchange rates at the date of determining the fair value. Non-monetary items in foreign currency valued at cost are to be stated using the exchange rate at the date of the transaction.

Gains and losses arising on translation and foreign currency trading are recognised in the statement of profit or loss for the related year.

**3.6. Cash and cash equivalents**

Cash and cash equivalents include highly liquid assets as defined within the cash flow policy. Cash comprises cash in hand and funds with the CNB and on bank demand accounts. Cash in hand includes cash in cash registers in domestic and foreign currency. Funds in bank accounts include funds in transaction accounts with the Central bank and with domestic and foreign banks in domestic and foreign currency. Cash equivalents comprise placements with banks with maturity of up to 90 days.

**3.7. Taxtion**

Income tax is the cumulative amount of the current tax liability and deferred tax.

*a) Current tax*

Current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement for amounts not included in the tax base as well as the amounts of non-deductible expenses. The Bank's current tax liability is calculated using tax rates that are effective, i.e. valid at the balance sheet date. The Management Board evaluates the positions taken in the tax returns periodically with respect to situations in which applicable tax regulations are subject to interpretation.

*b) Deferred tax*

Deferred tax is calculated using the liability method and presents tax effects on all significant differences between the tax base, assets and liabilities and the amounts expressed in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the property will be recovered or the liability settled, based on tax rates and tax laws that are effective or partially applicable at the financial position reporting date.

Deferred tax assets are recognised up to the amount of future taxable profit that is likely to be available for utilisation of temporary differences.

### **III SUMMARY OF ACCOUNTING POLICIES – continued**

#### **3.8. Employee benefits**

##### *a) Defined contribution schemes*

The Bank pays contributions for defined contribution schemes on compulsory contractual basis. Once the defined contribution is paid, the Bank has no further obligations. Contributions are recognised as employee cost upon occurrence. The Bank has no other retirement arrangements separate from the state pension system of the Republic of Croatia.

##### *b) Severance payments*

Severance pay in the event of early termination of employment is recognized as an expense when there is evidence that the Bank has committed, without a realistic possibility of withdrawal, to the application of a detailed formal plan that implies either termination of employment prior to the regular retirement date or the payment of severance pay based on an offer given as an incentive for voluntary resignation. Severance pay for voluntary resignation is recognized if the Bank has made an offer for voluntary resignation, if there is a probability that the offer will be accepted, and if the number of accepted offers can be reliably estimated. If severance payments are due for payment in a period of more than 12 months after the date of preparation of the financial statements, they are discounted to the present value.

##### *c) Jubilee awards*

The Bank pays its employees certain benefits for long service (jubilee awards). Jubilee award ranges from EUR 280 to EUR 672 net for continuous work in the bank from 10 to 40 years of uninterrupted work. The decision on payments is made individually for each tax period.

#### **3.9. Financial instruments**

Financial assets of the Bank are classified into portfolios based on the Bank's intention at the time of the acquisition of a financial instrument and in accordance with the Bank's investment strategy. Financial assets and financial liabilities are classified into the following categories: 'at fair value through profit or loss', 'at amortised cost', 'at fair value through other comprehensive income', 'loans and receivables' and 'other financial liabilities'. All financial assets and liabilities are recognised or derecognised at the settlement date when ownership has been transferred and the sale itself is recorded in the books as at the contractual transaction date.

At initial recognition of a financial assets or a financial liability, the Bank measures the asset or the liability at fair value increased by transaction cost (excluding financial assets at fair value through profit or loss) which are directly attributable to the acquisition or issue of the financial asset or liability.

#### **Classification and measurement of financial assets according to the IFRS 9**

IFRS 9 – Financial instruments, introduced the approach of classifying financial assets according to the characteristics of cash flows and the business model in which the asset is held. The bank recognizes financial assets in portfolios measured:

- at amortized cost
  - at fair value through profit or loss
  - at fair value through other comprehensive income
- depending on the selected business model based on contracted cash flows.

### **III SUMMARY OF ACCOUNTING POLICIES – continued**

#### **3.9. Financial instruments – continued**

Depending on the chosen business model and classification of financial assets, based on contracted cash flows, the Bank measures financial assets as follows:

*a) Loans and advances measured at amortised cost*

This type of property includes all loans granted by the Bank, deposits, payments under guarantees and other warranties if they are classified in accordance with IFRS 9 into assets held for collection of contracted cash flows and are measured at amortised cost, as well as paid advances and related interest determined by contracts or by the Bank's decisions. Each individual exposure is recognised at the time of the payment to the recipient of the asset referred to in the preceding paragraph. Loans and advances represent financial assets held by the Bank for the payment of contracted cash flows on principal and interest.

These investments are measured at cost initially and at amortised cost subsequently using the effective interest rate method, subject to impairment testing due to expected loan losses.

Bearing in mind the complexity of the requirements of the IFRS 9 standard in terms of developing the LGD model on the one hand, as well as the size of the bank, a relatively simple portfolio structure and a small number of data on the other hand, for purpose of calculation of value corrections and reservations, the Bank applies the values of the LGD parameters defined by the Basel framework increased by a conservative factor of 5%.

*b) Securities and other financial instruments at fair value through Profit or loss*

This portfolio includes securities which are aimed at collecting contracted cash flows and at sales. These instruments are not actively traded with, except for the purpose of risk management, primarily liquidity risk and where appropriate interest rate risk and other risks.

Initially they are measured at fair value (cost of acquisition, excluding transaction costs) and subsequent applications are included in the profit or loss for the period in which they incurred. Fair value adjustments are carried out on a monthly basis.

Purchase of financial assets is recognised in the balance sheet at settlement date. The change in value between the trading date and the settlement date is recognised in net profit or loss for the period.

Sold assets are derecognised on the settlement date of the transaction by the counterparty. Reclassification of the instrument can only be carried out in an exceptional case.

*c) Securities and other financial instruments that are compulsory valued at fair value through profit or loss*

This portfolio includes securities which are aimed at a higher return either from sales or from the change in the price of the instrument. Initial valuation is carried out at fair value, i.e. the cost of acquisition. Gains or losses arising from subsequent fair value adjustments are recognised in the profit or loss for the period in which they incur.

Purchase of financial assets is recognised in the balance sheet at settlement date. The change in value between the trading date and the settlement date is recognised in net profit or loss for the period. Sold assets are derecognised on the settlement date of the transaction by the counterparty.

### **III SUMMARY OF ACCOUNTING POLICIES - continued**

#### **3.9. Financial instruments – continued**

Reclassification of the instrument may only be carried out in an exceptional case in accordance with IFRS 9, section 5.6.3. and 5.6.6.

The Bank has distributed into this portfolio the shares acquired in lieu of uncollected receivables which are quoted in a regulated market as well as shares in cash funds.

Fair value adjustments are recognised in the profit or loss for the period when they incurred. Fair value adjustments are carried out on a monthly basis.

##### *d) Securities and other financial instruments valued at amortised cost*

This category of assets comprises instruments aimed at collecting contracted cash flows on principal and interest payments on the outstanding principal amount.

Securities and financial instruments valued at amortised cost are initially measured at investment cost, which includes transaction costs, and subsequently are measured at amortisation cost, and are a subject to impairment testing.

Relocating debt securities to another portfolio shall be performed in exceptional and justified cases only. Property valuation in the new manner shall be done prospectively, i.e. from the day of the reclassification (IFRS 9, section 5.6.2. and 5.6.4.).

##### *e) Securities at fair value through other comprehensive income*

This portfolio contains reclassified securities that the Bank acquired during the period when the selection of this portfolio was obligatory. These are shares that are not quoted in the active market and that do not have fair value and are carried at cost.

Financial instruments classified as financial assets valued at fair value through other comprehensive income are initially measured at fair value (acquisition cost including transactions costs). Gains or losses arising from changes in fair value are recognised in equity. After the derecognition of the instrument, the cumulative result is not transferred to profit or loss but remains in equity. Fair value adjustment is carried out at least once a month if input parameters exist.

Reclassification of these instruments is not allowed.

#### **Impairment**

IFRS 9 has introduced a model for impairment of financial assets and recognition of loan losses by recognising expected future losses instead of the previously applied model of the resulting loss, estimating probability of future losses in a period of up to one year or the entire duration of the financial instrument.

According to IFRS 9 exposures are divided into three Stages, whereby:

Stage 1 (risk group A/1) comprises exposures with undetermined evidence of impairment and absence of significant credit risk increase in relation to the recognition date of the financial asset. In this category, future losses are calculated for a period of up to one year.

### **III SUMMARY OF ACCOUNTING POLICIES - continued**

#### **3.9. Financial instruments – continued**

Stage 2 (risk group A/2) comprises exposures with undetermined evidence of impairment but there is a significant increase in credit risk in relation to the recognition date of the financial asset. In this category, future losses are calculated for the entire duration of the financial instrument.

Stage 3 (risk groups B and C) comprises exposures for which there is objective evidence of impairment or that are in the default. The Bank calculated expected credit losses on the basis of an internally developed model (Stage 1, Stage 2).

For assets with identified credit losses (Stage 3 – risk groups B and C) the Bank fully applies the Decision on the Classification of Exposures into Risk Categories and the Methodology for Determining Credit Losses.

Correction - impairment for expected losses is determined and formed in accordance with the distribution of financial assets into certain risk groups.

In the case that there is no objective evidence of impairment or there is no increase in credit risk compared to the date of recognition of the financial asset, the asset is assigned to risk group A1. If there is no objective evidence of impairment, but there has been a significant increase in credit risk compared to the date of recognition of the financial asset, the asset is classified in risk group A2.

When there is a real probability that the Bank will not be able to collect all the amounts it claims, i.e. there is evidence of impairment of financial assets, they are allocated to partially recoverable assets, i.e. risk groups B to C, in accordance with the Ordinance on the classification of exposures into risk groups and the method determination of credit losses with the Bank's operating procedures.

Impairment on an individual basis is regulated by the Ordinance on the classification of the Bank's exposure into risk groups and the method of determining credit losses with work procedures.

Based on the aforementioned rules, the Bank classifies exposures into two groups, namely:

- exposures that fall under the category of individually significant exposures to one person or a group of related persons exceeding EUR 66 thousand, and
- exposures included in the so-called portfolio of small loans where the Bank's total exposure to one person or a group of related persons is less than EUR 66 thousand.

Classification into certain risk groups according to the degree of credit risk is done for exposures that, in accordance with IFRS 9, are classified in the portfolio of assets measured at amortized cost or assets measured at fair value through other comprehensive income, except for equity instruments.

Value adjustments on a collective basis are calculated according to the model of expected credit losses (ECL) per financial asset. According to the form, ECL is defined as the expected loss during the lifetime of the financial asset (Stage 2), but by limiting the parameter T for one year, it can easily be redefined as a one-year expected loss (Stage 1). ECL for Stage 3 does not imply the use of this form and defined parameters and is therefore not the subject of this part of the methodology. With the methodology for calculating impairment and provisions for exposures in risk subgroups A1 and A2, the Bank prescribed the application of three model parameters.

The EAD model represents the estimated gross book value at the time of default, considering the cash flows of the financial instrument, as well as possible additional withdrawals from the credit line, until the date of default,

### **III SUMMARY OF ACCOUNTING POLICIES - continued**

#### **3.9. Financial instruments – continued**

that is, during the lifetime of the financial asset. Although IFRS 9 does not explicitly require banks to model EAD, understanding how credit exposure will change over time is critical to an independent assessment of expected credit loss. The biggest challenge with EAD is to estimate this parameter for those assets for which the loss during the life of the asset is calculated (Stage 2). Ignoring the expected decrease in exposure (e.g. with loans that are paid successively) can lead to too high expected loss, i.e. ignoring the expected increase in exposure (e.g. with withdrawal from a credit line) can lead to too low expected loss.

The PD-model (Probability of Default) represents the probability of the client default status. The term lifetime PD represents the same probability for the entire remaining duration of the financial instrument. Marginal PD or MPD(t) represents the probability (unconditional) of occurrence of the default status in period "t", while cumulative PD or CPD(t) represents the sum of all marginal PDs starting from the initial recognition up to some point in time "t".

Considering the size and structure of the portfolio, as well as the availability of data, the Bank chose an approach based on migration matrices using the technique of "Markov chains" using homogeneous matrices in discrete time to calculate the PD parameter. The principle of this technique is the multiplication of migration matrices from period to period under the assumption that the schedule of migrations in the next period exclusively depends on the schedule in the current one. When constructing homogeneous matrices, migrations between classes (buckets) of delay days are observed.

Homogeneous matrices imply an identical structure of migrations from period to period, i.e. migrations from bucket to bucket do not depend on the moment in time in which they are observed. So it is assumed that the migration schedule is approximately the same in a year t with a period t+1 or t-2. Discrete matrices track migration at the end of one period compared to the end of the previous period (migrations during the year are not considered).

LGD model - Bearing in mind the complexity of the requirements of the IFRS 9 standard in terms of developing the LGD model on the one hand, as well as the size of the Bank, the relatively simple structure of the portfolio and the small amount of data on the other hand, the Bank, for the purposes of calculating value adjustments and provisions, uses the values of the LGD parameters defined by the Basel framework increased for a conservative factor of 5%.

#### *f) Other financial liabilities*

Other financial liabilities include all financial liabilities that are not held for trading or are not classified at fair value through profit or loss. Financial liabilities are valued at amortised cost using the effective interest rate method.

#### **3.10. Investments in subsidiaries**

Investments in affiliated companies and subsidiaries in which the investor (the Bank) has majority ownership, influence or control are stated in separate financial statements by the investment cost method and with the impairment of the carrying amount of this property up to its recoverable amount.

The Bank had an investment in one limited liability company with ownership share of 100%. That company was deleted from the court register in November 2023 and the Bank no longer has investments in subsidiaries.

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**III SUMMARY OF ACCOUNTING POLICIES - continued**

**3.11. Intangible assets**

Intangible assets are carried at acquisition cost less accumulated depreciation and impairment. Development costs are recognized as intangible assets if all requirements in accordance with IAS 38 “Intangible Assets” are met. Amortization of intangible assets is calculated using the straight-line method over the estimated useful life of the asset, as follows:

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Description	2025.	2024.
Software	4 years	4 years
Leasehold investments	Until the expiration date	Until the expiration date
Other intangible assets	4 years	4 years

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**3.12. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, and they are classified as tangible assets if their useful life is longer than one year, and single value is greater than EUR 665.00 at the acquisition date. Cost includes purchase price, import duties and tax and other dependent costs of bringing assets to working condition for intended use, decreased by trade discounts. Subsequent expenditure on already recognised items of tangible assets is added to the carrying value of that asset only if it results in the inflow of future economic benefits over the economic benefits that those assets accrued before the subsequent expenditure. Otherwise, the subsequent expenditure is charged to the current expenses of the period in which it incurred.

At each balance sheet date the Bank assesses whether there is any indication that a tangible asset may be impaired, and if such an indicator exists, the Bank estimates the recoverable amount of the asset taking into account indicators in paragraph 12-14 of IAS 36.

For a subsequent measurement of the value of the real estate, the Bank uses a comparative method which applies a comparison of the value of real estate that is being valued and the value of real estate sold in the area in the near future. If there are no data on prices of the sale of similar real estate, then the cost method is used.

The impairment loss on an individual asset is recognised by reducing the carrying amount to the recoverable amount at the expense of the period in which the loss is estimated.

If the increase in carrying amount is above the value of forfeited loss, the increase is recognised as a part of comprehensive income and is stated cumulatively in equity as a revaluation reserve.

Depreciation is calculated by writing off the cost of property, apart from current investments, using the straight-line method during estimated useful life as follows:

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**III SUMMARY OF ACCOUNTING POLICIES - continued**

**3.12. Property and equipment - continued**

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Description	2025.	2024.
Buildings	up to 40 years	up to 40 years
IT equipment	4 years	4 years
Furniture	10 years	10 years
Personal vehicles	5 years	5 years
Other	10 years	10 years

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Since 2017, in accordance with the provisions of IAS 16, paragraph 58, the Bank has been keeping separate records of the value of land and the value of buildings.

For properties that are not in use, the Bank is actively looking for a buyer and intends to sell them.

**Right-of-use assets**

**IFRS 16 Leases** – the standard introduces a comprehensive model for identifying arrangements that contain leases as well as their accounting treatment by the Bank as the lessee. The Bank recognises assets and liabilities in its financial statements in part of lease contracts. These assets are recognised in the Bank's business records from the first date of the lease and are derecognised upon the expiration or termination of the lease. Exceptions are lease agreements with a lease term not exceeding 12 months and lease contracts of small value. Such leases are not classified in this group of assets but are recorded as current liabilities and operating expenses over the term of the lease.

Assets of small value are assets with new purchase value that does not exceed EUR 4,134 or assets with lease area that is less than 5 m<sup>2</sup>. Subsequent measurement of these assets is also recorded using the cost model, i.e. at cost less accumulated depreciation and any impairment losses as well as adjustments to remeasure lease liabilities due to changes in lease term or the amount of lease. Depreciation of right-of-use assets is performed on a monthly basis using the straight-line method at a rate which depends on the duration of the lease.

In case of a lease without a defined useful life, the Bank recognises right-of-use assets for a period of 2 years from the beginning of the lease with a continuous assessment of the possible useful life of the assets. Since the first application of IFRS 16, the Bank has recorded right-of-use assets for leases with terms which do not expire within 12 months from the date of first application. In doing so, the Bank applies a simplified and modified approach by recognising right-of-use assets in an amount equal to the lease liability.

**3.13. Assets acquired in lieu of uncollected receivables and investment real estate**

The Bank assesses marketability of assets acquired in lieu of uncollected receivables and recognises as assets only marketable assets the value of which can be measured reliably. Foreclosed assets are carried at the net recoverable amount of the related loan receivable or the fair value of the asset, whichever is lower.

When such assets are sold, the difference between the purchase price and the carrying value is stated in other income or expenses. Assets acquired in lieu of uncollected receivables are originally intended for sale and rented only exceptionally until such time when an appropriate bid for sale is made.

### **III SUMMARY OF ACCOUNTING POLICIES - continued**

#### **3.13. Assets acquired in lieu of uncollected receivables and investment property - continued**

Investment property according to IAS 40 – the investment property is property (land or a building or part of a building or both) owned (by the owner or lessee under a financial lease) to generate rental income or to increase in value or both.

These properties are measured at cost initially. After initial recognition in the asset, they are stated at cost less accumulated depreciation and accumulated impairment losses in accordance with IAS 16. Investments are subject to impairment tests for fair value if the investment costs exceed the value of the property at acquisition.

#### **3.14. Loan liabilities**

Liabilities for received loans are recognised in accounting records at nominal value arising from the business transaction based on the contract or another authentic accounting document. Subsequently, these liabilities are measured at amortised cost and as such are presented in the Bank's financial statements.

#### **3.15. Received deposits**

Received deposits are classified as: funds in transaction accounts, savings deposits, time deposits and other deposits.

Deposit liabilities are stated at the agreed nominal value and subsequent measurement is carried out in accordance with the portfolio policy at amortised cost.

#### **3.16. Earnings per share**

Earnings per share are calculated by dividing net profit by the weighted average number of existing shares (ordinary shares) for the observed period, excluding own shares.

#### **3.17. Issued subordinated and hybrid instruments**

The Bank uses these instruments as a rule to collect funds with the aim of forming supplementary capital. These instruments may be recognised in supplementary capital only if they meet the conditions prescribed by special decisions of the central bank regulating the content of regulatory capital and the EU regulations.

Subsequent valuation and presentation of subordinated and hybrid instruments is performed in accordance with the portfolio policy at amortised cost.

**III SUMMARY OF ACCOUNTING POLICIES - continued**

**3.18. Key accounting estimates**

The preparation of the Bank's financial statements in accordance with the IFRS requires that the Bank's Management Board makes estimates and assumptions that affect the amounts reported in these fin. statements and accompanying notes. The estimates and related assumptions are based on historical experience and various other factors that are believed to be realistic in the circumstances and information available at the date of preparing the financial statements, the results of which form the basis for judgments on carrying values of assets and liabilities that are not easily ascertainable from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which they arise if they affect only that period or in the period in which they occur and in future periods if they affect current and future periods.

a) **Losses from loan impairment**

The Bank conducts loan evaluation procedures at least on a quarterly basis. The rules/valuation methods are defined by the internal act on classification of placements. The assessment is based on the acceptance of the basic classification criteria – creditworthiness, regularity and quality of collateral. Impairment for exposures that are not secured by adequate collateral is carried out on the basis of default days, while in assessing the required impairment for exposures secured by adequate collateral, the criterion of quality and value of collateral is used in addition to the criterion of default days as well as the type of measures taken for collection and historical data on deadlines for liquidation with the application of reduction factors for individual type of collateral. Impairment is determined as the positive difference between the gross carrying amount of an individual exposure and the present value of estimated future cash flows discounted at the effective interest rate.

b) **Losses from court disputes**

Provisions for court disputes are conducted in accordance with the rules established by the Bank's internal act which is based on the basic provisions of the relevant decision of the CNB.

**3.19. Contingent liabilities and commitments**

In the course of its business, the Bank issued guarantees and letters of credit and granted loans that were not fully utilised and other contingencies, and these were stated as contingent liabilities and commitments in the off-balance records. These financial instruments are stated in the Bank's balance sheet when and if the Bank settled the matured liability.

Provisions for possible losses on contingent liabilities and commitments are maintained at a level that the Bank's Management Board deems sufficient to absorb possible future losses. The Management Board determines the adequacy of provisions based on reviews of individual items, current economic conditions, risk characteristics of different categories of transactions and other pertinent factors. Impairment is carried out at least on a quarterly basis in accordance with the criteria and rules prescribed by the internal act on the classification of placements and off-balance sheet liabilities.

Regarding the classification criteria and the division according to the degree of risk, the Bank applies the same rules as for balance sheet items. The amount of the offsetting for an individual off-balance sheet liability is equal to the amount of expected future expenses for settling off-balance sheet liability that the Bank will not be able to recover. If the effect of the time value of money is significant, the amount of the provision is equal to the discounted value of expected future irrecoverable outflows to settle the off-balance sheet liability using a discount rate that corresponds to the current market value of the money. The effect of the time value of money is considered significant when it is estimated that the outflow of money will occur in a period longer than 1 year and the amount of expected outflow is greater than 0.1% of the Bank's assets.

**III SUMMARY OF ACCOUNTING POLICIES - continued**

**3.20. Cash flow statement**

For the cash flow reporting purposes, cash and cash equivalents include cash, placements and deposits to banks with maturities up to 90 days.

**3.21. Operating segments**

Operating segments are accounted for in accordance with internal reporting to the operating decision maker. The Bank's Management Board that makes strategic decisions has been identified as the chief operating decision maker, i.e. the function responsible for allocating resources and evaluating the performance of the operating segments. The Bank has identified four main segments: Corporate, Retail, Financial institutions and Other. Segment information is based on information provided to management for management purposes.

**3.22. Regulatory requirements**

The Bank is required to comply with the regulations of the Croatian National Bank, which set limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet liabilities, provisions for credit risk, liquidity risk, interest rate risk and investments in tangible assets. Regarding the applicable regulatory limits in all the above mentioned areas, the Bank has, after several years, adjusted its investment in tangible assets in relation to recognised capital with the prescribed limits of the CNB.

As at 31 December 2025 the regulatory capital ratio amounted to 33.35% (31 December 2024: 29.17 %), which is a level that exceeds the regulatory and internal limit of this indicator.

**3.23 Functional and presentation currency**

The items included in the Bank's financial statements are expressed in the currency of the primary economic environment in which the Bank operates (functional currency).

**NOTES TO THE STATEMENT OF PROFIT OR LOSS**

**4. Interest income**

*a) Interest income – Analysis by source*

Description	2025.	2024.
	EUR '000	EUR '000
Corporate	3,355	3,260
Retail	5,103	4,689
Financial institutions	4,685	6,984
Public sector	3,876	3,240
Other	7	20
<b>Total interest income</b>	<b>17,026</b>	<b>18,193</b>

*b) Interest income – Analysis by product*

Description	2025.	2024.
	EUR '000	EUR '000
Loans and receivables from customers	9,248	9,039
Loans and receivables from financial institutions	284	
Deposits with financial institutions	4,402	6,984
Debt securities	3,097	2,162
Other	(5)	8
<b>Total interest income</b>	<b>17,026</b>	<b>18,193</b>

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**5. Interest expenses**

*a) Interest expenses – Analysis by recipient*

Description	2025.	2024.
	EUR '000	EUR '000
Corporate	602	165
Retail	1,661	1,934
Financial institutions	-	1
Public sector	330	234
Non-profit institutions	6	5
Other	(3)	-
<b>Total interest expenses</b>	<b>2,596</b>	<b>2,339</b>

*b) Interest expenses – Analysis by product*

Description	2025.	2024.
	EUR '000	EUR '000
Transaction accounts and deposits - retail	1,661	1,934
Transaction accounts and deposits - corporate and other legal entities	927	391
Operating lease	12	
Interest on deposits with CNB and financial institutions	-	1
Other	(4)	13
<b>Total interest expenses</b>	<b>2,596</b>	<b>2,339</b>

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**6. Income from fees and commissions**

Description	2025.	2024.
	EUR '000	EUR '000
Payment transactions	1,785	1,669
Approved loans	84	94
Guarantees and letters of credit	305	286
Self-service devices	849	840
Account maintenance fees	787	785
Credit cards for giro and current accounts	11	14
Credit card fees	41	43
Mobile, phone and Internet banking	280	267
Mandate services	8	8
Various package services	59	57
Foreign exchange transaction.fees (retail)	4	4
Other	33	32
<b>Total income from fees and commissions</b>	<b>4,246</b>	<b>4,099</b>

**7. Fee and commission expenses**

Description	2025.	2024.
	EUR '000	EUR '000
Payment services commission	538	435
Acceptance and processing of credit card transactions	442	437
Other	196	171
<b>Total expenses from fees and commissions</b>	<b>1,176</b>	<b>1,043</b>

**8. Profit from financial activities**

Description	2025.	2024.
	EUR '000	EUR '000
Profit from foreign exchange trading	534	1,198
Loss from securities that are not actively traded, and which are valued at fair value through P&L	-	(3)
<b>Total profit from financial operations</b>	<b>534</b>	<b>1,195</b>

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**9. Net income and expenses from exchange rate differences**

Description	2025.	2024.
	EUR'000	EUR'000
Exchange rate differences on the basis of conversion to the exchange rate	(23)	(14)
<b>Total net expenses from exchange rate differences</b>	<b>(23)</b>	<b>(14)</b>

**10. Other operating income**

Description	2025.	2024.
	EUR '000	EUR '000
Write-offs, losses and income relating to prior years	1	-
Lease of business premises	14	18
Collection of damages and interest from previous years	7	17
Disposal of tangible assets	8	-
Write-offs of inactive balances	-	11
Revenue from subsequent discounts and bonuses	2	152
Other income not mentioned	10	3
<b>Total other operating income</b>	<b>42</b>	<b>201</b>

**11. General, administrative and other operating expenses**

Description	2025.	2024.
	EUR '000	EUR '000
Employee expenses (Note 12)	5,405	4,673
Depreciation (Notes 25 and 26)	829	620
Other operating expenses (Note 13)	3,515	2,815
<b>Total general administrative and other operating expenses</b>	<b>9,749</b>	<b>8,108</b>

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**12. Employee expenses**

Description	2025.	2024.
	EUR '000	EUR '000
Net salaries	2,782	2,403
Costs of contributions, taxes and surcharges from salaries	1,106	944
Costs of contributions to salaries	641	552
Employee benefit costs	876	774
<b>Total employee expenses</b>	<b>5,405</b>	<b>4,673</b>

On 31 December 2025, the Bank had 164 employees (167 employees on 31 December 2024).

**13. Other operating expenses**

Description	2025.	2024.
	EUR '000	EUR '000
Costs of materials and similar	317	254
Costs of services	2,294	1,992
Entertainment, advertisement and propaganda costs	218	179
Compensation to the Supervisory Board	74	64
Insurance of savings deposits	181	1
Disbursement of property and legal costs	180	75
Tax, contribution, membership fee	129	131
Other	122	119
<b>Total other operating expenses</b>	<b>3,515</b>	<b>2,815</b>

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**14. (Income) / expenses of impairment and provisions**

Description	2025.	2024.
	EUR'000	EUR'000
Impairment for expected credit losses (group B and C) (Note 24)	206	(100)
Correction - impairment of other assets (Note 28)	13	17
Impairment for expected credit losses (group A1 and A2) (Note 24)	96	264
Correction - impairment of financial assets at Amortised Cost (Note 22)	121	24
Collected previously written-off receivables	(84)	(144)
Provisions for losses for contingent liabilities and commitments (Note 34)	145	(104)
Provisions for litigation and liabilities to employees (Note 34)	4	(3)
Correction - decrease in the value of placements with banks (Note 20)	21	2
Correction - decrease in the value of receivables from the CNB (Note 19)	-	-
Adjustment of the value of cash assets (Note 18)	2	(29)
Correction of the value of tangible assets intended for sale and foreclosed assets (Notes 25 a) and 27)	(153)	505
<b>Total (income) / expenses of impairment and provisions</b>	<b>371</b>	<b>432</b>

**15. Profit tax**

Opis	2025.	2024.
	EUR '000	EUR '000
<b>Accounting profit/loss</b>	<b>7,933</b>	<b>11,752</b>
Items that increase the tax base	284	827
Items that reduce the tax base	2,095	360
<b>Profit after increase and decrease</b>	<b>6,122</b>	<b>12,219</b>
Tax base	6,122	12,219
<b>Profit tax rate</b>	<b>18%</b>	<b>18%</b>
Tax liability	1,102	2,199
Changes in deferred tax assets	9	-
<b>Total net profit</b>	<b>6,822</b>	<b>9,553</b>

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**15. Profit tax - continued**

Profit tax is calculated in accordance with Croatian regulations. The tax rate on taxable profit is 18% (in 2024: 18%). As of 31 December 2025, the stated profit tax liability was reduced by nearly EUR 9 thousand due to cancelled tax assets. Prepaid current income tax recognised in the Bank's statement of financial position amounts to EUR 1,052 thousand.

**16. Earning per share**

For the purpose of calculating earnings per share, earnings are calculated as the profit for the period attributable to the Bank's shareholders. The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deduction of ordinary treasury shares. The weighted average number of ordinary shares used to calculate basic earnings per share was 17,559,585 (2023: 17,559,585). Since there is no effect of dilution of other instruments, basic and diluted earnings per share are the same.

Description	31 December 2025 EUR '000	31 December 2024 EUR '000
Profit for the year	6,822	9,553
Weighted average number of ordinary shares (in thousand)	17,560	17,560
<b>Profit per share</b>	<b>0,39</b>	<b>0,54</b>

**17. Financial information by segment**

The Bank classifies customers by segment and sub segment depending on their size.

The Retail segment includes individuals, craftsmen and freelance professions.

The Corporates segment includes public and private companies.

The Financial institutions segment includes credit institutions, funds, insurance companies and other institutions engaged in financial activities.

The Other segment includes assets and liabilities that not included within other segments..

The Bank's operating activities and customers are located mostly in the Republic of Croatia and for that reason the geographical details by segments are not published.

*a) Statement of profit or loss by segment for 2025 – operating segments*

Description	Retail	Corporate	Financial institutions	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net interest income	3,442	2,752	4,685	3,551	14,430
Net fees and commissions income	2,124	1,315	(648)	279	3,070
Provisions and loan impairments	177	(405)	(28)	(115)	(371)
Other	(4,548)	(985)	(228)	(3,435)	(9,196)
<b>Result by segment</b>	<b>1,195</b>	<b>2,677</b>	<b>3,781</b>	<b>280</b>	<b>7,933</b>
Profit tax	(167)	(375)	(530)	(39)	(1,111)
<b>Net result by segment</b>	<b>1,028</b>	<b>2,302</b>	<b>3,251</b>	<b>241</b>	<b>6,822</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF PROFIT OR LOSS – continued**

**17. Financial information by segment - continued**

*b) Statement of profit or loss by segment for 2025 – operating segments*

Description	Retail	Corporate	Financial institutions	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net interest income	2,755	3,095	6,983	3,021	15,854
Net fees and commissions income	2,061	1,291	(543)	247	3,056
Provisions and loan impairments	(358)	451	(492)	(33)	(432)
Other	(3,303)	(2,983)	1,102	(1,542)	(6,726)
Result by segment	1,155	1,854	7,050	1,693	11,752
Profit tax	(216)	(347)	(1,319)	(317)	(2,199)
Net result by segment	939	1,507	5,731	1,376	9,553

*c) Statement of financial position (Balance sheet) as at 31 December 2025 – operating segments*

Description	Retail	Corporate	Financial institutions	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net loans	119,976	74,375	4,732	20,328	219,411
Financial assets through other comprehensive income	-	20	-	-	20
Financial assets at amortised cost	-	3,480	-	146,982	150,462
Financial assets at fair value (FOB and FOP)	-	-	-	13	13
Other	-	-	158,453	-	158,453
Assets by segment	119,976	77,875	163,185	167,323	528,359
Deposits and hybrids	312,603	110,379	406	39,473	462,861
Loans	-	-	13	-	13
Other	860	2,563	15	6	3,444
Liabilities by segment	313,463	112,942	434	39,479	466,318

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET**

**17. Financial information by segment - continued**

*d) Statement of financial position (Balance sheet) as at 31 December 2025 – operating segments*

Description	Retail	Corporate	Financial institutions	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net loans	109,088	76,305	4,310	20,909	210,612
Financial assets through other comprehensive income	-	20	-	-	20
Financial assets at amortised cost	-	3,924	-	93,479	97,403
Financial assets at fair value (FOB and FOP)	-	-	-	13	13
Other	35	70	197,527	162	197,794
Assets by segment	109,123	80,319	201,837	114,563	505,842
Deposits and hybrids	304,266	92,393	265	50,187	447,111
Loans	-	-	65	-	65
Other	1,206	1,402	421	418	3,447
Liabilities by segment	305,472	93,795	751	50,605	450,623

**18. Cash**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Settlement account	7,517	5,146
Cash in cash register:		
- national currency	7,962	5,890
- foreign exchange	420	430
Money in foreign bank accounts	594	806
Money in domestic bank accounts	7,786	924
Overnight deposits	88,700	153,200
Impairment	(40)	(38)
<b>Total cash</b>	<b>112,939</b>	<b>166,358</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**18. Cash – continued**

Impairment relates to special reserves which are determined on cumulative basis for placements of the risk group A. Movements on impairments are shown below:

Description	2025	2024
	EUR '000	EUR '000
<b>Balance as at 1 January</b>	<b>(38)</b>	<b>(67)</b>
Net (increase)/decrease in value (note 14)	(2)	29
Other		
<b>Balance as at 31 December</b>	<b>(40)</b>	<b>(38)</b>

With the entry of the Republic of Croatia into the Eurosystem on 1 January 2023, the Bank maintains minimum reserves in accordance with Regulation (EU) 2021/378 in the amount of 1% of the balance of deposits and loans on which the minimum reserve is calculated, minus a flat-rate deduction of EUR 100 thousand.

The calculation is carried out by the CNB on the basis of statistical data and submitted to the Bank for confirmation.

Maintenance of minimum reserves is carried out through the balance of funds on the participant's PM account in the TARGET-HR system

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**19. Placement with banks**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Short term deposits with domestic banks	11,537	2,361
Short term deposits with foreign banks	25,405	20,597
Long term deposits with foreign banks	219	862
Impairment	(34)	(12)
<b>Total placements with banks</b>	<b>37,127</b>	<b>23,808</b>

Impairment refers to special reserves which are determined on cumulative basis for placements of the risk group A. Movements are shown below:

Description	2025	2024
	EUR '000	EUR '000
<b>Balance as at 1 January</b>	<b>(12)</b>	<b>(10)</b>
Net impairment / (increase) (Note 14)	(21)	(2)
Adjustment	(1)	-
<b>Balance as at 31 December</b>	<b>(34)</b>	<b>(12)</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET - continued**

**20. Financial assets valued through other comprehensive income**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Investments in equity securities	20	20
<b>Total financial assets through OCI</b>	<b>20</b>	<b>20</b>

/i/ Investments in equity securities refer to the following:

Description	31 Dec 2025	31 Dec 2024
	EUR'000	EUR'000
Central Depository & Clearing Company Inc.	1	1
Croatian Register of Loan Obligations	19	19
<b>Total shares</b>	<b>20</b>	<b>20</b>

/ii/ Equity investments relate to shares the Bank holds in the portfolio based on participation in the financial market and its share in banking associations.

**21. Financial assets valued at amortized cost**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Treasury bills of the Ministry of Finance	69,317	4,930
Corporate bonds	3,493	3,490
Croatian Government bonds	78,021	89,232
Impairment	(369)	(249)
<b>Ukupno financijska imovina ATR</b>	<b>150,462</b>	<b>97,403</b>

/i/ Investments in treasury bills of the Ministry of Finance in HRK that matured in 2025: the Bank achieved a yield of 2.139% in 2025 (3.437% in 2024).

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**21. Financial assets valued at amortised cost - continued**

/ii/ The bonds of the Republic of Croatia in the national currency mature in a period of 1 to 10 years, and the Bank achieved a yield of 2.543 % (2024; 2.437%).

/iii/ The EUROBOND bonds of the Republic of Croatia mature in 2025., 2027.,2028., i 2029. i 2034. Bank achived in 2025 a yield of 2.736% (2024; 2.768%).

/iv/ The bonds of commercial companies in the national currency mature in 2026 and 2028, and the Bank achieved a yield of 2.668% (2024: 2.6689%) on them.

/v/ Impairment refers to special reserves that are determined on a collective basis for placements of risk group A, and the changes are shown below:

Description	2025	2024
	EUR '000	EUR '000
Balance as at 31 January	(249)	(225)
Net impairment (Note 14)	(121)	(24)
Corrections	1	
<b>Balance as at 31 December</b>	<b>(369)</b>	<b>(249)</b>

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

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Equity securities	13	13
<b>Total financial assets at fair value through profit or loss</b>	<b>13</b>	<b>13</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**22. Financial assets at fair value through profit or loss - continued**

Investments in equity securities refer to investment in shares of Varteks (EUR 0 thousand) and shares of VIS d.d. received in exchange for uncollected receivables at fair value of EUR 0.00. Net value of EUR 13 thousand relates to shares in SWIFT.

**23. Loans and advances to clients**

<u>Description</u>	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Corporate	78,125	79,866
Retail and sole traders	125,584	114,780
Other	25,242	25,412
Collected fees related to future periods	(357)	(376)
Impairment for credit losses	(9,183)	(9,070)
<b>Total net loans and advances to customers</b>	<b>219,411</b>	<b>210,612</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**23. Loans and advances to clients – continued**

Changes in impairment are shown as follows:

Description	2025			2024		
	Impairment for losses (B and C)	Impairment for expected losses (A1 and A2)	Total	Impairment for losses (B and C)	Impairment for expected losses (A1 and A2)	Total
<b>Balance as at 1 January</b>	5,583	3,487	9,070	5,831	3,223	9,054
Net impairment (Note 14)	206	96	302	(100)	264	164
Exchange rate differences	-	-	-	-	-	-
Write-offs and other	(190)	-	(190)	(147)	-	(147)
<b>Balance as at 31 December</b>	<b>5,599</b>	<b>3,583</b>	<b>9,183</b>	<b>5,583</b>	<b>3,487</b>	<b>9,070</b>

The amount of approved unused overdrafts does not call for commitment of funds in the total amount of approved overdrafts. Overdrafts are granted for a systematic and timely insurance of preconditions for potential and necessary financing. Potential loss from the commitments cannot be determined but according to the experience from previous accounting periods and the effectiveness of existing mechanisms to protect the Bank in case of deterioration of financial position or performance of the client, the Bank does not expect additional losses greater than those stated in the financial statements for 2025.

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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**23. Loans and advances to clients – continued**

Risk concentration by sector in the portfolio of loans to customers is shown below:

<u>Description</u>	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Manufacturing	10,463	12,217
Trade	22,316	21,480
Tourism	1,986	2,191
Agriculture	2,546	2,415
Construction	33,797	36,238
Services	31,626	28,448
Retail	118,565	108,513
Other	7,652	8,556
<b>Total by sector</b>	<b>228,951</b>	<b>220,058</b>
Collected fees related to future periods	(357)	(376)
Impairments for losses	(9,183)	(9,070)
<b>Total net loans and advances to customers</b>	<b>219,411</b>	<b>210,612</b>

**KARLOVÁČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET - continued**  
**24. Property, plant and equipment**

Overview of changes in property, plant and equipment is shown below:

Description	Buildings and land	Right-of-use assets	Equipment	Furniture and vehicles	Other assets	Tangible assets under construction	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<i>Purchase value</i>							
<b>Balance as at 31 December 2023</b>	<b>7,275</b>	<b>372</b>	<b>4,381</b>	<b>1,221</b>	<b>197</b>	<b>718</b>	<b>14,164</b>
Direct increase	-	416	-	-	-	2,926	3,342
Transfer from assets under construction	4	-	388	2	1	(395)	-
Other transfers	-	-	(630)	(50)	(42)	-	(722)
Disposals and sales	-	(339)	-	-	-	(6)	(344)
<b>Balance as at 31 December 2024</b>	<b>7,279</b>	<b>450</b>	<b>4,140</b>	<b>1,172</b>	<b>154</b>	<b>3,243</b>	<b>16,439</b>
Direct additions	-	-	-	-	-	624	624
Transfers from assets under construction (or assets in Right-of-use buildings (property))	2,418	-	233	9	5	(2,665)	0
Disposals / sales	-	47	-	-	-	-	47
Other transfers	-	-	(480)	(22)	(6)	-	(508)
Other transfers	-	(53)	263	-	-	(491)	(281)
<b>Balance as at 31 December 2025</b>	<b>9,697</b>	<b>444</b>	<b>4,156</b>	<b>1,160</b>	<b>153</b>	<b>711</b>	<b>16,320</b>
<i>Depreciation and impairment</i>							
<b>Balance as at 31 December 2023</b>	<b>5,595</b>	<b>104</b>	<b>3,770</b>	<b>1,132</b>	<b>142</b>	<b>380</b>	<b>11,123</b>
Depreciation for 2024	253	-	210	25	2	27	517
Depreciation of leased assets	-	93	-	-	-	-	93
Other transfers	-	(42)	-	-	-	-	(42)
Disposals and sales	-	-	(624)	(49)	(42)	-	(716)
<b>Balance as at 31 December 2024</b>	<b>5,847</b>	<b>155</b>	<b>3,355</b>	<b>1,108</b>	<b>101</b>	<b>409</b>	<b>10,975</b>
Depreciation for 2024	383	-	276	22	2	28	711
Depreciation of leased assets	-	93	-	-	-	-	93
Other transfers	-	(53)	-	-	-	-	(53)
Disposals and sales	-	-	(479)	(22)	(6)	-	(507)
<b>Balance as at 31 December 2025</b>	<b>6,230</b>	<b>195</b>	<b>3,152</b>	<b>1,108</b>	<b>97</b>	<b>437</b>	<b>11,219</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**24. Property, plant and equipment - continued**

Description	Buildings and land	Right-of-use assets	Equipment	Furniture and vehicles	Other assets	Tangible assets under construction	TOTAL
	EUR'000	EUR '000	EUR '000	EUR '000	EUR'000	EUR '000	EUR '000
<b>Net book value as at 31 December 2023</b>	<b>1,680</b>	<b>268</b>	<b>611</b>	<b>89</b>	<b>55</b>	<b>337</b>	<b>3,040</b>
<b>Net book value as at 31 December 2024</b>	<b>1,432</b>	<b>296</b>	<b>784</b>	<b>64</b>	<b>54</b>	<b>2.834</b>	<b>5,464</b>
<b>Net book value as at 31 December 2025</b>	<b>3,467</b>	<b>249</b>	<b>1,004</b>	<b>51</b>	<b>56</b>	<b>273</b>	<b>5,100</b>

Ownership of the predominant part of the property in which the Bank operates is registered at the Land registry. Procedure to establish certain specific parts of the property needs to be instituted for two properties which is a prerequisite for the registration of ownership at the Land registry. There are no pledges on the Bank's real estate.

The purchase value of assets that have been fully depreciated but still used in the Bank's business amounts to EUR 4,771 thousand.

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**25. Intangible assets**

Overview of changes in intangible assets is shown below:

Description	Software	Investment in third party property	Other assets	TOTAL
	000'EUR	000'EUR	000'EUR	000'EUR
<b><i>Purchase value</i></b>				
<b>Balance as at 31 December 2023</b>	<b>318</b>	<b>911</b>	<b>71</b>	<b>1,300</b>
Disposals and sales	(3)	-	-	(3)
Purchase	-	2	-	2
Transfer from assets under	-	-	-	-
<b>Balance as at 31 December 2024</b>	<b>315</b>	<b>913</b>	<b>71</b>	<b>1,299</b>
Disposals and sales	-	-	-	-
Purchase	-	-	-	-
Transfer from assets under	157	-	-	157
<b>Balance as at 31 December 2025</b>	<b>472</b>	<b>913</b>	<b>71</b>	<b>1,456</b>
<b><i>Amortisation and impairment</i></b>				
<b>Balance as at 31 December 2023</b>	<b>306</b>	<b>887</b>	<b>71</b>	<b>1,264</b>
Amortisation for 2024	5	6	-	11
Disposals and sales	(3)	-	-	(3)
<b>Balance as at 31 December 2024</b>	<b>308</b>	<b>893</b>	<b>71</b>	<b>1,272</b>
Amortisation for 2024	18	6	-	24
Disposals and sales	-	-	-	-
<b>Balance as at 31 December 2025</b>	<b>326</b>	<b>899</b>	<b>71</b>	<b>1,296</b>
<b>Net book value as at 1 January 2023</b>	<b>12</b>	<b>25</b>	<b>-</b>	<b>37</b>
<b>Net book value as at 31 December 2024</b>	<b>7</b>	<b>20</b>	<b>-</b>	<b>27</b>
<b>Net book value as at 31 December 2025</b>	<b>146</b>	<b>14</b>	<b>-</b>	<b>160</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**26. Foreclosed assets and investment property**

**26.a) Foreclosed assets**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Land	276	276
Buildings	655	679
Apartments and other assets	74	167
<b>Total foreclosed assets:</b>	<b>1,005</b>	<b>1,122</b>

/i/ The land stated in the amount of EUR 276 thousand on 31 December 2025 (31 December 2024: EUR 276 thousand) refers to three construction plots located in a total of two counties in the Republic of Croatia, of which the more valuable land is located in the area of Zagreb County.

/ii/ Construction facilities reported on 31 December 2025 in the amount of EUR 655 thousand (31 December 2024: EUR 679 thousand) mostly refer to foreclosed construction facilities for business purposes; it is a total of three construction facilities, one of which is located in the Karlovac County and two facilities in the vicinity of Pakrac.

/iii/ Residential buildings and apartments in the total amount of EUR 74 thousand (EUR 167 thousand in 2024) contain a total of 5 apartments, houses and garages, which, both numerically and in value, mostly refer to those located in the Karlovac area and Karlovac County.

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET - continued**

**26. Foreclosed assets and investment property – continued**

An overview of the changes to the foreclosed assets is shown as follows:

Description	Land	Building	Apartments and other assets	TOTAL
<i>Purchase price</i>				
<b>Balance at 31 December 2023</b>	<b>335</b>	<b>1,001</b>	<b>361</b>	<b>1,697</b>
Foreclosure	15	-	103	119
Sale	-	(41)	(137)	(177)
<b>Balance at 31 December 2024</b>	<b>350</b>	<b>960</b>	<b>328</b>	<b>1,638</b>
Foreclosure	-	-	6	6
Sale	-	-	(201)	(201)
<b>Balance at 31 December 2025</b>	<b>350</b>	<b>960</b>	<b>133</b>	<b>1,443</b>
<i>Depreciation and impairment</i>				
<b>Balance at 31 December 2023</b>	<b>74</b>	<b>296</b>	<b>177</b>	<b>547</b>
Depreciation	-	24	6	30
Impairment	-	-	87	87
Sale	-	(39)	(109)	(148)
<b>Balance at 31 December 2024</b>	<b>74</b>	<b>281</b>	<b>161</b>	<b>516</b>
Depreciation	-	24	4	28
Impairment	-	-	(181)	(181)
Adjustment to sale value	-	-	112	112
Sale	-	-	(37)	(37)
<b>Balance at 31 December 2025</b>	<b>74</b>	<b>305</b>	<b>59</b>	<b>438</b>
<b>Net book value as at 31 December 2023</b>	<b>261</b>	<b>705</b>	<b>184</b>	<b>1,150</b>
<b>Net book value as at 31 December 2024</b>	<b>276</b>	<b>679</b>	<b>167</b>	<b>1,122</b>
<b>Net book value as at 31 December 2025</b>	<b>276</b>	<b>655</b>	<b>74</b>	<b>1,005</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**26. Foreclosed assets and investment property - continued**

**26. b) Investment property**

Overview of changes in investment property is shown below:

Description	Land	Buildings	Apartments	TOTAL
<i>Purchase value</i>				
<b>Balance at 31 December 2023</b>	-	2,223	5	2,228
Sale	-	-	-	-
<b>Balance at 31 December 2024</b>	-	2,223	5	2,228
Sale	-	(2,223)	-	(2,223)
<b>Balance at 31 December 2025</b>	-	-	5	5
<i>Depreciation and impairment</i>				
<b>Balance at 31 December 2023</b>	-	1,344	5	1,349
Depreciation and impairment	-	412	-	412
Sale	-	-	-	-
<b>Balance at 31 December 2024</b>	-	1,756	5	1,761
Depreciation and impairment	-	-	-	-
Sale	-	(1,756)	-	(1,756)
<b>Balance at 31 December 2025</b>	-	-	5	5
<b>Net book value as at 31 December 2023</b>	-	879	-	879
<b>Net book value as at 31 December 2024</b>	-	467	-	467
<b>Net book value as at 31 December 2025</b>	-	-	-	-

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**27. Other assets**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Fees and commissions receivables	199	186
Trade receivables	551	-
Advance payments	39	31
Prepaid costs	91	158
Prepaid taxes and contributions	1,053	1
Receivables from card transactions	78	65
Receivables from various contractual relations	152	135
Deferred tax assets	94	103
Other receivables	14	15
Impairment	(149)	(147)
<b>Total other assets</b>	<b>2,122</b>	<b>547</b>

Changes in impairments are shown below:

Description	2025	2024
	EUR '000	EUR '000
<b>Balance at 1 January</b>	<b>147</b>	<b>144</b>
New impairment (Note 14)	57	51
Amounts collected and released (Note 14)	(44)	(34)
Write-offs and corrections	(11)	(14)
<b>Balance at 31 December</b>	<b>149</b>	<b>147</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**27. Other assets - continued**

Deferred tax assets are stated at the following temporary differences:

Description	2025	2024
	EUR '000	EUR '000
Deferred fees for approved loans	71	80
Unrealised securities losses	23	23
Net property adjustment	-	-
<b>Balance at 31 December</b>	<b>94</b>	<b>103</b>

Tax assets include tax paid on deferred income from fees for approved loans, unrecognised unrealised securities losses and partially unrecognised expenses of real estate value adjustments.

Collected fees from approved loans represent a business constant and it is estimated that in the near future a certain use of this property will be made on the basis of these differences. The situation is similar with unrealised securities losses, while the value adjustment of tangible assets was based on the precautionary principle in terms of the possibility and timing of the sale.

Changes in tax assets:

Description	2025	2024
	EUR '000	EUR '000
<b>Stanje 1. siječnja</b>	<b>103</b>	<b>103</b>
Recognition of deferred tax assets	-	1
Use of deferred tax assets	(9)	(1)
<b>Balance at 31 December</b>	<b>94</b>	<b>103</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**28. Liabilities to banks**

<u>Description</u>	<u>31 Dec 2025</u>	<u>31 Dec 2024</u>
	<u>EUR '000</u>	<u>EUR '000</u>
Demand deposits		
- national currency	4	4
<b>Total demand deposits</b>	<b>4</b>	<b>4</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**29. Demand deposits**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Demand deposits – retail		
- national currency	191,704	171,586
- foreign currency	3,795	3,386
<b>Total retail</b>	<b>195,499</b>	<b>174,972</b>
Demand deposits - corporate		
- national currency	62,521	66,052
- foreign currency	18,771	17,232
<b>Total corporate</b>	<b>81,292</b>	<b>83,284</b>
Demand deposits – financial institutions		
- national currency	402	261
- foreign currency	-	-
<b>Total financial institutions</b>	<b>402</b>	<b>261</b>
Demand deposits – State and other institutions		
- national currency	32,580	39,844
- foreign currency	19	23
<b>Total State and other institutions</b>	<b>32,599</b>	<b>39,867</b>
Restricted deposits		
- national currency	1,348	1,371
- foreign currency	81	94
<b>Total restricted deposits</b>	<b>1,429</b>	<b>1,465</b>
Deposits – foreign persons		
- national currency	4,127	3,291
- foreign currency	316	367
<b>Total foreign persons</b>	<b>4,443</b>	<b>3,658</b>
<b>Total demand deposits</b>	<b>315,664</b>	<b>303,507</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**30. Term deposits**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Deposits – retail		
- national currency	114,169	120,195
- foreign currency	1,636	2,074
<b>Total retail</b>	<b>115,805</b>	<b>122,269</b>
Deposits – corporate		
- national currency	9,368	7,875
- foreign currency	19,680	1,054
<b>Total corporate</b>	<b>29,049</b>	<b>8,929</b>
Deposits – State and other institutions		
- national currency	408	10,320
- foreign currency	-	-
<b>Total State and other institutions</b>	<b>408</b>	<b>10,320</b>
Deposits – foreign persons		
- national currency	1,921	2,070
- foreign currency	10	12
<b>Total foreign persons</b>	<b>1,931</b>	<b>2,082</b>
<b>Total term deposits</b>	<b>147,193</b>	<b>143,600</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**31. Loan liabilities**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Local banks	13	65
<b>Total loan liabilities</b>	<b>13</b>	<b>65</b>

The liability to Croatian Bank for Reconstruction and Development (CBRD) as of 31 December 2024 was EUR 65 thousand (2023: EUR 117 thousand). These resources are intended for granting loans to natural persons in accordance with CBRD's programs for remediation of the consequences of war damage, with an average interest rate of 0% (in 2023: 0%).

**32. Other liabilities**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Fees and commissions payables	30	39
Liabilities to employees	474	394
Taxes and contributions	23	378
Liabilities to suppliers	155	302
Liabilities for money orders	63	144
Liabilities for loan prepayments	625	672
Accrued loan interests and receivables discount	46	47
Operating lease liabilities	258	302
Foreign payment liabilities	62	75
Liabilities for POS terminals transactions	55	55
Payment orders sent to NCS (National Clearing System-NKS)	346	345
Liabilities for public housing	-	2
Collected deferred income	44	92
Limited items	443	
Bearer savings	27	29
Other liabilities	15	15
Taxes and contributions	123	50
<b>Total other liabilities</b>	<b>2,789</b>	<b>2,941</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**33. Provisions**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Provisions for employee remuneration	86	96
Provisions for court disputes	19	4
Provisions for identified losses on off-balance sheet contingent liabilities	10	10
Expected losses from contingent liabilities	540	396
<b>Total provisions</b>	<b>655</b>	<b>506</b>

/i/ Changes in provisions are shown below:

Description	2025	2024
	EUR '000	EUR '000
<b>Balance at 1 January</b>	<b>506</b>	<b>613</b>
Increase in provisions for court disputes and employee remuneration (note 14)	14	20
(Utilisation) of provisions for court disputes and employee remuneration (note 14)	(10)	(23)
Changes in provisions for contingent liabilities and commitments (note 14)	145	(104)
<b>Balance at 31 December</b>	<b>655</b>	<b>506</b>

/ii/ The Bank conducts 32 court proceedings in which it is actively legitimized against legal entities and 19 proceedings against natural persons as of 31 December 2025.

The Bank conducts collection procedures for 19 cases in which bankruptcy proceedings were initiated against the debtor as a legal entity and 4 cases against the debtor as a natural person (consumer).

/iii/ Procedures in which the Bank is passively legitimized refer to litigation for payment and litigation for determination.

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**33. Provisions - continued**

In the group of litigation proceedings for payment claims, during 2025, in terms of provisions, two court cases of significant material value were recorded. These relate to civil proceedings initiated by natural persons who had obtained loans from the Bank.

In the first case, the claim was filed by a consumer (natural person) seeking repayment of overpaid interest (conversion-related element). The proceedings are conducted before the Municipal Court in Pazin, Permanent Service in Poreč–Parenzo. A preparatory hearing has been concluded, and the main hearing has been held but not concluded. The court is awaiting the preparation of an expert opinion by a court-appointed accounting and financial expert at first instance. Provisions have been recognised. Case law in such matters is not yet established; therefore, the outcome of the proceedings cannot be prejudged.

In the second case, also a consumer claim for repayment (conversion-related element), the proceedings are conducted before the Municipal Court in Karlovac, Permanent Service in Ogulin. A first-instance judgment has been rendered against the Bank. Provisions have been recognised. Case law in such matters is not yet established; therefore, the outcome of the appellate proceedings cannot be prejudged.

The Bank regularly classifies such disputes into appropriate risk categories and, depending on the assessment of the case outcome and in accordance with internal policies, recognises provisions for litigation cases that may potentially result in an outflow of funds.

In the group of declaratory litigation proceedings, there is no requirement to classify cases into risk categories or to recognise provisions.

Within this group of cases, proceedings initiated by Bank shareholders challenging General Assembly resolutions are highlighted:

**GENERAL ASSEMBLY RESOLUTION OF 10 FEBRUARY 2014 – Court case LOLA RIBAR vs. KABA**

The General Assembly resolution of 10 February 2014 concerned the reduction of share capital by HRK 92.6 million, exclusion of pre-emptive rights in the subscription of new shares, increase of share capital by HRK 72.7 million, and partial amendments to the Articles of Association.

These resolutions were challenged by the shareholder Lola Ribar d.d., which initiated proceedings before the Commercial Court in Zagreb seeking nullity of the resolutions. On 9 February 2016, the Commercial Court in Zagreb rendered a judgment rejecting the claim in its entirety. However, upon appeal, on 17 October 2018, the High Commercial Court of the Republic of Croatia issued a judgment reversing the first-instance decision and declaring the challenged resolutions null and void. On 7 December 2018, the Bank filed a revision with the Supreme Court of the Republic of Croatia.

On 3 September 2025, the Bank received the decision of the Supreme Court dated 2 September 2025, by which the revision was upheld, the judgment of the High Commercial Court of 17 October 2018 was quashed, and the case was remitted to the High Commercial Court for retrial. The second-instance proceedings will therefore be conducted anew.

**33. Provisions - continued**

In the 2025 notes, it is emphasised that the Bank is passively legitimised in six court proceedings pending before the Commercial Court in Split. These are claims filed by a legal entity to which, by way of assignment (cession), part of the receivables of a bankrupt company has been transferred, with respect to which the Bank holds the position of a secured (separation) creditor in relation to the bankruptcy estate.

In the present case, the proceedings concern claims for the nullity of loan agreements concluded by the Bank with the legal predecessors of the bankrupt company. Given that these civil proceedings are considered to be aimed solely at prolonging the bankruptcy process, the Bank currently classifies them as vexatious litigation. The status of these proceedings remains unchanged; in only one case, a first-instance judgment has been rendered in favour of the Bank, which is not yet final. No provisions have been recognised, as the cases are considered vexatious litigation.

With regard to the “fee nullity” group of cases, during 2025 the Bank received five new claims in which it is passively legitimised. As a rule, these proceedings involve claims with a low stated value of the dispute.

**34. Hybrid instruments**

Hybrid instruments are special instruments of capital investment, deposits without the possibility of payment before the expiry of the contractual period, except for entry into the equity or due to the conversion of hybrid instruments into shares. According to CNB regulations these instruments affect the increase of the Bank's regulatory capital when calculating capital adequacy. The balance included 2 hybrid instruments that mature in May 2023 when they were paid out. There were no new investments of this type, so the balance of hybrid instruments on 31 December 2025 is EUR 0 (2024: EUR 0).

**35. Share capital**

The Bank's share capital as of 31 December 2024, amounts to EUR 17,700 thousand and is divided into 17,570,409 shares, of which 17,559,585 ordinary shares with a nominal value of EUR 1 and 10,824 preferred shares with a nominal value of EUR 13.

Shares of Karlovačka banka d.d., based on the Decision of the Bank's Assembly dated 14 December 2020, are no longer listed on the Zagreb Stock Exchange.

The recalculation and alignment of the share capital in accordance with the provisions of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia and the amended provisions of the Companies Act were carried out by the Bank's General Assembly Resolution dated 12 April 2023. On that occasion, capital reserves in the amount of EUR 5,749 thousand were established.

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

Regulatory capital

The Bank's regulatory capital and capital ratios for 2025 have been calculated in accordance with the requirements set out in the Decision on Reporting for Supervisory Purposes of Credit Institutions in line with European Union regulations (Official Gazette Nos. 146/2021, 108/2022, 27/2023, 76/2024, and 119/2025). The aforementioned Decision is aligned with the provisions of Regulation (EU) 2018/1624 and Commission Implementing Regulation (EU) 2024/3117.

As at 31 December 2025, regulatory capital amounted to EUR 61,724 thousand (2024: EUR 55,035 thousand), while the regulatory capital ratio stood at 33.35% (2024: 29.17%), compared to the minimum regulatory requirement of 12%.

Opis	2025 EUR'000	2024 EUR'000
<b>Regulatory capital</b>		
<i>Share capital</i>	61,724	55,035
<i>Regular share capital</i>	61,724	55,035
Issued stock capital	17,544	17,544
Retained profit (excluding profit for the year)	30,598	21,061
Net profit/(loss) for the year	6,821	9,553
Other reserves	6,921	6,904
<i>Deductions in line with CNB regulations</i>		
Intangible assets	(160)	(27)
Impairment of CET1 due to prudential filters	-	-
<b>Total regular share capital</b>	<b>61,724</b>	<b>55,035</b>
<b>Additional share capital</b>	<b>-</b>	<b>-</b>
<b>Share capital</b>	<b>61,724</b>	<b>55,035</b>
<b>Supplementary capital</b>	<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	<b>61,724</b>	<b>55,035</b>
<b>Total amount of risk exposure</b>	<b>185,071</b>	<b>188,687</b>
<b>Capital adequacy ratio</b>	<b>33.35%</b>	<b>29.17%</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**36. Contingent liabilities and commitments**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Performance guarantees		
- national currency	15,051	14,086
- foreign currency		
Payment guarantees	1,297	720
- national currency	-	862
- foreign currency		
Letters of credit	46,636	47,215
- foreign currency	378	1,178
Granted unused overdrafts	<b>63,362</b>	<b>64,061</b>
Other		
<b>Total contingent liabilities and commitments</b>	(550)	(406)
Provisions for contingent liabilities and commitments	<b>62,812</b>	<b>63,655</b>

**37. Cash and cash equivalents**

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Cash	112,939	166,358
Placements with banks with remaining maturity of up to 3 months	37,127	22,947
<b>Total cash and cash equivalents</b>	<b>150,066</b>	<b>189,305</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**38. Funds for and on behalf of third parties**

The Bank manages funds for and on behalf of third parties mainly in the form of loans. These funds are recorded separately from the Bank's funds. Income and expenses from these funds were credited or charged to appropriate sources and the Bank did not bear the risk associated to these operations. For its services the Bank charged a fee that was charged to these funds.

Description	2025	2024
	EUR '000	EUR '000
Total sources	761	762
Less: assets	(761)	(762)
<b>Unused funds</b>	<b>-</b>	<b>-</b>

**39. Transactions with persons in a special relation with the Bank and their related parties**

(1) Persons in a special relationship with the credit institution towards whom the exposure of the credit institution would arise or increase are:

- 1) a credit institution shareholder who owns 5% or more of the credit institution's shares with the right to vote in the general meeting of the credit institution
- 2) member of the board, member of the supervisory board and procurator of the credit institution
- 3) the person responsible for the work of the control function, the person responsible for business with legal entities, the person responsible for work with individuals, the person responsible for treasury operations and the authorized person for preventing money laundering
- 4) legal entity in which the credit institution has a participating share
- 5) a legal entity in which a member of the management board, a member of the supervisory board or a procurator of a credit institution has a qualifying share
- 6) a legal entity in which a member of the management board, a member of the supervisory board or a procurator of a credit institution are members of the senior management or are members of the management board, supervisory board, board of directors or executive directors
- 7) legal entity whose member of the management board, supervisory board, board of directors or executive director or procurator is simultaneously a member of the management board or a member of the supervisory board or procurator of a credit institution
- 8) a legal entity whose management board member owns 10% or more of the credit institution's shares with the right to vote in the general assembly of the credit institution
- 9) member of the management board, member of the supervisory board and procurator of a company which is, directly or indirectly, the parent company of a credit institution or which is a subsidiary of a credit institution
- 10) a third person acting on behalf of a person from points 1 to 9 of this paragraph in connection with transactions that would create or increase the credit institution's exposure.

(2) Under one person in a special relationship with the credit institution referred to in paragraph 1, points 1 to 9 of this article are also considered:

- 1) a person related to a person from paragraph 1, points 1 to 9 of this article, and in the manner referred to in article 3, point 18 of the Credit Institutions Act::

„Related Person Group" means one of the following:

- (a) two or more natural or legal persons who, unless proven otherwise, represent a single risk because one of them, directly or indirectly, has control over another person or persons;

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**39. Transakcije sa osobama u posebnom odnosu s Bankom i njima povezane osobe - nastavak**

(b) two or more natural or legal persons between whom there is no control relationship described in point (a), and which are considered to represent one risk because they are so interconnected that, if financial problems arise for one of these persons, especially difficulties related with financing or repayment, the other person or all other persons would likely face financing or repayment difficulties themselves

and

2) a member of the immediate family of a natural person from paragraph 1, points 1 to 9 of this article and a legal entity in which that immediate family member has a qualified share or in which he can have significant influence or in which he holds a senior management position or is a member of the management body.

A member of the person's immediate family is:

1. a spouse or a person who, according to a special law, has a position equal to the position in a married union or a person with whom he entered into a life partnership in accordance with the law governing the life partnership of persons of the same sex
2. parent, son, adopted son, daughter or adopted daughter of that person
3. son, adopted son, daughter or adopted daughter of a person from sub-point 1 of this point
4. another person who does not have full business capacity and who is placed under the guardianship of that person.

(3) Persons in a special relationship in the sense of paragraph 1 point 1 of this article also include funds holding shares of a credit institution.

(1) A credit institution may conclude a legal transaction with a person referred to in Article 146 of the Credit Institutions Act only if that transaction is contracted under conditions that are not more favourable than the usual conditions of the credit institution.

(2) Any individual legal transaction that a credit institution enters into with a person referred to in Article 146 of the Credit Institutions Act which will create or increase the total exposure of the credit institution exceeding EUR 7,000.00, can only be concluded with the unanimous decision of all members of the board and the prior consent of the supervisory board. Exceptionally, a member of the management board or supervisory board cannot vote on approving the exposure if it would occur to him or to persons connected to him.

(3) By way of derogation from paragraph (2) of this Article, where the type of business or incurrence of certain exposures is such that this is the case of daily transactions or exposures for which individual prior unanimous decision of all management board members or prior approval of the supervisory board would seriously hinder the work process of the credit institution, the Management Board may, by a unanimous decision of all management board members and with prior approval of the supervisory board, grant a framework approval for multiple legal arrangements subject to the following conditions:

- 1) it relates to a specific person in a special relationship with the credit institution referred to in Article 146 of the Credit Institutions Act, and not to all such persons in general and
- 2) it is granted for a maximum period of six months and a member of the management board or a member of the supervisory board may not take a vote on the approval of exposure if the exposure is to be incurred towards the member or to persons connected to the member.

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**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**39. Transactions with persons in a special relation with the Bank and their related parties – continued**

/i/ Receivables and liabilities of related parties at 31 December 2025 are shown below:

	2025 EUR '000			
Related parties	Loans and receivables	Contingent liabilities and commitments	Deposits and hybrids	Other liabilities
Shareholders with over 5% of ordinary shares and their related parties	46	2,482	71,090	1
Supervisory Board	88	10	357	7
Management Board	-	9	251	23
Other key persons with related parties	29	23	367	32
Legal entities in which the Bank has participating interest	-	-	-	-
<b>TOTAL</b>	<b>163</b>	<b>2,524</b>	<b>72,065</b>	<b>63</b>

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**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**39. Transactions with persons in a special relation with the Bank and their related parties – continued**

/i/ Receivables and liabilities of related parties at 31 December 2024 are shown below:

	2024 EUR '000			
Related parties	Loans and receivables	Contingent liabilities and commitments	Deposits and hybrids	Other liabilities
Shareholders with over 5% of ordinary shares and their related parties	94	1,261	57,442	-
Supervisory Board	94	11	329	5
Management Board	1	13	173	23
Other key persons with related parties	39	22	336	32
Legal entities in which the Bank has participating interest	-	-	-	-
<b>TOTAL</b>	<b>228</b>	<b>1,307</b>	<b>58,280</b>	<b>60</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**39. Transactions with persons in a special relation with the Bank and their related parties – Continued**

/iii/ Income and expenses with related persons for 2024 and 2025 are shown below:

Description	2025	2024
	EUR '000	EUR '000
<b><i>Income</i></b>		
Shareholders with over 5% of ordinary shares and their related parties	613	1,199
Members of the Management Board and their related persons	1	1
Members of the Supervisory Board and their related persons	4	4
Other key persons with related parties	2	3
Legal entities in which the Bank has participating interest	-	-
<b>Total income</b>	<b>620</b>	<b>1,207</b>
<b><i>Expenses</i></b>		
Shareholders with over 5% of ordinary shares and their related parties	830	449
Members of the Management Board and their related persons	289	259
Members of the Supervisory Board and their related persons	70	63
Other key persons with related parties	408	352
Legal entities in which the Bank has participating interest	-	-
<b>Total expenses</b>	<b>1,597</b>	<b>1,123</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**39. Transactions with persons in a special relation with the Bank and their related parties – continued**

/iv/ Remuneration to the Management Board and other key personnel are shown below:

Persons that the credit institutions considers to be the key personnel are persons responsible for the controlling functions, the person authorised for the prevention of money laundering, persons responsible for dealing with corporate clients and the individuals, the Chief financial officer, the person responsible for treasury operations, the procurator and other persons holding key functions that enable them to have a significant influence on the management of the credit institution, but who are neither members of the management board nor members of the supervisory board.

Description	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
Management Board		
Net salaries	167	148
Taxes and contributions	120	109
Total:	<b>287</b>	<b>257</b>
Other key personnel		
Net salaries	247	212
Taxes and contributions	157	136
Total:	<b>404</b>	<b>348</b>
<b>Total</b>	<b>691</b>	<b>605</b>

**40. Interest risk**

Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Therefore the period in which the interest rate for a financial instrument is fixed indicates the exposure to interest rate risk. The table below provides information on the extent of the Bank's interest rate exposure, based either on the contractual maturity date of the financial instrument or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest bearing are grouped in the 'Interest free' category.

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**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**40. Interest risk – continued**

2025	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Interest free	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>ASSETS</b>							
Cash	94,024	-	-	-	-	18,915	<b>112,939</b>
Receivables from CNB	-	-	-	-	-	-	-
Placements with banks	4,516	31,847	545	219	-	-	<b>37,127</b>
Financial assets through other comprehensive income	-	-	-	-	-	20	<b>20</b>
Financial assets at amortised cost	-	19,883	66,048	30,834	33,697	-	<b>150,462</b>
Financial assets valued at fair value	-	-	-	-	-	13	<b>13</b>
Loans and advances to customers	11,009	63,617	35,825	47,219	61,741	-	<b>219,411</b>
Property, plant and equipment	-	-	-	-	-	5,100	<b>5,100</b>
Intangible assets	-	-	-	-	-	160	<b>160</b>
Foreclosed assets and investment property	-	-	-	-	-	1,005	<b>1,005</b>
Other assets	-	-	-	-	-	2,122	<b>2,122</b>
<b>Total assets</b>	<b>109,549</b>	<b>115,347</b>	<b>102,418</b>	<b>78,272</b>	<b>95,438</b>	<b>27,335</b>	<b>528,359</b>
<b>LIABILITIES</b>							
Liabilities to banks	-	-	-	-	-	4	<b>4</b>
Demand deposits	315,664	-	-	-	-	-	<b>315,664</b>
Term deposits	24,798	50,650	66,969	2,921	1,855	-	<b>147,193</b>
Hybrid instruments	-	-	-	-	-	-	-
Liabilities on loans received	-	-	-	-	-	13	<b>13</b>
Other liabilities	-	-	-	-	-	2,789	<b>2,789</b>
Provisions	-	-	-	-	-	655	<b>655</b>
<b>Total liabilities</b>	<b>340,462</b>	<b>50,650</b>	<b>66,969</b>	<b>2,921</b>	<b>1,855</b>	<b>3,461</b>	<b>466,318</b>
<b>CAPITAL</b>							
Share capital	-	-	-	-	-	17,700	<b>17,700</b>
Profit for the year	-	-	-	-	-	6,822	<b>6,822</b>
Retained profit /(loss) and reserves	-	-	-	-	-	37,519	<b>37,519</b>
<b>Total capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,041</b>	<b>62,041</b>
<b>Total liabilities and capital</b>	<b>340,462</b>	<b>50,650</b>	<b>66,969</b>	<b>2,921</b>	<b>1,855</b>	<b>65,502</b>	<b>528,359</b>
<b>Net assets/liabilities and capital</b>	<b>(230,913)</b>	<b>64,697</b>	<b>35,449</b>	<b>75,351</b>	<b>93,583</b>	<b>(38,167)</b>	<b>-</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**40. Interest risk – continued**

2024	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Interest free	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>ASSETS</b>							
Cash	153,526	-	-	-	-	12,832	<b>166,358</b>
Receivables from CNB	-	-	-	-	-	-	-
Placements with banks	-	22,401	545	862	-	-	<b>23,808</b>
Financial assets through other comprehensive income	-	-	-	-	-	20	<b>20</b>
Financial assets at amortised cost	-	27,547	5,592	28,856	35,408	-	<b>97,403</b>
Financial assets valued at fair value	-	-	-	-	-	13	<b>13</b>
Loans and advances to customers	22,527	53,741	39,302	42,837	52,205	-	<b>210,612</b>
Property, plant and equipment	-	-	-	-	-	5,464	<b>5,464</b>
Intangible assets	-	-	-	-	-	27	<b>27</b>
Foreclosed assets and investment property	-	-	-	-	-	1,590	<b>1,590</b>
Other assets	-	-	-	-	-	547	<b>547</b>
<b>Total assets</b>	<b>176,053</b>	<b>103,689</b>	<b>45,439</b>	<b>72,555</b>	<b>87,613</b>	<b>20,493</b>	<b>505,842</b>
<b>LIABILITIES</b>							
Liabilities to banks	-	-	-	-	-	4	<b>4</b>
Demand deposits	302,042	-	-	-	-	1,465	<b>303,507</b>
Term deposits	18,661	40,826	78,842	3,210	2,061	-	<b>143,600</b>
Hybrid instruments	-	-	-	-	-	-	-
Liabilities on loans received	-	-	-	-	-	65	<b>65</b>
Other liabilities	-	-	-	-	-	2,941	<b>2,941</b>
Provisions	-	-	-	-	-	506	<b>506</b>
<b>Total liabilities</b>	<b>320,703</b>	<b>40,826</b>	<b>78,842</b>	<b>3,210</b>	<b>2,061</b>	<b>4,981</b>	<b>450,623</b>
<b>CAPITAL</b>							
Share capital	-	-	-	-	-	17,700	<b>17,700</b>
Profit for the year	-	-	-	-	-	9,553	<b>9,553</b>
Retained profit /(loss) and reserves	-	-	-	-	-	27,966	<b>27,966</b>
<b>Total capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,219</b>	<b>55,219</b>
<b>Total liabilities and capital</b>	<b>320,703</b>	<b>40,826</b>	<b>78,842</b>	<b>3,210</b>	<b>2,061</b>	<b>60,200</b>	<b>505,842</b>
<b>Net assets/liabilities and capital</b>	<b>(144,650)</b>	<b>62,863</b>	<b>(33,403)</b>	<b>69,345</b>	<b>85,552</b>	<b>(39,707)</b>	<b>-</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**40. Interest risk – continued**

The table below summarizes effective interest rates for interest bearing assets and liabilities:

	<b>2025.</b>	<b>2024.</b>
	%	%
<b>Assets</b>		
Funds at CNB	2.0-3.0	3.0-4.0
Placements with banks	3.0-4.16	0.0-5.5
Financial assets through OCI	-	-
Financial assets at amortised cost	0.17-4.94	0.10-5.4
Loans and advances to customers	1.85-8.49	2.20-8.49
<b>Liabilities</b>		
Liabilities to banks (CBRD)	0,0	0.0
Demand deposits	0.00-0.01	0.00-0.01
Term deposits	0.00-3.40	0.00-3.20

**41. Fair value of financial assets and liabilities**

Fair value is the amount at which funds can be exchanged or liabilities settled in the best interest of all parties concerned. Since market prices for the major part of the Bank's financial assets and liabilities are not available, the fair value of these items is based on the estimates of the Management Board according to the type of assets and liabilities. According to the estimation of the Management Board, the market value is not materially different from the carrying value of all categories of assets and liabilities.

**42. Concentration of assets, liabilities and off-balance sheet items**

The Bank's assets, liabilities and contingent liabilities are mainly in the Republic of Croatia, except for current foreign currency accounts and term deposits with foreign banks in the countries of the European Union. Funds in banks outside the European Union are linked to the commercial operations of the clients and are covered by their dedicated deposits.

**43. Liquidity risk**

Liquidity risk is the potential exposure of the Bank in connection with the acquisition of funds required by the Bank to meet its obligations under financial instruments. The Bank maintains its liquidity in accordance with regulations prescribed by the Croatian National Bank.

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**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**43. Liquidity risk - continued**

The remaining maturity of the Bank's assets and liabilities as at 31 December 2025 is shown below:

2025	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>ASSETS</b>						
Cash	112,939	-	-	-	-	112,939
Receivables from CNB	-	-	-	-	-	-
Placements with banks	4,516	31,847	545	219	-	37,127
Financial assets through OCI	-	-	-	-	20	20
Financial assets at amortised cost	-	19,883	66,048	30,834	33,697	150,462
Financial assets at fair value (FOB and FOP)	-	-	-	-	13	13
Loans and advances to customers	12,105	8,781	29,298	44,138	125,089	219,411
Investments in subsidiary	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	5,100	5,100
Intangible assets	-	-	-	-	160	160
Foreclosed assets and investment property	-	-	-	-	1,005	1,005
Other assets	2,122	-	-	-	-	2,122
<b>Total assets</b>	<b>131,682</b>	<b>60,511</b>	<b>95,891</b>	<b>75,191</b>	<b>165,084</b>	<b>528,359</b>
<b>LIABILITIES</b>						
Liabilities to banks	4	-	-	-	-	4
Demand deposits	315,664	-	-	-	-	315,664
Term deposits	26,244	50,650	65,540	2,922	1,837	147,193
Hybrid instruments	-	-	-	-	-	-
Liabilities on loans received	-	13	-	-	-	13
Other liabilities	2,538	16	160	58	17	2,789
Provisions	430	33	186	5	1	655
<b>Total liabilities</b>	<b>344,880</b>	<b>50,712</b>	<b>65,886</b>	<b>2,985</b>	<b>1,855</b>	<b>466,318</b>
<b>CAPITAL</b>						
Share capital	-	-	-	-	17,700	17,700
Profit for the year	-	-	6,822	-	-	6,822
Retained profit/(loss) and reserves	-	-	-	37,519	-	37,519
<b>Total capital</b>	<b>-</b>	<b>-</b>	<b>6,822</b>	<b>37,519</b>	<b>17,700</b>	<b>62,041</b>
<b>Total liabilities and capital</b>	<b>344,880</b>	<b>50,712</b>	<b>72,708</b>	<b>40,504</b>	<b>19,555</b>	<b>528,359</b>
<b>Net assets/liabilities and capital</b>	<b>(213,198)</b>	<b>9,799</b>	<b>23,183</b>	<b>34,687</b>	<b>145,529</b>	<b>-</b>

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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**43. Liquidity risk - continued**

The remaining maturity of the Bank's assets and liabilities as at 31 December 2024 is shown below:

2024	Up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>ASSETS</b>						
Cash	166,358	-	-	-	-	166,358
Receivables from CNB	-	-	-	-	-	-
Placements with banks	-	22,401	545	862	-	23,808
Financial assets through OCI	-	-	-	-	20	20
Financial assets at amortised cost	-	27,547	5,592	28,856	35,408	97,403
Financial assets at fair value (FOB and FOP)	-	-	-	-	13	13
Loans and advances to customers	22,265	1,591	29,112	45,523	112,121	210,612
Investments in subsidiary	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	5,464	5,464
Intangible assets	-	-	-	-	27	27
Foreclosed assets and investment property	-	-	-	-	1,590	1,590
Other assets	547	-	-	-	-	547
<b>Total assets</b>	<b>189,170</b>	<b>51,539</b>	<b>35,249</b>	<b>75,241</b>	<b>154,643</b>	<b>505,842</b>
<b>LIABILITIES</b>						
Liabilities to banks	4	-	-	-	-	4
Demand deposits	303,507	-	-	-	-	303,507
Term deposits	20,196	40,826	77,377	3,210	1,991	143,600
Hybrid instruments	-	-	-	-	-	-
Liabilities on loans received	-	-	-	65	-	65
Other liabilities	2,646	14	213	38	30	2,941
Provisions	364	33	68	26	15	506
<b>Total liabilities</b>	<b>326,717</b>	<b>40,873</b>	<b>77,658</b>	<b>3,339</b>	<b>2,036</b>	<b>450,623</b>
<b>CAPITAL</b>						
Share capital	-	-	-	-	17,700	17,700
Profit for the year	-	-	9,553	-	-	9,553
Retained profit/(loss) and reserves	-	-	-	27,966	-	27,966
<b>Total capital</b>	<b>-</b>	<b>-</b>	<b>9,553</b>	<b>27,966</b>	<b>17,700</b>	<b>55,219</b>
<b>Total liabilities and capital</b>	<b>326,717</b>	<b>40,873</b>	<b>87,211</b>	<b>31,305</b>	<b>19,736</b>	<b>505,842</b>
<b>Net assets/liabilities and capital</b>	<b>(137,547)</b>	<b>10,666</b>	<b>(51,962)</b>	<b>43,936</b>	<b>134,907</b>	<b>-</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**44. Credit risk**

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk by placing limits on the amount of accepted risk that it expects to incur in relation to a single borrower or groups of borrowers and to industry segments. Risks are monitored regularly by the Bank and are subject to a minimum of a quarterly review.

The credit risk is managed by the Bank through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The primary purpose of credit commitments is to ensure that funds are available to customers as required. Guarantees, being irrevocable commitments that the Bank will settle the payment to third parties if customers are not able to, bear the same credit risk as loans.

Contingent credit commitments represent undrawn portions of approved loans or guarantees. According to credit risk related to contingent credit commitments, the Bank takes on potential loss exposure to the amount equal to total undrawn contingent commitments. However, possible loss amount is lower than total amount of undrawn contingent commitments, as most of the contingent credit commitments are related to maintenance of specific credit standards by customers. The Bank monitors the term of maturity of contingent credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit risk exposure related to balance-items is presented as follows:

	31 Dec 2025	31 Dec 2024
	EUR'000	EUR'000
Current accounts with CNB and other banks	104,556	160,038
Receivables from CNB	-	-
Placements with banks	37,127	23,808
Financial assets through other comprehensive income	20	20
Financial assets at amortised cost	150,462	97,403
Financial assets at fair value through profit or loss	13	13
Loans and advances to customers	219,411	210,612
Other assets	2,122	547
<b>Total</b>	<b>513,711</b>	<b>492,441</b>

Exposure to credit risk related to off-balance sheet records is presented as follows:

	31 Dec 2025	31 Dec 2024
	EUR'000	EUR'000
Guarantees	16,348	15,668
Unused placements and other	47,014	48,393
<b>Total</b>	<b>63,362</b>	<b>64,061</b>
<b>Reserves</b>	<b>(550)</b>	<b>(406)</b>
<b>Total off-balance</b>	<b>62,812</b>	<b>63,655</b>
<b>Total exposure to credit risk</b>	<b>576,523</b>	<b>556,096</b>

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**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**44. Credit risk – continued**

In the table above the Bank's highest exposure to credit risk is stated as at 31 December 2025 and 31 December 2024, without collaterals taken into consideration. Balance sheet records stated in the table above are presented at net carrying value less provisions for impairment, as shown in the balance sheet. Off-balance sheet records are based on the approved amounts, except for the undrawn portions of authorized loans and limits on credit cards which are based on the undrawn approved amounts.

38.06% (in 2024: 37.87%) of the highest exposure to credit risk arises from loans and receivables from banks and clients. Undrawn portions of authorized loans, credit card limits and other items represent 8.15% (in 2024: 8.70%) of the Bank's total exposure.

The Management Board is confident in its ability to further monitor and manage the Bank's credit risk which arises from the loan portfolio and taken over liabilities due to the following reasons:

- 96.73% (in 2024: 96.40%) of loans and receivables from clients are classified in the risk category A,
- 95.73% (in 2024: 94.26%) of gross loans and receivables from clients are loans that are not yet due and,
- 3.26% (in 2024: 3.59%) of gross loans and receivables from clients are classified as impaired loans.

Loans and receivables from clients are secured with various types of collateral. The Management Board considers the loans and receivables from clients to be sufficiently covered by impairment provisions and collateral.

**Impairment**

Classification	31 Dec 2025		31 Dec 2024	
	EUR'000		EUR'000	
	Loans and receivables from customers	Impairment provisions	Loans and receivables from customers	Impairment provisions
A	221,474	3,938	212,155	3,862
B1	298	22	1,127	41
B2	2,304	1,118	1,766	917
B3	2,039	1,626	1,945	1,561
C	2,836	2,836	3,065	3,065
<b>Ukupno</b>	<b>228,951</b>	<b>9,540</b>	<b>220,058</b>	<b>9,446</b>

- provisions for impairment of loans and receivables from clients classified in the risk category A relate to general provision,
- provisions for impairment stated as a percentage of gross loans and receivables from clients amount to 4.16 % (in 2024: 4.29 %),

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**44. Credit risk - continued**

**Uncertainty related to the valuation of property collateral**

Most housing loans are secured by mortgages on residential property. Also, a significant part of corporate portfolio is secured by real estate mortgages.

In accordance with legal provisions and good banking practices, the Bank continuously updates the estimated values of real estate.

**Rescheduled loans and receivables**

The Bank has rescheduled certain loans to clients during the year in order to increase the possibility for their final repayment. This measure was taken as a response to the deteriorating financial position of borrowers, that is, as a preventative measure. Whenever possible, the Bank has tried to improve its position by obtaining additional collaterals. Restructured loans are constantly monitored and in case of additional deterioration or breach of contractual obligations, necessary measures for collection of receivables are considered.

**Loans and receivables from customers: impact analysis**

<i>Granted loans</i>	31 Dec 2025	31 Dec 2024
	EUR'000	EUR'000
Unmatured and unimpaired	219,192	207,429
Matured and unimpaired	2,282	4,727
Impaired loans	7,477	7,902
<b>Gross total</b>	<b>228,951</b>	<b>220,058</b>
Impairment	(9,540)	(9,446)
<b>Net amount</b>	<b>219,411</b>	<b>210,612</b>

The Bank's total provision for impairment of loans and receivables from clients amounts to EUR 9,540 thousand (2024: EUR 9,446 thousand), of which EUR 5,583 thousand (2024: EUR 5,831 thousand) refers to specific provisions for impairment, while the remaining 3,582 thousand euros refers to the general provision (in 2024: EUR 3,487 thousand) and EUR 357 thousand (in 2023: EUR 376 thousand) on collected loan fees.

*a) Unmatured and unimpaired loans and receivables from customers*

Unmatured and unimpaired loans and receivables from customers are being monitored regularly and reviewed in detail for the purpose or early detection of any irregularities or warning signs in order to take timely actions.

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**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**44. Credit risk - continued**

*a) Matured and unimpaired loans and receivables from customers*

Loans and receivables from customers which are overdue up to 90 days are not considered impaired unless otherwise indicated. The gross amount of matured unimpaired loans and receivables from customers is shown below:

Description	31 Dec 2025 EUR'000	31 Dec 2024 EUR'000
Due within 30 days	1,700	4,653
Due in 31-60 days	542	40
Due in 61-90 days	40	34
<b>TOTAL</b>	<b>2,282</b>	<b>4,727</b>

It is not practical to show estimated collateral values.

*c) Impaired loans and receivables from customers*

Overview of loans and receivables from customers for which an individual impairment has been recognised, net provisions for impairment is shown below:

Description	31 Dec 2025 EUR'000	31 Dec 2024 EUR'000
Gross impaired loans	7,477	7,902
Impairment	(5,601)	(5,584)
<b>Net impaired loans</b>	<b>1,876</b>	<b>2,318</b>

It is not practical to show estimated collateral values.

The Management Board considers the impaired loans and receivables from customers to be adequately covered by collaterals and impairment provisions.

**45. Market risks**

Market risk is defined as the direct effect of changes in market prices on the Bank's income statement and the balance sheet. Basic risk factors are:

- Currency risk
- Interest rate risk,
- Liquidity risk,
- Securities price risk

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**45.1. Currency risk**

Currency risk management is performed with the aim of minimizing losses that may occur as a result of open FX position per currency. The Bank is exposed to currency risk through transactions in foreign currencies that have effect on its financial position and cash flows.

The following table shows the analysis of main foreign currencies related to the Bank currency risk exposure. Other foreign currencies are comprised in 'Other currencies'. The Bank monitors its foreign currency risk exposure daily in accordance with legislation prescribed by the CNB and internally set limits. The Bank endeavours to match its assets and liabilities in foreign currencies in order to avoid exposure to currency risk. Foreign currency assets and liabilities of the Bank as at 31 December 2025 are shown below:

2025	USD	Other currencies	EUR with currency clause	Total foreign currency	EUR
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>ASSETS</b>					
Cash	5,654	2,573	8,227	104,712	112,939
Placements with banks	34,842	1,522	36,364	763	37,127
FVOCI	-	-	-	20	20
Financial assets at amortised cost	-	-	-	150,462	150,462
Financial assets at fair value (FOB and FOP)	-	-	-	13	13
Loans and advances	-	-	-	219,411	219,411
Property and equipment	-	-	-	5,100	5,100
Intangible assets	-	-	-	160	160
Foreclosed assets and investment property	-	-	-	1,005	1,005
Other assets	-	-	-	2,122	2,122
<b>Total assets</b>	<b>40,496</b>	<b>4,095</b>	<b>44,591</b>	<b>483,768</b>	<b>528,359</b>
<b>LIABILITIES</b>					
Liabilities to banks	-	-	-	4	4
Demand deposits	19,684	3,297	22,981	292,683	315,664
Term deposits	20,658	551	21,209	125,984	147,193
Loan liabilities	-	-	-	13	13
Other liabilities	-	-	-	2,789	2,789
Provisions	-	-	-	655	655
<b>Total liabilities</b>	<b>40,342</b>	<b>3,848</b>	<b>44,190</b>	<b>422,128</b>	<b>466,318</b>
<b>CAPITAL</b>					
Share capital	-	-	-	17,700	17,700
Profit for the year	-	-	-	6,822	6,822
Reserves and retained earnings	-	-	-	37,519	37,519
<b>Total capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,041</b>	<b>62,041</b>
<b>Total liabilities and capital</b>	<b>40,342</b>	<b>3,848</b>	<b>44,190</b>	<b>484,169</b>	<b>528,359</b>
<b>Net assets/liabilities and capital</b>	<b>154</b>	<b>247</b>	<b>401</b>	<b>(401)</b>	<b>-</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**45.1. Currency risk - continued**

Foreign currency assets and liabilities of the Bank as at 31 December 2024 are shown below:

2024	USD	Other currencies	Total foreign currency	EUR	Ukupno
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>ASSETS</b>					
Cash	823	541	1,364	164,994	166,358
Placements with banks	20,305	2,958	23,263	545	23,808
FVOCI	-	-	-	20	20
Financial assets at amortised cost	-	-	-	97,403	97,403
Financial assets at fair value (FOB and FOP)	-	-	-	13	13
Loans and advances	-	-	-	210,612	210,612
Property and equipment	-	-	-	5,464	5,464
Intangible assets	-	-	-	27	27
Foreclosed assets and investment property	-	-	-	1,590	1,590
Other assets	-	-	-	547	547
<b>Total assets</b>	<b>21,128</b>	<b>3,499</b>	<b>24,627</b>	<b>481,215</b>	<b>505,842</b>
	823	541	1,364	164,994	166,358
<b>LIABILITIES</b>					
Liabilities to banks	-	-	-	4	4
Demand deposits	18,523	2,581	21,104	282,403	303,507
Term deposits	2,492	647	3,139	140,461	143,600
Loan liabilities	-	-	-	65	65
Other liabilities	-	-	-	2,941	2,941
Provisions	-	-	-	506	506
<b>Total liabilities</b>	<b>21,015</b>	<b>3,228</b>	<b>24,243</b>	<b>426,380</b>	<b>450,623</b>
<b>CAPITAL</b>					
Share capital	-	-	-	17,700	17,700
Profit for the year	-	-	-	9,553	9,553
Reserves and retained earnings	-	-	-	27,966	27,966
<b>Total capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,219</b>	<b>55,219</b>
<b>Net assets/liabilities and</b>	<b>21,015</b>	<b>3,228</b>	<b>24,243</b>	<b>481,599</b>	<b>505,842</b>
<b>Neto imovina/obveze i kapital</b>	<b>113</b>	<b>271</b>	<b>384</b>	<b>(384)</b>	<b>-</b>

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**45.1. Currency risk - continued**

The currency risk management system is determined by the extent of the Bank's business in foreign exchange trading which does not provide for trading for speculative purpose. The aim of the Bank is to maintain the balanced position in terms of minimizing the impact of open position on the operating result.

Stress tests related to this risk are indirectly included through the liquidity risk testing and also in case of announced potential changes in regulations to the extent that they directly or indirectly affect the amount of an open foreign exchange position of the Bank.

**45.2. Interest risk**

For the calculation of interest rate risk, the Bank applies a **standardized methodology** that is still based on the repricing model, i.e. the determination of net interest-sensitive positions (cash flows) that are revalued, i.e. the impact of interest rate changes in the long term (impact on economic value of capital - EVK) and short term (impact on net interest income - NII) is calculated.

For the purposes of calculating the impact on the change in the EVK the revalued cash-flow (NT) include the contractual and behavioral flows that together constitute the imagined NTs that are being revalued. Behavioral NTs include modeled flows:

1. demand retail deposits and deposits of large non-financial clients and
2. NT from early repayment of retail loans with fixed interest rate.

The Bank has modeled retail demand deposits using the current methodology based on an internal model, and now deposits from large non-financial clients have also been added..

The allocation of contractual and behavioral NTs for each material currency is carried out for three scenarios:

1. basic scenario
2. interest rate growth scenario
3. interest rate fall scenario
- 4.

Essentially all positions are allocated according to the contracted cash flows depending on the type of interest rate, except for demand deposits and loans with fixed interest rates, to which behavioral assumptions are applied.

According to the amended regulation, a risk-free yield curve is used for discounting cash flows, which includes interbank interest rates for terms up to one year, and yields on government bonds over one year. In doing so, the yields valid for the middle point of the time class are used using linear interpolation.

According to the new calculation methodology for the NII, net interest income is calculated in the base scenario and in scenarios of parallel growth and decline in interest rates, and the change in net interest income is the difference between the result obtained in a particular scenario and the base scenario. The impact on net interest income was calculated taking into account both the upward interest rate growth limits (caps; regulatory code for housing and consumer loans to individuals) and the downward interest rate limits (floor; contractual code for loans and regulatory code for deposits to individuals).

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**45.2. Interest risk - continued**

For positions with variable interest rate (PKS) and fixed interest rate (FKS), the cash flow from principal and interest is reinvested at the forward rate calculated from the risk-free yield curve increased by the margin applied to a new deal for the same or similar asset or liability category.

The rest of the principal of positions with PKS is revalued (repricing of PKS principal) on the date of the next interest rate change at the forward rate calculated from the risk-free yield curve and the existing contracted fixed margin.

**45.3. Securities price risk**

Objectives of investments in investment portfolio are:

1. To ensure a satisfactory structure of assets in terms of the liquidity level
2. To enable the provision of repo loans or loans based on eligible collaterals in the domestic interbank market
3. To achieve an acceptable rate of return

When purchasing a particular security, the Bank is guided by the principle of minimising the:

- concentration risk
- market risk
- credit risk
- liquidity risk
- interest risk

In order to minimise the above mentioned risks, the Bank has established appropriate limits for each mentioned risk.

**45.4. Concentration risk**

Concentration risk is managed through:

- Defined target structure of investment portfolios of which the bulk or 75% consists of debt securities issued by the Republic of Croatia
- The maximum amount of the portfolio per issuer of 10% of the regulatory capital

With regard to the set limits on concentration risk, the limit for investing in bonds was not exceeded at the end of the year.

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**46. Operational risk**

The Bank is exposed to operational risk in all its business activities and therefore seeks to manage operational risk in accordance with the prescribed principles and policies which are defined for the purpose of mitigating or avoiding operational risk.

Operational risk is managed through its identification, assessment, control and monitoring and the appropriate organisational chart and internal acts are set for that purpose. Besides the definition of the risk and its categories, the Bank also determined the classification of operational risk events in a way that it takes the classification from the current subordinate regulations. Furthermore, as part of the assessment and measurement of this risk, the Bank covers events that occurred and resulted in operating losses as well as events which have occurred but for which the operating loss was avoided. Area of operational risk management is also regulated by special internal documents. For that purpose specific functions for operating segments related to the risk of outsourcing, compliance, anti-money laundering and terrorist financing, risk information systems and business continuity have been set.

For the purposes of identification and assessment of operational risk exposure, the Bank uses both qualitative and quantitative methods.

The Bank's actions in case of emergencies are regulated by the Business continuity plan.

**47. Environmental risks (ESG)**

The impact of environmental risks on individual types of risks in the Bank was assessed as low, in terms of the physical and transitional part of environmental risks.

Considering the structure of the Bank's credit portfolio and the sectors/subsectors to which the Bank has exposure, we can conclude that the possible impact of environmental risks on credit risk - the debtor's ability to pay - is low.

The Bank has diversified exposures between individuals, exposures to the state, exposures to credit institutions and exposures to other segments of legal entities (primarily companies and craftsmen), whereby individuals are not at risk from the aspect of environmental risks, and exposures to the state (Republic of Croatia) and to credit institutions carry a very low risk of environmental risks.

On the other hand, through analysis across sectors and subsectors, we determined that the share and amount of exposures to debtors who have an increased transition risk due to belonging to a particular sector/subsector is very low ( the largest part of the portfolio is "services and technology" which have low transition risk).

Adequacy of the risk management system: Acceptable and fully compliant with the recommendations of the CNB.

The environmental risk management system is based on:

- Environmental risk management policy in effect as of 30 June 2024
- Methodology for assessing the significance of environmental risks from December 2023.
- Analysis of the impact of environmental risks on the Bank's business environment in the short, medium and long term, i.e. the impact on the business model and strategy

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**48. Fair value of financial instruments**

Fair value of financial assets and financial liabilities are determined as follows:

- Fair value of financial assets and financial liabilities with standard terms and conditions traded with in active liquid markets is determined with reference to quoted market prices.
- Fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from current market transactions.
- Fair value of derivative instruments is calculated using listed prices. Whenever such prices are not available, the analysis uses discounted cash flows by applying the current yield curve for the period of non-derivative instruments.

The table below provides information on how to determine their fair value, more precisely, valuation methods and used input data:

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**48. Fair value of financial instruments - continued**

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation method and main input data
	31 Dec 2025	31 Dec 2024		
2) Shares in joint-stock companies (note 23)	<i>Listed securities 0.240 % of shares of Varteks dd – EUR 3 (book value = EUR 16 thousand)</i>	<i>Listed securities 0.240 % of shares of Varteks dd – EUR 3 (book value = EUR 16 thousand)</i>	Level 1	Fair value estimation model – market price model
3) Shares in joint-stock companies (note 23)	<i>Listed shares in Vis d.d. – EUR 0 (1.222% of share capital) – nominal value: EUR 98 thousand</i>	<i>Listed shares in Vis d.d. – EUR 0 (1.222% of share capital) – nominal value: EUR 98 thousand</i>	Level 1	Market price model – no trading for longer period
4) Shares in limited liability companies (note 21)	<i>Unlisted shares representing 1.04% ownership interest in HROK – EUR 19 thousand</i>	<i>Unlisted shares representing 1.04% ownership interest in HROK – EUR 19 thousand</i>	Level 3	Book value at cost of acquisition
5) Shares in joint-stock companies (note 21)	<i>Unlisted shares representing 0.08% ownership interest in SKDD d.d. – EUR 1 thousand</i>	<i>Unlisted shares representing 0.08% ownership interest in SKDD d.d. – EUR 1 thousand</i>	Level 3	Book value at cost of acquisition
6) Shares in foreign joint-stock companies (note 23)	<i>Unlisted shares 0,0 % shares of SWIFT Belgium – EUR 13 thousand</i>	<i>Unlisted shares 0,0 % shares of SWIFT Belgium – EUR 13 thousand</i>	Level 3	Book value at cost of acquisition

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**48. Fair value of financial instruments - continued**

*Fair value measurements recognised in the Statement of financial position /Balance sheet*

The table analyses financial instruments subsequently measured at fair value, classified within three groups according to IFRS 13:

Level 1 of available indicators – fair value indicators are derived from (uncoordinated) quoted market prices for identical assets and liabilities

Level 2 of available indicators – fair value indicators are derived from inputs other than quoted prices from level 1 and relate to the observed asset or liability (their prices) or indirectly (derived from prices) and

Level 3 of indicators – indicators derived using valuation methods in which the input data are not based on available market data (unobservable inputs).

Levels of fair value recognised in the Statement of financial position / Balance sheet:

	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000	Total EUR '000
<b>2025</b>				
Financial assets through other comprehensive income	-	-	20	<b>20</b>
Financial assets at fair value through profit or loss	-	-	13	<b>13</b>
<b>2024</b>				
Financial assets through other comprehensive income	-	-	20	<b>20</b>
Financial assets at fair value through profit or loss	-	-	13	<b>13</b>

**KARLOVAČKA BANKA d.d.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2025**

**NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET – continued**

**49. Auditor's fee**

The auditors of the Bank's annual financial reports provided services worth EUR 36,750.00 thousand plus VAT in 2025 (2024: EUR 38 thousand plus VAT). The aforementioned services included auditing of annual financial statements, auditing for the needs of the CNB and auditing of the information system.

**50. Events after the balance sheet date**

After the Balance Sheet date, there were no events that would significantly affect the Bank's annual financial statements for 2025, which should therefore be published.

**51. Approval of financial statements**

The financial statements were adopted by the Management Board and approved for publication on 6 March 2026:



Marino Rade  
President of the Management Board



Stjepan Oreški  
Member of the Management Board



### **Other data according to Article 164 of the Credit Institutions Act**

The Bank's registered activity is defined by Article 7 of the current Bank Statute:

- receiving deposits or other refunds
- approval of credits and loans, including consumer credits and loans and mortgage credits and loans if permitted by a special law, financing of commercial transactions, including export financing based on the purchase with a discount and without recourse of long-term non-due receivables secured by financial instruments (forfeiting)
- purchase of receivables with or without recourse (factoring)
- issuance of guarantees or other warranties
- trading for own account or for the client's account (money market instruments, transferable securities, foreign means of payment including exchange transactions, financial promissory notes and options, currency and interest instruments)
- payment services in accordance with special laws,
- services related to lending activities, such as, for example, collecting data, making analyses and providing information on the creditworthiness of legal and natural persons who perform the activity independently,
- issuance of other payment instruments and their management if the provision of these services is not considered the provision of payment services in accordance with special laws
- rental of safety deposit boxes.

In 2025, based on the Regulation on elimination of disturbances on the domestic energy market (Official Gazette 121/2025), the Bank received support of EUR 36,000 in the form of a reduction in the price of delivered thermal energy and electricity.

In the course of 2025, Karlovačka banka d.d. achieved a total income of EUR 22,008 thousand.

The number of employees on a full-time equivalent basis was 161 employees..

The gross profit for the business year 2025 is EUR 7,933 thousand, the current profit tax liability is EUR 1,111 thousand, and the effects of deferred tax were EUR 9 thousand.

Karlovačka banka d.d. does not have branches in EU member states or in third countries, i.e. it operates exclusively on the territory of the Republic of Croatia.

**ADDITIONAL REPORTS ACCORDING TO CNB'S DECISION ON STRUCTURE AND CONTENT OF ANNUAL FINANCIAL STATEMENTS OF CREDIT INSTITUTIONS**

Annual financial statements of Karlovačka banka d.d. as prescribed by the Croatian National Bank by the Decision on structure and content of annual financial statements of credit institutions (Official Gazette no. 42/2018 and amendments in Official Gazette no. 122/2020, 119/2021 and 108/2022) are shown below:

- Income statement for 2025
- Statement of other comprehensive income for 2025
- Balance Sheet as at 31 December 2025
- Statement of cash flows for 2025
- Statement of changes in equity for 2025

The financial information presented in the following financial statements (hereinafter "the CNB Report") were derived from financial statements shown on pages 23-101 (hereinafter 'the 'Basic financial statements").

Accounting policies have been applied in preparation of these financial statements as well as in the preparation of basic financial statements in terms of valuation of individual positions of the balance sheet, income statement, statement of cash flows and changes in equity, but the grouping and presentation of individual items has been carried out in accordance with the said „Decision on structure and content of annual financial statements of credit institutions“.

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL  
BANK – continued  
INCOME STATEMENT FOR 2025**

<b>Position</b>	<b>2025</b>	<b>2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
<b>Interest income and similar income</b>	17,033	18,185
of which: Income from securities	3,097	2,162
<b>(Interest expense and similar expenses)</b>	<b>(2,599)</b>	<b>(2,339)</b>
<b>Income from securities</b>	-	-
Income from shares and other variable-yield securities	-	-
Income from participating interests	-	-
Income from shares in affiliated undertakings	-	-
<b>Fee and commission income</b>	4,246	4,099
<b>(Fee and commission expense)</b>	<b>(1,176)</b>	<b>(1,043)</b>
<b>Net gain or loss from financial activities</b>	534	1,198
<b>Other operating income</b>	6	177
of which: gains and losses arising from the derecognition of financial assets measured at amortised cost	-	-
General and administrative expenses	(9,328)	(7,982)
Staff costs	(5,470)	(4,734)
Other administrative expenses	(3,858)	(3,248)
<b>Impairment losses or reversal of impairment losses on intangible and tangible assets</b>	153	(505)
<b>(Other operating expenses)</b>	<b>(230)</b>	<b>(48)</b>
(Provisions or (reversal of provisions))	<b>(159)</b>	<b>104</b>
Provisions for off-balance sheet exposures and guarantees	(145)	104
Other provisions	(14)	0
<b>Impairment losses or reversal of impairment losses on loans and advances</b>	<b>(375)</b>	-
<b>Impairment losses or reversal of impairment losses on securities, participating interests and shares in affiliated undertakings</b>	-	(33)
<b>Profit or (loss) before tax from continuing operations</b>	<b>8,105</b>	<b>11,813</b>
<b>Income tax expense or (income) relating to profit or loss from continuing operations</b>	<b>(1,111)</b>	<b>(2,199)</b>
<b>Profit or (loss) after tax from continuing operations</b>	<b><u>6,994</u></b>	<b><u>9,614</u></b>
<b>Profit or (loss) before tax from discontinued operations</b>	<b>(172)</b>	<b>(61)</b>
<b>Income tax expense or (income) relating to discontinued operations</b>	-	-
<b>Profit or (loss) after tax from discontinued operations</b>	<b>(172)</b>	<b>(61)</b>
<b>Profit or (loss) for the year</b>	<b>6,822</b>	<b>9,553</b>
<b>Attributable to non-controlling interests</b>		
<b>Attributable to owners of the parent</b>		

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL  
BANK - continued**

**STATEMENT OF OTHER COMPREHENSIVE INCOME**

<b>Position</b>	<b>2025</b>	<b>2024</b>
	<b>EUR '000</b>	<b>EUR '000</b>
Profit or (-) loss for the year	6,822	9,553
Other comprehensive income	-	-
Items not to be reclassified as profit or loss		
Tangible assets	-	-
Intangible assets	-	-
Actuarial gains or (-) losses on sponsored pension plans	-	-
Fixed assets and disposal groups intended for sale	-	-
Share of other recognised income and expense from entities accounted for using the equity method	-	-
Changes in fair value of equity instruments valued at fair value through other comprehensive income	--	-
Net profit or (-)loss from accounting hedging of equity instruments valued at fair value through other comprehensive income	-	-
Changes in fair value of equity instruments valued at fair value through other comprehensive income (hedged item)	-	-
Changes in fair value of equity instruments valued at fair value through other comprehensive income (hedged instrument)	-	-
Changes in fair value of financial liabilities valued at fair value through profit or loss that are attributable to changes in credit risk	-	-
Income tax referring to items that will not be reclassified	-	-
Items that may be reclassified as profit or loss		
Hedging of net investments in foreign operations (effective portion)	-	-
Foreign currency exchange	-	-
Cash flow protection (effective portion)	-	-
Hedging instruments (elements not specified)	-	-
Debt instruments at fair value through other comprehensive income	-	-
Fixed assets and disposal groups intended for sale	-	-
Portion of other recognised income and expense from investments into subsidiaries, joint ventures and associates	-	-
Income tax referring to items that may be reclassified as profit/(loss)	-	-
Total comprehensive income for the year	6,822	9,553
Attributable to minority interest (non-controlling interest)	-	-
Attributable to equity holders	-	-

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL  
BANK – continued  
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2025**

<b>Position</b>	31 Dec 2025	31 Dec 2024
	EUR '000	EUR '000
<b>ASSETS</b>		
Cash on hand and balances with central banks	104,578	164,631
Treasury bills and other short-term securities eligible for refinancing with central banks	69,150	4,917
Treasury bills and similar securities	69,150	4,197
Other short-term securities	-	-
Loans and advances to credit institutions	45,565	25,602
On demand	8,361	1,727
Other loans and advances	37,204	23,875
Loans and advances to customers	220,205	210,816
Debt securities, including fixed-income securities	81,312	92,486
Issued by public authorities	77,833	89,012
Other debt securities	3,479	3,474
Shares and other variable-yield securities	33	33
Participating interests	-	-
Investments in affiliated undertakings	-	-
Intangible assets	146	7
Tangible assets	5,114	5,951
Property, plant and equipment	5,114	5,484
Investment property	-	467
Tax assets	1,146	104
Current tax assets	1,053	1
Deferred tax assets	94	103
Other assets	15	15
Prepayments and other accrued income	90	158
Non-current assets held for sale and discontinued operations	1,005	1,122
<b>TOTAL ASSETS</b>	<b>528,359</b>	<b>505,842</b>
<b>Liabilities to credit institutions</b>	4	4
On demand	4	4
With agreed maturity date or notice period	-	-
<b>Liabilities to customers</b>	462,870	447,171
Secured deposits	399,885	362,364
a) on demand	272,534	251,021
b) with agreed maturity date or notice period	127,351	111,343
Other liabilities to customers	62,985	84,807
a) on demand	43,131	52,485
b) with agreed maturity date or notice period	19,854	32,322
<b>Debt securities issued</b>	-	-
<b>Other liabilities</b>	2,233	2,425
<b>Accrued expenses and other liabilities (accruals and deferred income)</b>	533	139
<b>Provisions</b>	655	506
Provisions for pensions and similar obligations	-	-

## Appendix A - Other legal and regulatory requirements

Other provisions	655	506
<b>Tax liabilities</b>	23	378
Current tax liabilities	23	378
Deferred tax liabilities	-	-
<b>Liabilities included in disposal groups classified as held for sale</b>	-	-
<b>Subordinated liabilities</b>	-	-
<b>Equity</b>	17,700	17,700
Paid-in capital	-	-
Called-up capital not paid	-	-
<b>Other equity items</b>	-	-
<b>Other equity items</b>	-	-
<b>Treasury shares (deduction)</b>	6,921	6,905
<b>Reserves</b>	1,172	1,156
Legal reserves	-	-
Statutory reserves	-	-
Reserves for treasury shares	5,749	5,749
Other reserves	-	-
<b>Revaluation reserves</b>	-	-
<b>Accumulated other comprehensive income</b>	30,598	21,061
<b>Retained earnings</b>	6,822	9,533
<b>Profit or loss for the year</b>	-	-
<b>Non-controlling interests</b>	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>528,359</u>	<u>505,842</u>
<b>Loan commitments</b>	46,636	47,215
<b>Financial guarantees issued</b>	-	90
<b>Other commitments</b>	16,726	16,756
<b>TOTAL OFF-BALANCE-SHEET ITEMS</b>	<u>63,362</u>	<u>64,061</u>

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL  
BANK – continued  
STATEMENT OF CASH FLOWS FOR 2025**

Position	On the reporting date of the current period EUR '000	Same period last year EUR '000
1	3	4
<b>Business activities according to the direct method</b>		
Collected interest and similar receipts	-	-
Collected fees and commissions	-	-
(Paid interest and similar expenditure)	-	-
(Paid fees and commissions)	-	-
(Paid operating expenses)	-	-
Net profit / loss from financial instruments at fair value through profit or loss	-	-
Other receipts	-	-
(Other expenditure)	-	-
<b>Business activities according to the indirect method</b>		
Profit/(loss) before tax	7,933	11,752
Adjustments:		
Impairments and provisions	371	432
Depreciation	829	620
Net unrealised (profit)/loss from financial assets and liabilities at fair value through profit or loss	-	(3)
(Profit)/loss from sale of tangible assets	-	-
Other non-monetary items	-	-
<b>Changes in assets and liabilities from operations</b>		
Deposits with CNB	15	-
Deposits with and loans to financial institutions	187	(167)
Loans and advances to other customers	(8,743)	(17,639)
Securities and other financial instruments at fair value through other comprehensive income	-	-
Securities and other financial instruments held for trading	-	-
Securities and other financial instruments that are not actively traded with and are valued at fair value through profit or loss	-	-
Securities and other financial instruments required to be measured at fair value through profit or loss	-	(6)
Securities and other financial instruments at amortised cost	(53,313)	(7,566)
Other assets from operating activities	(1,588)	259
Deposits from financial institutions	-	-

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN  
NATIONAL BANK – continued**

**STATEMENT OF CASH FLOWS FOR 2025 - continued**

Position	On the reporting date of the current period EUR '000	Same period last year EUR '000
1	3	4
Transaction accounts of other customers	11,060	6,546
Savings deposits of other customers	1,098	-
Term deposits of other customers	3,709	16,813
Derivative financial liabilities and other liabilities held for trading	-	-
Other liabilities from operating activities	(69)	(660)
Interest collected from operating activities [indirect method]	192	(289)
Dividends received from operating activities [indirect method]	-	-
Interest paid from operating activities [indirect method]	(116)	275
(Income tax paid)	(1,111)	(2,199)
Net cash flow from operating activities	39,546	8,168
<b>Investing activities</b>		
Receipts from sales / (payments) for the purchase of tangible and intangible assets	140	(3,101)
Receipts from sales / (payments) for the purchase of investments in subsidiaries, associates and joint ventures	-	-
Receipts from collections / (payments) for the purchase of securities and other financial instruments held to maturity	-	-
Dividends received from investing activities	-	-
Other receipts / (payments) from investing activities	-	-
Net cash flow from investing activities	140	(3,101)
<b>Financing activities</b>		
Net increase/(decrease) in received loans from financial activities	(52)	(52)
Net increase / ( decrease) in issued debt securities	-	-
Net increase / ( decrease) in supplementary capital instruments	-	-
Increase in share capital	-	-
(Dividend paid)	-	-
Other receipts/(payments) from financing activities	-	-

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued**

**STATEMENT OF CASH FLOWS FOR 2024 - continued**

<b>Position</b>	<b>On the reporting date of the current period EUR '000</b>	<b>Same period last year EUR '000</b>
<b>1</b>	<b>3</b>	<b>4</b>
<b>Net cash flows from financing activities</b>	<b>(52)</b>	<b>(52)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(39,458)</b>	<b>5,015</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>189,305</b>	<b>184,290</b>
Effects of changes in foreign exchange rates on cash and cash equivalents	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>149,847</b>	<b>189,305</b>

Appendix A - Other legal and regulatory requirements

ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued

No.	Sources of changes in equity	STATEMENT OF CHANGES IN EQUITY IN 2025											Total		
		Capital	Share premium	Issued equity instruments other than equity	Other equity items	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to equity holders of the parent company	(-) Dividends during the year		Minority interest	Accumulated other comprehensive income
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Opening balance [before adjustment]	17,700	-	-	-	-	21,061	-	6,905	-	9,553	-	-	-	55,219
2.	Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Opening balance [current year]	17,700	-	-	-	-	21,061	-	6,905	-	9,553	-	-	-	55,219
5.	Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Execution or expiration of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix A - Other legal and regulatory requirements

ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued  
STATEMENT OF CHANGES IN EQUITY IN 2025

No.	Sources of changes in equity	Sources of changes in equity										Minority interest			Total
		Capital	Share premium	Issued equity instruments other than equity	Other equity items	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to equity holders of the parent company	(-) Dividends during the year	Accumulated other comprehensive income	Other	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
9.	Conversion of receivables into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Reduction of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.	Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	Transfers between components of equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix A - Other legal and regulatory requirements

ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued  
STATEMENT OF CHANGES IN EQUITY IN 2025

No.	Position	Attributable to the owners of parent company										Minority interest		Total	
		Capital	Share premium	Issued equity instruments other than equity	Other equity items	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to equity holders of the parent company	(-) Dividends during the year	Accumulated other comprehensive income		Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
17.	Increase or (-) decrease in equity from business mergers														
18.	Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	Other increase or (-) decrease in equity	-	-	-	-	-	9,536	-	17	-	(9,553)	-	-	-	-
20.	Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	6,822	-	-	-	6,822
21.	Closing balance (current year)	17,700	-	-	-	-	30,597	-	6,922	-	6,822	-	-	-	62,041

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued**

Reconciliation of annual financial statements prepared in accordance with reporting framework and annual financial statements prescribed by the CNB's Decision on structure and content of annual financial statements of credit institutions:

**A) RECONCILIATION OF THE INCOME STATEMENT FOR 2025:**

Position	CNB Decision 2025	Basic financial statements 2025	Difference	Explanatory note
	EUR '000	EUR '000	EUR '000	
Interest income and similar income	17,033	17,026	7	1
of which: Income from securities	3,097	-	-	
(Interest expense and similar expenses)	(2,599)	(2,596)	(3)	1
<b>Income from securities</b>	-	-	-	
Income from shares and other variable yield securities	-	-	-	
Income from participating interests	-	-	-	
Income from shares in affiliated undertakings				
<b>Fee and commission income</b>	4,246	4,246	-	
<b>Fee and commission expense</b>	(1,176)	(1,176)	-	
<b>Net profit or loss from financial activities</b>	534	534	-	
<b>Other operating income</b>	6	42	(36)	2
Of which gains and losses arising from derecognition of financial assets measured at amortised cost	-	-	-	
Net foreign exchange gains or losses	-	(23)	23	1,2
<b>General administrative expenses</b>	(9,328)	-	(9,328)	2
Staff costs	(5,470)	-	-	2
Other administrative expenses	(3,858)	-	-	2
Other operating expenses	-	(9,749)	9,749	2
Impairment losses and provisions	-	(371)	371	3
<b>Impairment or reversal of impairment of intangible and tangible assets</b>	153	-	153	3
<b>Other operating expenses</b>	(230)	-	(230)	2
<b>Provisions or reversal of provisions</b>	(159)	-	(159)	3
Provisions for commitments and guarantees	(145)	-	-	
Other provisions	(14)	-	-	
<b>Impairment or reversal of impairment of loans and advances</b>	(375)	-	(375)	3
Impairment or reversal of impairment of securities and participating interests and shares in affiliated undertakings	-	-	-	
<b>Profit or loss before tax from continuing operations</b>	8,105	7,933	172	
<b>Tax expense from continuing operations</b>	(1,111)	(1,111)	-	-
<b>Profit or loss after tax from continuing operations</b>	6,994	6,822	-	172
Profit or loss before tax from discontinued operations	(172)	-	(172)	2
Tax expense relating to discontinued operations	-	-	-	

## Appendix A - Other legal and regulatory requirements

<b>Profit or loss after tax from discontinued operations</b>	<b>(172)</b>	<b>-</b>	<b>(172)</b>	
<b>Profit or loss for the year</b>	<b>6,822</b>	<b>6,822</b>	<b>-</b>	
Attributable to non controlling interests	-	-	-	
Attributable to owners of the parent	-	-	-	

### A) U RECONCILIATION OF THE INCOME STATEMENT FOR 2025 – EXPLANATORY NOTES

1. According to the Decision of the Croatian National Bank (HNB), Interest income and similar income and Interest expense and similar expenses include net foreign exchange differences on interest amounting to EUR 4 thousand, which effect is presented within the line item Profit/(loss) from accrued foreign exchange differences.
2. According to the Decision of the Croatian National Bank (HNB), General and administrative expenses and Other operating expenses presented in the Basic Financial Statements in the amount of EUR 9,749 thousand (further analysed in Notes 11, 12 and 13) are, in the reporting under the HNB Decision, presented under separate line items comprising General and administrative expenses of EUR 9,328 thousand and Other operating expenses from ordinary activities of EUR 230 thousand. Within the line item Other operating income under the HNB Decision, amounting to EUR 6 thousand, net foreign exchange differences are also included. General and administrative expenses under the HNB Decision also include a net income from provisions for employees (net income of EUR 10 thousand). In the reporting prepared in accordance with the HNB Decision, profit or loss from discontinued operations is presented in a net amount of EUR (172) thousand. The corresponding income and expenses are presented in the Basic Financial Statements within Other operating income and Other operating expenses from ordinary activities.
3. Impairment losses, provisions and reversals of provisions in the reporting prepared in accordance with the HNB Decision are presented under three separate line items, with a total net amount of EUR 381 thousand. In the Basic Financial Statements, Impairment losses and provisions amount to EUR 371 thousand. The difference of EUR 10 thousand relates to the positive net effect of provisions for employees, which, under the HNB reporting framework, is presented within the General and administrative expenses line item (EUR 10 thousand).

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued**

**A) RECONCILIATION OF THE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 2025**

	CNB Decision 2025	Basic financial statements 2025	Difference
Position	EUR '000	EUR '000	
Profit or (-) loss for the year	6,822	6,822	-
Other comprehensive income	-	-	-
Items not to be reclassified into profit or loss	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Actuarial gain or (-) losses on sponsored pension plans	-	-	-
Fixed assets and disposal groups intended for sale	-	-	-
Share of other recognised income and expense from entities that is calculated using the equity method	-	-	-
Changes in fair value of equity instruments valued at fair value through other comprehensive income	-	-	-
Gains/(losses) from accounting protection of equity instruments valued at fair value through other comprehensive income	-	-	-
Changes in fair value of equity instruments valued at fair value through other comprehensive income (protected item)	-	-	-
Changes in fair value of financial liabilities valued at fair value through profit/(loss) attributed to changes in credit risk	-	-	-
Income tax related to items that will not be reclassified	-	-	-
Items that may be reclassified into profit or loss	-	-	-
Protection of net investments in foreign operations (effective portion)	-	-	-
Conversion of foreign currencies	-	-	-
Protection of cash flows (effective portion)	-	-	-
Hedging instruments (elements which are not specified)	-	-	-
Debt instruments at fair value through other comprehensive income	-	-	-
Fixed assets and disposal groups intended for sale	-	-	-
Portion of other recognised income and expense from investments into subsidiaries, joint ventures and associates	-	-	-
Income tax relating to items that may be reclassified to profit/(loss)	-	-	-
Total comprehensive income for the year	6,822	6,822	-

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK - continued**
**B) RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION – BALANCE SHEET AS AT 31 DECEMBER 2025**

<b>Position</b>	<b>CNB Decision</b>	<b>Basic financial statements</b>	<b>Difference</b>	<b>Explanation Number</b>
	EUR '000	EUR '000		
<b>ASSETS</b>				
Cash on hand and balances with central banks	104,578	112,939	(8,361)	1,4
Financial assets measured at amortised cost	-	150,462	(150,462)	2
<b>Treasury bills and other short term securities eligible for refinancing with central banks</b>	69,150	-	-	2
Treasury bills and similar securities	69,150	-	-	
Other short term securities	-	-	-	
<b>Loans and advances to credit institutions</b>	45,565	37,127	8,438	1,4
On demand	8,361	-	-	
Other loans and advances	37,204	-	-	
<b>Loans and advances to customers</b>	220,205	219,411	794	
<b>Debt securities including fixed income securities</b>	81,312	-	81,312	2
Issued by public sector entities	77,833	-	-	
Other debt securities	3,479	-	-	
<b>Equity instruments and other variable yield securities</b>	33	-	33	3
<b>Financial assets at fair value through other comprehensive income</b>	-	20	(20)	3
<b>Non trading financial assets mandatorily measured at fair value through profit or loss</b>	-	13	(13)	3
<b>Participating interests</b>	-	-	-	
<b>Investments in affiliated undertakings</b>	-	-	-	
<b>Intangible assets</b>	146	160	(14)	5
<b>Property plant and equipment</b>	5,114	5,100	14	5
Property plant and equipment	5,114	5,100	-	
Investment property	-	-	-	
<b>Tax assets</b>	1,146	-	1,146	4
Current tax assets	1,053	-	-	
Deferred tax assets	94	-	-	
<b>Other assets</b>	15	2,122	(2,107)	4
<b>Prepayments and accrued income</b>	90	-	90	4
<b>Non current assets held for sale and discontinued operations</b>	1,005	1,005	-	
<b>TOTAL ASSETS</b>	<b>528,359</b>	<b>528,359</b>	-	
<b>Liabilities to credit institutions</b>				
On demand	4	4	-	
S ugovorenim datumom dospijeća ili otkaznim rokom	-	-	-	
<b>Obveze prema klijentima</b>	462,870	462,857	13	6
Osigurani depoziti	399,885	-	-	

**Appendix A - Other legal and regulatory requirements**

a) On demand	272,534		-	-	
b) With agreed maturity date or notice period	127,351		-	-	
Other liabilities to customers	62,985		-	-	
a) On demand	43,131		-	-	
b) With agreed maturity date or notice period	19,854		-	-	
Borrowings received			13	(13)	6
<b>Debt securities issued</b>	-		-	-	
<b>Other liabilities</b>	2,233		2,789	(556)	
<b>Accrued expenses and other liabilities</b>	533		-	533	
<b>Provisions</b>	655		655	-	
Provisions for pensions and similar obligations	-		-	-	
Other provisions	655		655	-	
<b>Tax liabilities</b>	23		-	23	
Current tax liabilities	23		-	-	
Deferred tax liabilities	-		-	-	
<b>Liabilities included in disposal groups classified as held for sale</b>	-		-	-	
<b>Subordinated liabilities</b>	-		-	-	
<b>Equity</b>	17,700		17,700	-	
Paid in capital	-		17,700	-	
Called up capital not paid	-		-	-	
<b>Share premium</b>	-		-	-	
<b>Other equity items</b>	-		-	-	
<b>Treasury shares deduction</b>	6,921		-	6,921	7
<b>Reserves</b>	1,172		-	-	
Legal reserves	-		-	-	
Statutory reserves	-		-	-	
Reserves for treasury shares	5,749		-	-	
Other reserves	-		-	-	
<b>Revaluation reserves</b>	-		-	-	
<b>Accumulated other comprehensive income</b>	30,598		-	30,598	7
<b>Retained earnings</b>	6,822		6,822	-	
<b>Profit or loss for the year</b>	-		-	-	
<b>Non controlling interests</b>	-		-	-	
<b>Retained earnings loss and reserves</b>	-		37,519	(37,519)	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>528,359</b>		<b>528,359</b>	-	
<b>Loan commitments</b>	46,636		47,014	(378)	8
<b>Financial guarantees issued</b>	-		-	-	
<b>Other commitments</b>	16,726		16,348	378	8
<b>TOTAL OFF BALANCE SHEET ITEMS</b>	<b>63,362</b>		<b>63,362</b>	-	

**C) RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION – BALANCE SHEET AS AT 31 DECEMBER 2025 – EXPLANATORY NOTES**

**ASSETS**

1. In the Basic Financial Statements, Cash in hand is included within the line item Cash on hand and balances with central banks. Under the HNB Decision, this position is included within Loans and advances to credit institutions.
2. *Financial assets measured at amortised cost are presented as a single line item in the Basic Financial Statements. Under the HNB Decision, this position is presented under two separate line items: Treasury bills and other short-term securities eligible for refinancing with central banks and Debt securities, including fixed-income securities.*
3. In the Basic Financial Statements, Financial assets at fair value through other comprehensive income and Financial assets not held for trading mandatorily measured at fair value through profit or loss are presented as separate line items, whereas under the HNB Decision they are aggregated within the line item Shares and other variable-yield securities.
4. The line items Tax assets and Prepayments and other accrued income, as well as a portion of Cash on hand and balances with central banks and Loans and advances to credit institutions, are presented within Other assets in the Basic Financial Statements.
5. Under the HNB Decision, Investment property is presented as a separate line item included within Property, plant and equipment, whereas in the Basic Financial Statements Investment property is included within Repossessed assets and investment property. There is also a difference relating to investments in third-party property, amounting to EUR 14 thousand.

**LIABILITIES AND CAPITAL**

6. The line item Liabilities to customers in the reporting prepared in accordance with the HNB Decision does not include all types of deposits and received loans, whereas in the Basic Financial Statements these items are presented separately. Other differences relate to the reclassification of all other liabilities.
7. The capital structure is presented in greater detail in the reporting prepared in accordance with the HNB Decision
8. Differences in off-balance sheet items relating to Commitments under loans under the HNB Decision compared to the Basic Financial Statements include Other irrevocable contingent liabilities in domestic currency and Other irrevocable contingent liabilities. These items are presented within Other commitments in the Basic Financial Statements.

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued**
**D) RECONCILIATION OF THE CASH FLOW STATEMENT FOR 2025**

	<b>CNB Decision</b>	<b>Basic financial statements</b>	<b>Difference</b>
<b>Position</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Operating activities according to the direct method</b>			
Collected interest and similar receipts	-	-	
Collected fees and commissions	-	-	
(Paid interest and similar expenditure)	-	-	
(Paid fees and commissions)	-	-	
(Paid operating expenses)	-	-	
Net gains / losses from financial instruments at fair value through profit or loss	-	-	
Other receipts	-	-	
(Other expenditure)	-	-	
<b>Business activities according to the indirect method</b>			
Profit/(loss) before tax	7,933	7,933	-
Adjustments:			
Impairments and provisions	371	371	-
Depreciation	829	829	-
Net unrealised (profit)/loss from financial assets and liabilities at fair value through profit or loss	-	-	-
(Profit)/loss from the sale of tangible assets	-	-	-
Other non-monetary items	-	-	-
<b>Changes in assets and liabilities from operating activities</b>			<b>-</b>
Deposits with CNB	15	15	-
Deposits with and loans to financial institutions	187	605	(418)
Loans and advances to other customers	(8,743)	(9,102)	359
Securities and other financial instruments at fair value through other comprehensive income	-	-	-
Securities and other financial instruments held for trading	-	-	-
Securities and other financial instruments that are not actively traded with and that are valued at fair value through profit or loss	-	-	-
Securities and other financial instruments required at fair value through profit or loss	-	-	-
Securities and other financial instruments at amortised cost	(53,313)	(53,180)	(133)
Other assets from operating activities	(1,588)	(1,588)	-
Deposits from financial institutions	-	-	-
Transaction accounts of other customers	11,060	12,158	(1,098)
Savings deposits of other customers	1,098	-	1,098
Term deposits of other customers	3,709	3,593	116
Derivative financial liabilities and other liabilities that are traded with	-	-	-
Other liabilities from operating activities	(69)	(69)	-
Collected interest from operating activities [indirect method]	192	-	192

**ADDITIONAL REPORTS ACCORDING TO THE DECISION OF THE CROATIAN NATIONAL BANK – continued**

**D) RECONCILIATION OF THE CASH FLOW STATEMENT FOR 2025 - continued**

	<b>CNB Decision</b>	<b>Basic financial statements</b>	<b>Difference</b>
<b>Position</b>	EUR '000	EUR '000	EUR '000
Dividends received from operating activities [indirect method]	-	-	-
Interest paid from operating activities [indirect method]	(116)	-	(116)
(Paid income tax)	(1,111)	(1,111)	-
<b>Net cash flow from operating activities</b>	<b>(39,546)</b>	<b>(39,546)</b>	-
<b>Investing activities</b>			-
Receipts from sale /(payments) for the purchase of tangible and intangible assets	140	140	-
Receipts from sale / (payments) for the purchase of investments in subsidiaries, associates and joint ventures	-	-	-
Receipts from collections / (payments) for the purchase of securities and other financial instruments held to maturity	-	-	-
Dividends received from investing activities	-	-	-
Other receipts /(payments) from investing activities	-	-	-
<b>Net cash flow from investing activities</b>	<b>140</b>	<b>140</b>	-
<b>Financing activities</b>			
Net increase/(decrease) in loans received from financing activities	(52)	(52)	-
Net increase/(decrease) in issued debt securities	-	-	-
Net increase/(decrease) in supplementary capital instruments	-	-	-
Increase in share capital	-	-	-
(Dividend paid)	-	-	-
Other receipts/(payments) from financing activities	-	-	-
<b>Net cash flow from financing activities</b>	<b>(52)</b>	<b>(52)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>39,458</b>	<b>39,458</b>	-
<b>Cash and cash equivalents at the beginning of the year</b>	<b>189,305</b>	<b>189,305</b>	-
Effects of exchange rate changes on cash and cash equivalents	-	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>149,847</b>	<b>149,847</b>	-

**D) RECONCILIATION OF THE CASH FLOW STATEMENT FOR 2025 – EXPLANATORY NOTES**

Deviations of cash flow positions in the basic financial statements in relation to the report prescribed by the CNB Decision arise from differences in the presentation of individual cash flow positions in the basic financial statements in relation to the standard prescribed by the CNB Decision.

However, viewed in total by the three basic groups of activities, these cash flows do not differ.

**E) RECONCILIATION OF THE STATEMENT OF EQUITY AND CHANGES IN EQUITY FOR 2025**

There are no differences in the Statement of changes in equity.