KPMG d.o.o. Beograd
Milutina Milankovića 1J
11070 Belgrade
Serbia
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TRANSLATION

This is an English translation of the Independent Auditor's Report on the financial statements originally issued in Serbian. In the event of any differences, the Serbian original prevails. This report should be read in conjunction with the complete set of financial statements issued in Serbian to which it relates. The accompanying English financial statements are a convenience translation and are not the audited financial statements.

Independent Auditor's Report

To the Shareholders of HALKBANK a.d. Beograd

Opinion

We have audited the financial statements of HALKBANK a.d. Beograd ("the Bank"), which comprise:

- the balance sheet as at 31 December 2025;

and, for the year from 1 January 2025 to 31 December 2025:

- the statement of profit or loss;
- the statement of other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information

("the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with the Law on Auditing and the Law on Accounting of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia. Our responsibilities under those standards and regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Registration No.: 17148656
Tax Identity No.: 100058593
Bank Account No.: 265-1100310000190-61

Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2025, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

With respect to the Annual Business Report, we are also required by the Law on Accounting of the Republic of Serbia to express an opinion on whether the Annual Business Report:

- is consistent with the financial statements; and
- has been prepared in accordance with the applicable legal requirements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion, the information given in the Annual Business Report for the financial year for which the financial statements are prepared, in all material respects:

- is consistent with the financial statements; and
- has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Bank and its environment obtained in the course of our audit, we are required to report if we identify material misstatements in the Annual Business Report. We have nothing to report in this regard.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG d.o.o. Beograd

Signed on the Serbian original

KONSALTING I REVIZIJU D.O.O. KPMG 1 BEOGRAD

Nikola Đenić
Licensed Certified Auditor

Belgrade, 18 March 2026

HALKBANK a.d. Beograd

Financial Statements

31 December 2025

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INCOME STATEMENT
In the period from 1 January to 31 December 2025
(In RSD thousand)

	Note	2025	2024
Interest income	3.1, 4a	7,465,210	7,668,371
Interest expenses	3.1, 4b	(2,187,171)	(2,361,967)
Net interest income		**5,278,039**	**5,306,404**
Fee and commission income	3.2, 5	3,285,762	2,940,397
Fee and commission expenses	3.2, 5	(1,075,102)	(944,909)
Net fee and commission income		**2,210,660**	**1,995,488**
Net (gains)/losses from changes in the fair value of financial instruments	6	(2,441)	32,894
Net gains arising from derecognition of financial instruments measured at fair value	7	44	270,753
Net foreign exchange gains and positive currency clause effects	3.3, 8	64,534	44,609
Net losses from impairment of financial assets not measured at fair value through profit or loss (FVTPL)	9a	(335,347)	(728,539)
Other operating income	10	85,001	7,868
TOTAL OPERATING INCOME, NET		**7,300,490**	**6,929,477**
Salaries, compensations and other personnel expenses	3.12; 11	(2,778,432)	(2,356,832)
Depreciation and amortization expenses	3.4, 3.5, 3.6, 19	(836,399)	(747,182)
Other income	12	35,980	116,797
Other expenses	12	(1,561,002)	(1,385,693)
PROFIT BEFORE TAX		**2,160,637**	**2,556,567**
Current income tax expense	3.10, 13	(191,533)	(204,767)
Deferred tax gain/(loss)	3.10, 13	5,559	(583)
PROFIT FOR THE YEAR	25	**1,974,663**	**2,351,217**

Notes on the following pages form an
integral part of these financial statements

These financial statements were adopted by the Executive Board of **HALKBANK a.d. Belgrade** on 18 March 2026.

Slađana Bobar	Hasan Cömert	Süleyman Bulut
Head of the Financial Management and Planning Division	Member of the Executive Board	Chairman of the Executive Board

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

STATEMENT OF OTHER COMPREHENSIVE INCOME
In the period from 1 January to 31 December 2025
(In RSD thousand)

	2025	2024
PROFIT FOR THE YEAR	**1,974,663**	**2,351,217**
Items that will not be subsequently reclassified to profit or loss:		
Increase in revaluation reserves arising from intangible assets and property, plant and equipment	-	32,515
Actuarial losses	(7,642)	(6,953)
Items that will or may be subsequently reclassified to profit or loss:		
Positive effects of changes in fair value of debt instruments measured at fair value through other comprehensive income (FVTOCI) (Note 16)	217,808	878,443
Negative effects of changes in fair value of debt instruments measured at fair value through other comprehensive income (FVTOCI) (Note 16)	(34,130)	(41,476)
Total positive other comprehensive income for the year	**176,036**	**862,529**
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR	**2,150,699**	**3,213,746**

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BALANCE SHEET
As of 31 December 2025
(In RSD thousand)

	Note	2025	2024
ASSETS			
Cash and balances held with the Central Bank	3.8, 14	32,248,431	19,509,120
Receivables from derivatives	15	529	1,538
Securities	3.7, 16	21,449,588	18,571,410
Loans and placements to banks and other financial institutions	3.7, 17	4,482,438	7,206,275
Loans and receivables from customers	3.7, 18	103,562,241	88,246,397
Intangible assets	3.6, 19a	2,075,130	1,998,753
Property, plant and equipment	3.4, 19b, 19c, 19e	3,974,930	1,948,012
Investment properties	3.5,3.14, 19d	110,237	113,938
Current tax assets	3.10	-	34,033
Deferred Tax Assets	3.10, 13c	50,411	45,849
Other assets	3.14, 3.15, 20	1,980,326	935,972
TOTAL ASSETS		**169,934,261**	**138,611,297**
LIABILITIES AND EQUITY			
Liabilities arising from derivatives	15	83	79
Deposits and other liabilities due to banks, other financial institutions and Central Bank	3.7, 21	12,810,599	7,075,982
Deposits and other liabilities due to other customers	3.7, 22	124,627,171	101,689,129
Provisions	2.6, 3.12, 23	56,701	84,194
Current tax liabilities		3,893	-
Other liabilities	24	2,538,763	2,015,561
TOTAL LIABILITIES		**140,037,210**	**110,864,945**
EQUITY			
Share capital	3.11, 25	18,362,669	18,362,669
Current year’s profit	25	1,974,663	2,358,169
Reserves	3.11, 25	9,559,719	7,025,514
TOTAL EQUITY	25	**29,897,051**	**27,746,352**
TOTAL LIABILITIES AND EQUITY		**169,934,261**	**138,611,297**

Notes on the following pages form an
integral part of these financial statements

These financial statements were adopted by the Executive Board of **HALKBANK a.d. Belgrade** on 18 March 2026.

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STATEMENT OF CHANGES IN EQUITY
In the period from 1 January to 31 December 2025
(In RSD thousand)

	Share and other capital	Share premium	Reserves from profit and other reserves	Revaluation reserves	Profit	Total equity
Opening balance as of 1 January 2024	**10,488,940**	**7,873,729**	**5,113,022**	**(1,078,630)**	**2,128,591**	**24,525,652**
Capital increase	-	-	-	-	-	-
Actuarial gains/(losses), net	-	-	-	(6,953)	-	(6,953)
Profit for the year	-	-	-	-	2,351,217	2,351,217
Gains on changes in the fair value of property, plant and equipment	-	-	-	32,515	-	32,515
Previous year’s profit distribution	-	-	2,128,591	-	(2,128,591)	-
Transfer from reserves to retained earnings due to reversal of reserves	-	-	-	-	6,952	6,952
Gains from change in value of debt instruments measured at fair value through other comprehensive income	-	-	-	836,967	-	836,967
Other	-	-	-	2	-	2
Balance as of 31 December 2024	**10,488,940**	**7,873,729**	**7,241,613**	**(216,099)**	**2,358,169**	**27,746,352**
Opening balance as of 1 January 2025	**10,488,940**	**7,873,729**	**7,241,613**	**(216,099)**	**2,358,169**	**27,746,352**
Capital increase	-	-	-	-	-	-
Actuarial gains/(losses), net	-	-	-	(7,642)	-	(7,642)
Profit for the year	-	-	-	-	1,974,663	1,974,663
Previous year’s profit distribution	-	-	2,358,169	-	(2,358,169)	-
Gains from change in value of debt instruments measured at fair value through other comprehensive income	-	-	-	183,678	-	183,678
Balance as of 31 December 2025	**10,488,940**	**7,873,729**	**9,599,782**	**(40,063)**	**1,974,663**	**29,897,051**

Notes on the following pages form an integral part of these financial statements

These financial statements were adopted by the Executive Board of **HALKBANK a.d. Belgrade** on 18 March 2026.

Slađana Bobar
Head of the Financial Management and Planning Division

Hasan Cömert
Member of the Executive Board

Süleyman Bulut
Chairman of the Executive Board

STATEMENT OF CASH FLOWS
In the period from 1 January to 31 December 2025
(In RSD thousand)

	2025	2024
Cash inflows from operating activities	**10,939,245**	**10,748,295**
Interest receipts	7,538,757	7,756,460
Fee and commission receipts	3,312,579	2,953,634
Receipts of other operating income	87,909	37,434
Dividend receipts and profit sharing	-	767
Cash outflows from operating activities	**(7,696,750)**	**(7,084,406)**
Interest payments	(2,259,397)	(2,244,809)
Fee and commission payments	(1,083,382)	(945,565)
Payments to and on behalf of employees	(2,721,668)	(2,461,221)
Taxes, contributions and other duties paid	(111,403)	(91,455)
Payments for other operating expenses	(1,520,900)	(1,341,356)
Net cash generated by operating activities prior to increases/decreases in financial assets and financial liabilities	**3,242,495**	**3,663,889**
Decrease in financial assets and increase in financial liabilities	**29,011,738**	**8,989,885**
Increase in deposits and other liabilities due to banks, other financial institutions, the Central Bank and customers	29,011,738	8,989,885
Increase in financial assets and decrease in financial liabilities	**(27,979,583)**	**(4,259,395)**
Increase in loans and placements to banks, other financial institutions, the Central Bank and customers	(27,979,583)	(4,259,395)
Net cash inflow/(outflow) from operating activities before tax	**4,274,650**	**8,394,379**
Income tax paid	(153,659)	(369,567)
Net cash from/(used in) operating activities	**4,120,991**	**8,024,812**
Cash inflows from investing activities	**1,431,467**	**3,502,568**
Proceeds from sales of investment securities	1,431,467	3,404,756
Proceeds from sales of intangible assets, property, plant and equipment	-	97,812
Cash outflows from investing activities	**(7,493,668)**	**(7,959,811)**
Cash used for investing in investments securities	(4,226,588)	(7,293,734)
Cash used for investments in subsidiary and associated entities	-	(4,542)
Cash used for the purchases of intangible assets, property, plant and equipment	(3,267,080)	(661,535)
Net cash used in investing activities	**(6,062,201)**	**(4,457,243)**
Cash inflows from financing activities	**1,332,442**	**164,971**
Inflows from borrowings	1,332,442	164,971
Cash outflows from financing activities	**(1,544,236)**	**(1,669,940)**
Cash used in the repayment of borrowings	(1,232,909)	(1,388,679)
Other outflows from financing activities	(311,327)	(281,261)
Net cash from/(used in) financing activities	**(211,794)**	**(1,504,969)**
TOTAL CASH INFLOWS	**42,714,892**	**23,405,719**
TOTAL CASH OUTFLOWS	**(44,867,896)**	**(21,343,119)**
NET CASH INCREASE /(DECREASE)	**(2,153,004)**	**2,062,600**
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**14,626,375**	**12,519,167**
FOREIGN EXCHANGE GAINS, NET	**64,533**	**44,608**
CASH AND CASH EQUIVALENTS, END OF YEAR	**12,537,904**	**14,626,375**

Notes on the following pages form an integral part of these financial statements

These financial statements were adopted by the Executive Board of **HALKBANK a.d. Belgrade** on 18 March 2026.

Slađana Bobar	Hasan Cömert	Süleyman Bulut
Head of the Financial Management and Planning Division	Member of the Executive Board	Chairman of the Executive Board

1 CORPORATE INFORMATION

1.1. Establishment

HALKBANK a.d. Beograd, formerly known as Čačanska banka, has been operating since 1 July 1956. During its operations and development it has changed its legally registered name and organizational form several times.

In May 2015, Turkiye Halk Bankasi A.S., Istanbul/Turkey became the majority owner of Čačanska banka. The change of ownership caused the change to the Bank's name and headquarters. The new name of the Bank is **HALKBANK a.d. Beograd** (hereinafter: the "Bank"), with the head office of the Bank at: 9e Milutina Milankovića Boulevard, 11070 Belgrade-New Belgrade. During 2018, Turkiye Halk Bankasi A.S., Istanbul/Turkey became its sole (100%) owner after purchase of the remaining shares held by the minority (non-controlling) shareholders.

The Bank was registered with the Serbian Business Registers Agency under number BD 54244 on 13 September 2005.

1.2 Activities

The Bank is registered in the Republic of Serbia for payment, credit and deposit activities in the country and abroad and it operates in accordance with the effective Law on Banks.

The Bank's heaquarter is in Belgrade. The Bank's head office is in Belgrade, at the address of 9e Milutina Milankovica Street, as registered with the Business Registers Agency under number BD 82129/2016 on 19 October 2016.

As of 31 December 2025, the Bank's network consisted of 43 branches (2024: 39 branches) as follows: Belgrade (fourteen branches), Cacak (three branches), Jagodina, Gornji Milanovac, Kraljevo, Uzice, Kragujevac, Krusevac, Arandjelovac, Valjevo, Sabac, Nis, Leskovac, Novi Sad (two branches), Stara Pazova, Pancevo, Novi Pazar, Subotica, Smederevo, Sremska Mitrovica, Vranje, Ivanjica, Pozega, Prijepolje, Zrenjanin, Pirot and Paracin, as well as 6 sub-branches (2024: 5 sub-branches) in Vrnjačka Banja, Tutin, Sjenica, Topola, Presevo and Nis, as well as two cash desks - 1 in Cacak and 1 in Belgrade.

During 2025, the Bank opened five new branches, of which three new branches in Belgrade (at Bulevar kralja Prvog Karađorđevića 38, Požeška 56 and Jurija Gagarina 28), one in Novi Sad (at Ignjata Pavlasa 2), and one in Niš (at Nikole Pašića 15-17) A new cash desk was also opened in Belgrade (at Knez Mihailova 29), while the branch in Niš at Obrenovićeva 36 changed its status to a sub-branch.

As of 31 December 2025, the Bank had 803 employees, and as of 31 December 2024 - 744 employees. The Bank's tax identification number is 100895809.

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1 Basis of Preparation and Presentation of the Financial Statements

The Bank's financial statements (hereinafter: financial statements) for 2025 are prepared in accordance with the Law on Accounting (Official Gazette of RS, nos. 73/2019 and 44/2021 – the other law), as well as regulations issued by the National Bank of Serbia which regulates reporting by banks.

As a large legal entity, the Bank is required to apply International Financial Reporting Standards (IFRS), which include: Conceptual Framework for Preparation and Presentation of Financial Statements (the Framework), International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), subsequent changes of those standards and interpretations related to them, approved by the International Accounting Standards Board (IASB).

The accompanying financial statements are presented in the format prescribed under the National Bank of Serbia's Decision on the Forms and Contents of the Items in the Forms of the Financial Statements of Banks (RS Official Gazette, No. 56/2025).

The accompanying financial statements are stand-alone financial statements of the Bank. The Bank is not a parent entity, i.e., it has no subsidiaries or associates so that it does not prepare consolidated financial statements. The Bank's sole shareholder is Turkiye Halk Bankasi A.S., Istanbul/Turkey.

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.1 Basis of Preparation and Presentation of the Financial Statements (Continued)

The accompanying financial statements pertain to the reporting period ended 31 December 2025. These financial statements were adopted by the Bank's Executive Board on 18 March 2026.

These financial statements were prepared under the historical cost principle, except for the measurement of the following significant balance sheet items:

- property stated at market and/or revaluation amount,
- financial instruments measured at fair value through other comprehensive income (FVTOCI),
- financial assets measured at fair value through profit and loss,
- derivative financial instruments stated at fair value.

Historical cost is generally based on the fair value of consideration paid in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Bank takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Fair value for measurement and/or disclosure purposes in the accompanying financial statements was determined in the aforesaid manner, except for leasing transactions, which are in the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In the preparation of the accompanying financial statements, the Bank adhered to the accounting policies described in Note 3.

The accounting policies and estimates adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 31 December 2024, except for the adopted new and amended IFRS Accounting Standards disclosed in Note 2.2. from 1 January 2025, where applicable. New standards and amendments to existing standards that have been issued but are not yet in force are disclosed in Note 2.3.

The Bank's financial statements are stated in thousands of dinars. Dinar (RSD) is the official presentation currency in the Republic of Serbia.

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.2 New Standards, Interpretations and Amendments to Existing Standards Mandatory for the First Time in the Current Financial Year

The adopted accounting policies are in accordance with those of the previous financial year, with the exception of the amendment related to the accounting treatment and valuation of land that the Bank did not own until 2025, as well as the following amended IFRSs adopted by the Bank from 1 January 2025:

- Amendments to IAS 21 *Effects of Changes in Foreign Exchange Rates* - the amendments were issued with clearer rules for situations when a currency is not readily convertible. Namely, the changes clarify how an entity should assess whether a currency is convertible and how it should determine the spot exchange rate when there is no convertibility, and they require the publication of information that allows users of financial statements to understand the impact of the situation when a currency is not convertible.

Adoption of the listed new and amended existing standards did not result in significant effects on the Bank's financial statements.

2.3 New Standards, Interpretations and Amendments to Existing Standards that are Not Yet Effective and Have Not Been Early Adopted by the Bank

- Amendments to IFRS 18 - presentation and disclosure in financial statements that are applicable to periods after 1 January 2027;

  The way entities disclose their financial performance will be changed.

  Responding to investors' demands for more relevant and comparable information, IFRS 18 *Presentation and Disclosure in Financial Statements* aims to provide greater consistency in the presentation of both the income statement and cash flow statement, as well as more detailed information.

  Essentially, the net profit of the entity will not change. What will change, however, is the way they present their results on the income statement and how they disclose information in the notes to the financial statements. Also, certain "non-GAAP" measures - management performance measures (MPMs) - will now be part of the audited financial statements. Together, the new requirements will help entities better tell their story and connect their reporting in the financial statements.

  The new standard affects all companies in different industries. Entities must focus on detailed requirements and apply them to their specific circumstances to make new assessments, navigate complexities, and oversee changes in systems and processes.

- IFRS 19 Subsidiaries without Public Accountability: disclosures that are applicable to periods after 1 January 2027.
- Annual improvements to standards applicable to periods after 1 January 2026.
- Amendments to IFRS 9 *Financial Instruments* - applicable to periods after 1 January 2026. The changes clarify how it is assessed whether contracted cash flows satisfy the Solely Payments of Principal and Interest (SPPI) criterion — a key criterion for determining the way financial assets are measured (e.g. amortized cost vs. fair value), additional instructions are provided for financial instruments with ESG or similar contractual characteristics, as well as clarification for non-recourse instruments and instruments linked to contractually related assets. The changes define more clearly the write-off date when liabilities are settled through electronic payment systems — and allow (subject to meeting the criteria) the option to write-off before the official payment date.
- Amendments to IFRS 7 *Financial Instruments* - *Disclosures* - applicable to periods after 1 January 2026. The obligations to publish information in terms of more detailed information on investments in capital instruments classified at fair value through other comprehensive income (FVOCI), e.g. presentation of gains and losses in various situations and additional disclosures for contractual terms that may change cash flows based on contingent events (e.g. ESG targets).
- Additions to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, voluntary adoption permitted with indefinite postponement of date of mandatory application.

The Bank's management did not opt for early adoption of the listed standards, amendments to existing standards and new interpretations. Management expects that the adoption of these standards, amendments to existing standards and new interpretations will not have a material effect on the Bank's financial statements in the period of first time adoption.

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.4 Comparative Figures

For all amounts presented in the current year's financial statements comparative figures are presented in the previous year.

2.5 Statement of compliance

The Bank's accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB).

2.6 Key Accounting Estimates and Judgments

Preparation of the financial statements in accordance with IFRS Accounting Standards requires the Bank's management to make the best estimates and reasonable assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as income and expenses for the reporting period. The actual values of the assets and liabilities may vary from these estimates.

These estimations and underlying assumptions are subject to regular review. The revised accounting estimates are presented for the period in which they are revised, as well as for the ensuing periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment of Financial Assets

The Bank recognizes ECL provisions for financial assets measured at AC or for debt instruments measured at FVTOCI and for credit commitments and guarantees issued.

Assumptions and estimates used by the Bank as inputs to the model for ECL measurement and assessment of a significant increase in credit risk are disclosed in Note 28.1.

The evidence could include available data indicating adverse changes in respect of the customer's ability to settle its liabilities toward the Bank in a timely manner.

The Bank's management makes estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those of the portfolio, at the time of projecting its future cash flows. The methodology and assumptions used for estimating both the amount and timing of the future cash flows are reviewed on a regular basis in order to reduce any differences between the estimated and actual losses (Notes 9b, 17 and 18).

b) Useful Lives of Intangible Assets, Property, Plant and Equipment

The determination of the useful lives of intangible assets, property and equipment is based on historical experience with similar assets as well as on any anticipated technological development and changes influenced by wide range of economic or industry factors. Adequacy of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions (Note 19).

c) Impairment of Non-Financial Assets

As of the reporting date, the Bank's management reviews the carrying amounts of the Bank's intangible assets and property, plant and equipment presented in the financial statements. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount (Note 19).

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.6 Key Accounting Estimates and Judgments (Continued)

d) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. In order to be maintained, the best possible estimates are considered, determined and, if necessary, adjusted at each reporting date.

When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are reversed through profit and loss. Provisions are monitored per type and they can be used only for the expenses they were initially recognized for. Provisions are not recognized for future operating losses.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements, unless the probability of an outflow of resources containing economic benefits is very remote (Note 23).

Contingent assets are not recognized in the financial statements. Contingent assets are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

e) Provisions for Litigations

The Bank is involved in a number of legal proceedings arising from daily operations that relate to commercial, contractual and labour disputes, which are resolved and considered in the course of regular business activities. The Bank regularly estimates the probability of negative outcomes of these matters, as well as the amounts of probable or reasonably estimated losses.

Reasonable estimates include judgments made by management, after considering information including notifications, settlements, estimates performed by the Legal Department, available facts, identification of other potentially responsible parties and their ability to contribute as well as prior experience.

A provision represents a liability with an uncertain maturity date or an uncertain amount. A provision is an amount of monetary funds the Bank sets aside in order to provide for the outflows for expected and possible yet at the moment of provisioning uncertain liabilities which may arise in the future as a result of pre-defined past events. Provisions are estimated on a quarterly basis. The required provision may change in the future due to occurrence of new events or obtaining additional information.

f) Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that expected future taxable profit will be available, against which the unused tax losses can be utilized. The Bank's management necessarily makes significant estimates in order to determine the amount of deferred tax assets that can be recognized, based on the period of occurrence and the amount of future taxable profit. Additional information in this respect is disclosed in Note 3.10.

g) Retirement and Other Post-Employment Benefits

The costs of defined employee benefits payable upon termination of employment or retirement, in accordance with the fulfilled legal requirements, are determined based on the actuarial valuation. The actuarial valuation includes the average salary paid in the Republic of Serbia, an assessment of the discount rate, future movements in salaries, mortality rates and employee turnover. As these plans are long-term, significant uncertainties influence the outcome of the estimations. Additional information in this respect is disclosed in Note 3.12.

2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.6 Key Accounting Estimates and Judgments (Continued)

h) Fair Value of Financial Instruments

Fair value of the financial instruments traded in an active market is based on quoted market prices at the reporting date. Fair value of the financial instruments that are not quoted in an active market is determined using certain valuation techniques, which entail using judgement in fair value assessment. Valuation models reflect the current market conditions at the fair value measurement date and need not represent the market conditions prevailing before or after the measurement date. Therefore, valuation techniques are periodically reviewed so as to adequately reflect market conditions.

Those entail the use of the present value method and other methods and models based on the observable and, to a lesser extent, unobservable inputs.

Valuation models are primarily used for measurement of derivatives in the stock exchange market and government bonds and debt securities not traded in active markets. These models take into account the credit risk impact if it is material. All valuation models are validated before they are used as the basis for financial reporting and they are subject to periodic review by qualified staff members, independent of those that created the model.

Wherever possible, the Bank compares the measurement resulting from the model applied to the quoted prices of the similar financial instruments and the actual prices achieved in actual transactions in order to validate and calibrate its models. Various factors are incorporated into the Bank's models, including the actual and estimated market values and rates, as well as the time factor and changes in the market depth, liquidity and changes in the credit risk of financial liabilities.

The Bank applies models consistently from one period to another, thus ensuring comparability and continuity of valuation during time. However, fair value assessment inevitably entails significant extent of judgement. Therefore, the management puts in place valuation adjustments to cover the differences relating to the estimates of unobservable parameters and assumptions within the models.

Although in some instances substantial judgement is required for fair value assessment, management believes that the fair values presented in the statement of financial position and changes in the fair values reported in the income statement are prudent and reflect the actual economic conditions, based on the executed controls and protection procedures.

Valuation methods, assumptions and techniques used in fair value assessment are explained in greater detail in Note 28.

i) The Bank's Related Parties

In accordance with the Law on Banks and the Bank's internal Exposure Risk Management Procedure, persons related to the Bank are:

1) members of the banking group in which the Bank is, HALKBANK
2) members of the Management and Executive Boards of the Bank, members of the Board of the Bank determined by the Law on Banks, members of the management and governing body of a member of the banking group to which the Bank belongs, as well as family members of these persons;
3) persons with investments in the Bank and in entities who are members of the banking group to which the Bank belongs, as well as family members of these persons;
4) entities in which the persons referred to in item 2) and 3) of this paragraph have a controlling interest.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Interest Income and Expenses

The Bank presents within the income statement income (revenues) and expenses grouped according to their nature and discloses the amounts of the major types of income and expenses.

Presentation in the income statement and disclosures in the notes to the financial statements cover all the income and expense items in accordance with the prescribed content and forms for preparation of the financial statements.

For all interest-bearing financial instruments, interest income and expenses are recognized within the income statement using the effective interest rate method.

The Bank will stop recognizing income on a gross basis or on the gross carrying value basis, and will continue accounting for the net value of placements using the effective interest rate method, including but not limited to in the following cases:

- when a decision has been made on instigation of a bankruptcy procedure over the borrower;
- when a decision on instigation of court proceedings for collection of receivables from the borrower has been made;
- when the decision on derecognition of income from accrued interest has been made by the Bank’s competent board or when other circumstances, which hinder the collection of receivables, have been identified; and
- when the borrower, a legal entity or an entrepreneur, is over 150 days past due in settling liabilities.

When the Bank ceases to recognize income from accrued regular interest, a suspended interest calculation is performed in order to reconcile receivables and liabilities with the debtor and accrued interest is recorded by the Bank within other off-balance sheet assets. After identifying objective evidence of impairment and recognizing an impairment loss, interest income on Level 3 placements is calculated and recognized in the income statement using the effective interest rate on a net basis (Unwinding).

Loan origination fees for loans with pre-defined repayment schedules are recognized within interest income in the profit or loss statement and are amortized using the effective interest method. Loan origination fees for loans without pre-defined repayment schedules (framework loans, current account overdrafts, credit cards and the like), guarantees and other types of sureties are amortized on a straight-line basis and presented within fee and commission income.

3.2 Fee and Commission Income and Expenses

All fees and commissions that are not an integral part of the effective interest rate of the financial instrument are calculated in accordance with IFRS 15 Revenue from Contracts with Customers.

Income is recognized over time when or until the Bank fulfills its obligations, or when it provides contracted services to its clients.

The Bank recognizes as contract liabilities consideration received for unfulfilled performance obligations and presents them as other liabilities in the statement for financial position. Similarly, if the Bank fulfils a performance obligation before it receives consideration it recognizes in the statement of financial position either a contract asset or receivable depending on whether or not something other than a certain time to obtain the consideration is required.

Fees and commissions consist mainly of fees for payment operations, fees for guarantees, fees from FX changes, fees for payment cards and these revenues are related to both the corporate and retail segment of customers, as disclosed in Note 5.

In all cases the total transaction price for a certain contract is allocated between the various performance obligations based on the relatively separate sales prices of the separate products and services. The consideration that the Bank receives is determined in the various Bank’s tariffs and does not include a variable component. The transaction price under a contract excludes all amounts collected on behalf and at the expense of third parties. Fee and commission income is recognized over time.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.3 Foreign Currency Translation

Commissions arising from foreign currency transactions are reported in the statement of profit or loss and other comprehensive income upon their receipt. Loan origination and processing fees and commissions when considered to be part of the effective income are amortized during the loan term and are recognized as current finance income during the period by applying the effective interest method.

Transactions denominated in foreign currencies are translated into dinars at the official middle exchange rate of the National Bank of Serbia effective as at the transaction date.

Assets and liabilities denominated in foreign currencies at the reporting date are translated into dinars at the official middle exchange rate of the National Bank of Serbia effective as at the reporting date.

Net foreign exchange effects arising upon performance of transactions in foreign currencies and upon translation of the assets and liabilities denominated in foreign currencies are recognized as foreign exchange gains or losses, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. Gains and losses arising in instances of annuities (instalments) linked to an RSD/ foreign currency exchange rate are calculated at the reporting date and presented as positive or negative currency clause effects.

Commitments and contingent liabilities denominated in foreign currencies are translated into dinars at the official middle exchange rate of the National Bank of Serbia effective as at the reporting date.

3.4 Property, Plant and Equipment

Buildings are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of assets.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognized as expenses in the income statement of the financial period in which they are incurred.

Valuation of buildings after the initial recognition is performed using the revaluation model stipulated by IAS 16 – *Property, Plant and Equipment*, buildings are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Assessment of revalued amounts and useful life of buildings is carried out at least once every three years by an independent certified appraiser (expert valuer in civil engineering).

Assessment of the Bank's building property market value/impairment was performed by an independent certified appraiser as of 30 November 2024.

Initial measurement or measurement of value at the time of initial recognition of land is performed at purchase price or at cost. Valuation of land after initial recognition is done using the revaluation model. Assessment of the revaluation amount of land is performed at least once every three years, by an authorized appraiser.
The effects of the performed revaluation are recognized through the purchase value of each individual asset while at the same time disclosing:

- if the land value increases as a result of the revaluation, that increase is recognized in other comprehensive income and is accumulated in capital, under revaluation reserves. However, the increase is recognized in the income statement to the level of previously recognized expenses on the same basis for the same land and thus cancels the revaluation decrease of the same asset previously recognized in the income statement.
- if the value of the land decreases as a result of the revaluation, that decrease is recognized as an expense in the income statement.

However, the decrease is recognized under Other comprehensive income up to the amount of available revaluation reserves that relate to the same land. The decrease recognized under other comprehensive income reduces the amount accumulated in equity under revaluation reserves. The revaluation reserve that is created in this way is transferred to retained earnings when the land is derecognized.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.4 Property, Plant and Equipment (Continued)

Land has an indefinite useful life and is therefore not depreciated. At each year-end, the Bank internally reviews the carrying amounts of land in order to determine if there are indications that there have been any impairment losses. If there are such indications, the Bank assesses the recoverable amounts of such assets in order to determine impairment loss amounts, if any.

Plant and equipment are initially measured at cost, less accumulated depreciation and subsequently at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight-line basis to the cost or revalued amount of each part of an item of property, plant and equipment and investment property in order to fully write off the cost of assets over their estimated useful lives in accordance with the Bank's Rulebook on Amortization of Intangible Assets and Depreciation of Property, Equipment and Investment Property.

At each year-end, the Bank reviews internally the carrying amounts of its buildings in order to determine if there are indications that there have been any impairment losses. If there are such indications, the Bank assesses the recoverable amounts of such assets in order to determine impairment loss amounts, if any.

The following depreciation rates were used in 2025 and were not changed compared to the rates used in 2024:

Buildings	2.50%
Investment properties	2.50-3.87%
Leasehold improvements (unless period of use has been contracted)	16.67% - 20.00%
Computer equipment	14.29% - 20.00%
Furniture and other equipment	16.67% - 20.00%

3.5 Investment properties

Investment property is property held by the Bank for the purpose of renting and it is accounted for in accordance with IAS 40 – *Investment Property*. Investment property is initially measured at cost or purchase price. After initial recognition, the Bank measures its investment property at cost less accumulated depreciation.

Depreciation of investment property is calculated using the straight-line method over an estimated life of investment property, in accordance with the Bank's internal regulations. Depreciation of investment property is carried out using a depreciation rate of 2.5% and 3.87%.

At each year-end, the Bank internally reviews the carrying amounts of its investment properties in order to determine if there are indications that there have been any impairment losses. If there are such indications, the Bank assesses the recoverable amounts of such assets in order to determine impairment loss amounts, if any.

3.6 Intangible Assets

Intangible assets are measured at cost or purchase price, while after initial recognition, intangible assets are carried at cost less accumulated amortization and subsequent accumulated impairment losses. Intangible assets comprise licenses, patents and software.

Amortization is calculated using the straight-line method to the cost of intangible assets over the agreed period of use of such assets or their estimated useful lives, unless a period of use is agreed. Most commonly, those are periods from 3 to 5 years, except for investments into the Bank's CORE system whose useful life is estimated at 15 years.

Intangible assets also include intangibles in progress that are not depreciated, since they are not yet in use. Intangible assets created through development (development project) can be recognized if the following conditions are met:

- Technical feasibility of the project
- The intention to complete the project and to use or sell the intangible asset
- Intangible assets will generate probable future economic benefits
- Availability of all resources to complete the project
- Ability to evaluate and measure intangible assets.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.6 Intangible Assets (Continued)

During the duration of the intangible assets development project, the Bank capitalizes or increases the value of intangible assets for the value of the costs incurred due to development activities (project planning and business analysis, solution testing, project control).

3.7 Financial Instruments

Some typical examples of costs and activities during project development that are capitalized are:

- Creation of detailed functional specifications
- Software coding
- System testing
- Data conversion costs
- Fees paid to third parties for services provided for software development
- Salary costs and costs related to salaries during the development phase.

Capitalization will cease when the development project is substantially complete and ready for intended use (typically the launch date).

A financial instrument is each contract based on which a financial asset of one entity and a financial liability or an equity instrument of another entity arise.

The Bank recognizes its financial assets and financial liabilities in the statement of financial position in accordance with IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*.

The Bank recognizes a financial asset or a financial liability from the moment it becomes a party to the contractual terms of an instrument. The Bank performs initial recognition of financial assets and liabilities on settlement date.

Financial instruments are classified into:

a) Financial assets
   - Equity instruments
   - Debt instruments
   - Derivatives

b) Financial liabilities

3.7.1 Financial Assets

3.7.1.1 Equity Instruments

Financial equity instruments relate to equity investments (interests) represent long-term financial investments in equity of other entities (banks, insurance companies, shareholding and limited liability companies) that have not been acquired for sale in the near term, as well as securities or shares of other entities acquired for sale in the near term.

The accounting treatment of the equity investments depends on the influence the investor has over the investee. The following three cases are possible:

- The investor has control over the investee (investments in subsidiaries) and the parent-subsidiary relationship is formed if the equity investment exceeds 50% or other criteria are met as defined by IAS 27;
- The investor exercises a significant influence over the investee (investments in associates) and the parent-associate relationship is formed if the equity investment exceeds 20% or other criteria are met as defined by IAS 28; and
- The investor exercises no significant influence over the investee (other investments) if the equity investment is below 20%.

The Bank is not a parent entity, and does not have any subsidiaries or associates and does not prepare consolidated financial statements.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Financial Instruments (Continued)

3.7.1 Financial Assets (Continued)

3.7.1.1Equity Instruments (Continued)

Equity investments the Bank holds in other entities and shares are stated at fair value and the changes in fair value thereof are recorded in the profit or loss statement (FVTPL) under IFRS 9.

3.7.1.2 Debt Instruments

The Bank classifies debt instruments as financial assets subsequently measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL) based on:

- the business model for management of the financial assets, and
- characteristics of the contractual cash flows of the financial assets.

Debt instruments are classified upon initial recognition, when the Bank becomes a party to the contractual terms of the instrument. Debt instruments are initially measured at fair value increased by transaction costs directly attributable to the acquisition or issuance of the financial asset, except for the financial assets at FVTPL. The transaction cost or fair value of the consideration given or received in exchange for a financial instrument is usually the best evidence of the fair value of the financial instrument upon initial recognition.

Debt Instruments Measured at Amortized Cost (AC)

Debt instruments are measured at AC if the following two criteria are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows (HTC model); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank’s business model for classification and measurement of the Bank’s loans and receivables and letters of credit and guarantees except for debt securities is AC measurement model (the hold-to-collect model and cash flows that are solely payments of principal and interest – HTC and SPPI). Only if the SPPI test reveals that contractual terms exist due to which the assets have failed the SPPI test and cannot therefore be measured at AC, does the Bank use the fair value through profit or loss measurement model (FVTPL). Debt securities may be measured and held within the amortized cost model, FVTOCI model and FVTPL model, depending on each individual case and intention of the management.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Amortized cost is the amount at which a financial asset is measured upon initial recognitions increased or decreased by accumulated amortization using the effective interest method on all the differences between the initial amount and amount upon maturity, less any payments and adjustments for expected credit losses. All loans and receivables originated by the Bank are recognized in the statement of financial position in the amount of gross amortized cost less the individual allowances for impairment. Gross amortized costs represent total receivables from the Bank's customers (including principal outstanding, nominal interest, penalty interest, receivables for fees and other receivables) adjusted by the amount of unamortized fees.

The initial effective interest rate for IFRS 9 purposes represents the rate that precisely discounts the estimated future cash inflows or outflows during the expected life of a financial asset or a liability to the gross carrying value thereof. For IFRS 9 purposes, the effective interest rate is calculated so that it can he used in the process of determining the amortized cost and interest income during the life of a financial instrument. In using the effective interest method, the Bank identifies fees that are part of the effective interest rate of the financial asset in accordance with its Impairment Allowance Methodology under IFRS 9

The Bank calculates and recognizes impairment allowance in accordance with its Impairment Allowance Methodology under IFRS 9 for all financial instruments measured at AC and at FVTOCI.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Financial Instruments (Continued)

3.7.1 Financial Assets (Continued)

3.7.1.2 Debt Instruments (Continued)

IFRS 9 introduces a concept of expected credit losses (ECL), entailing probability-weighted estimates of the lifetime ECL if the credit risk of the financial instruments has significantly increased since initial recognition or there is objective evidence of its impairment identified (Stage 2 and Stage 3 assets) or of the 12-month ECL the Bank is to identify and recognize for all financial for all financial instruments where the credit risk has not s significantly increased since initial recognition (Stage 1 assets).

In its internal regulations the Bank has defined parameters that when identified are indicative of the significant increase in credit risk of Stage 2 customers and the default status for Stage 3 customers.

Debt Instruments Measured at Fair Value Through Other Comprehensive Income (FVTOCI)

Financial assets are measured at FVTOCI if the following two criteria are met:

- the objective of the business model within which the Bank holds the assets is achieved by collection of the contractual cash flows and by sale of the assets; and
- the contractual terms of the assets give rise to the cash flows at specific future dates that represent solely payments of the principal and interest on the principal amount outstanding.

Debt instruments measured at FVTOCI are assets that the Bank intends to hold for an indefinite period yet they may be sold for liquidity maintenance purposes or due to changes in the interest rates, foreign exchange rates or market prices.

Upon initial recognition of such assets, the Bank measures them at fair value increased for transaction costs.

Following their initial recognition, these financial assets are measured at fair value with gains or losses on the changes in their fair value and impairment losses (impairment allowances) recognized under revaluation reserves within equity. Impairment allowance of the financial assets measured at FVTOCI is calculated in the same manner as the impairment allowance of financial assets measured at AC. However, the accumulated impairment allowance in the financial statements is not deducted from the fair value of assets but from the cumulative change in the fair value recorded within the other comprehensive income. Foreign exchange gains or losses, and gains or losses on changes in the value of a financial asset arising from movements in the foreign exchange rates (if the asset is denominated in a foreign currency or linked to a currency clause) are not recognized within equity.

Pledged financial assets are measured according to the same principle. These are financial assets that are allocated separately for accounting purposes because they are pledged with the NBS for REPO transactions with the National Bank of Serbia (they are stated separately at nominal value).

At the sale date, the carrying amount of the asset and revaluation reserves from the asset will be derecognized and the excess or shortage of the sale proceeds will be recognized as the gain or loss on the sale of the asset.

Debt Instruments Measured at Fair Value Through Profit or Loss (FVTPL)

The Bank measures debt instruments at FVTPL if they are not measured at AC or at FVTOCI.

A financial asset at FVTPL is an asset acquired primarily for sale or repurchase in the near future, with the aim to earn a profit from short-term price fluctuations and/or dealer’s margin, or such an asset is a derivative instrument.

A derivative is a financial instrument or another contract whose value is changing (as a result of changes in the defined/agreed interest rate or the price of the financial instrument or its stock exchange price or foreign exchange rate or price growth index or another variable), which requires no initial net investment or an initial net investment which is lower than that for other agreement types that are expected to show similar responses to the changes in market conditions, and which will be settled at a future date.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Financial Instruments (Continued)

3.7.1 Financial Assets (Continued)

3.7.1.2 Debt Instruments (Continued)

The initial positive or negative difference in the fair value of a derivative is recorded on-balance sheet as an asset or a liability. The subsequent measurement of fair value of a derivative is accounted for by recording the effect of the change in fair value in the income statement as a positive or negative effect of the change in the value of the derivative, with the positive fair value of the derivative reported as an asset, while the negative fair value of the derivative is reported as a liability. The derivative is derecognized at the moment when the contractual rights and obligations (exchange of cash flows) arising from the derivative expire, i.e., at the termination date.

As of the termination date the carrying amount of an asset is derecognized and all the gains or losses (within the income or expenses) on the changes in the fair value of the asset are cancelled, with the ultimate effects of gain or loss from the derivative recorded within realized exchange gains or losses. In the event that there is an active market for derivatives in the country of the Bank's domicile, the ultimate effect of the sale of a derivative instrument is recorded in the profit or loss statement as a gain or loss on the sale of derivatives. The only derivative transactions the Bank performs are currency swaps.

Fair Value Option

Even if a financial asset meets the criteria for classification and measurement at AC or FVTOCI, it may be measured at FVTPL if doing so would eliminate or significantly reduce a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Bank did not use the FVTPL option.

Financial Assets – Derecognition and Reclassification

The Bank derecognizes a financial asset when the contractual rights to cashflows for a given financial asset expire or when the Bank has transferred the asset to another party and determined that it has transferred all the risks and rewards associated with the asset. If so, the asset will be derecognized from the Bank's books. If the Bank has retained substantially all the risks and rewards of ownership over the asset, the asset cannot be derecognized.

3.7.2 Financial Liabilities

Financial Liabilities – Measurement and Derecognition

A financial liability is any contractual obligation of the Bank to give cash or another financial asset to a counterparty. Upon initial recognition, a financial liability is measured at cost, representing the fair value of the consideration received.

Financial liabilities held for trading are measured at FVTPL, while all other financial liabilities are measured at AC unless the fair value option is elected. The Bank does not use the fair value measurement option.

A financial liability is derecognized when the contractual obligation underlying the liability is discharged or cancelled or has expired.

A gain or loss on cancellation/derecognition of the financial liability is recognized within the profit or loss statement.

If the Bank has not substantially retained or transferred all the risks and rewards of the asset, then the Bank must assess whether it has relinquished control of the asset or not. If the Bank does not control an asset, then it may derecognize that asset, otherwise, if the Bank retains control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset.

Borrowings

Liabilities arising from borrowings are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortized cost.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.8 Cash and Balances Held with the Central Bank

Cash and balances held with the Central Bank are comprised of cash in RSD and in foreign currencies, and cash held on the Bank's gyro and current accounts, cash on hand and other cash in RSD and foreign currencies, gold and other precious metals and liquid surpluses deposited with the National Bank of Serbia.

For purposes of the cash flow statement, cash includes cash on hand in local and foreign currencies, balances on accounts held with other banks, as well as available funds held with the National Bank of Serbia,

3.9 Managed Funds

The funds that the Bank manages on behalf of and for the account of third parties for fees are disclosed within off-balance sheet items.

3.10 Taxes and Contributions

Current Income Taxes

Income tax is recognized and calculated in accordance with IAS 12 – *Income Taxes* and the effective Law on Corporate Income Tax.

Income tax represents the amount calculated by applying the statutory income tax rate of 15% to the profit before taxes, after deducting the effects of permanent differences that adjust the prescribed tax rate to the effective tax rate.

The final amount of income tax liability is calculated by applying the prescribed tax rate to the taxable income determined in the tax statement and reported in the annual tax return.

Deferred Taxes

Deferred income tax is calculated for all temporary differences as at balance sheet date that result between the present value of assets and liabilities in the financial statements and their values for tax purposes. The tax rate of 15% ruling at the reporting date is used to determine the deferred tax amount (2024: 15%).

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused portions tax credit and tax loss carry forwards to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the unused tax credits and tax losses carried forward can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, when deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and that sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or portion of the deferred tax assets to be utilized.

Indirect Taxes and Contributions

Indirect taxes and contributions include property tax, payroll taxes and contributions charged to the employer, as well as other taxes and contributions payable in accordance with the tax regulations of the Republic of Serbia and local municipal tax regulations.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Transfer Prices

The Bank's tax statement for 2025 was not submitted to the Tax Administration until the preparation date of the Bank's separate financial statements, given that the tax return is submitted to the tax authorities within 180 days after the end date of the financial year, or until June 29 of the following year. The Bank has calculated tax effects based on the Corporate Income Tax Law of the Republic of Serbia but has not yet prepared the final report (study) of the transfer prices. However, the Bank's management believes that there will be no material effects on its financial statements for 2025 in this respect since so far there had been no materially significant adjustments in respect of the related party transactions and in 2025 the Bank had no significant changes in types of services exchanged with its related parties in comparison with the previous year.

3.11 Equity and Reserves

Equity represents the Bank's assets in excess of all its liabilities. Equity is not assessed and measured separately. Equity consists of the Bank's issued (share) capital, reserves and retained earnings. The Bank is required to maintain at all times its regulatory capital in the amount sufficient to cover all the risks that may arise in the course of the Bank's business (capital requirements), as explained in greater detail in Note 29.2.

3.12 Employee Benefits

The Bank does not have its own pension funds or share-based payment options and consequently had no liabilities recognized in this respect as of 31 December 2025.

As of 31 December 2025, the Bank made provisions for retirement benefits and unused annual leaves based on the assessment carried out by a certified actuary.

Provisions were made based of the following assumptions:

Average salary for October 2025 paid in the Republic of Serbia	153,153.00 RSD
Discount rate	5.75%
Salary growth rate	11.00%
Employee turnover rate	6.50%

Short-Term Employee Benefits – Taxes and Contributions for Social Security

Pursuant to the regulations effective in the Republic of Serbia, the Bank has an obligation to pay personal income tax contributions to various state social security funds. This obligation involves the payment of the tax and contributions on behalf of the employee, by the employer, in amounts calculated by applying the specific, legally prescribed rates. The Bank is also legally obligated to withhold the tax amount and contributions from gross salaries to employees, and to transfer the withheld portions on their behalf directly to the appropriate government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Short-Term Paid Leave

Accumulating paid leave (annual vacation leaves) may be carried forward and used in future periods if the current period's entitlement is not used in full. Expenses for paid leave are recognized at the amount the Bank expects to pay as a result of the unused entitlement that has accumulated at the reporting date. In the case of non-accumulating paid leave, an obligation or expense is recognized when the leave occurs.

3.13 Going Concern

During 2025, the Bank realized a profit in the amount of RSD 1,974,663 thousand (2024: profit in the amount of RSD 2,351,217 thousand). The Bank achieved significant business results in the previous period, so the Bank's management expects stable revenues in the forthcoming period, as well as that the increase in costs will be less than the increase in revenues. In accordance with all the foregoing, the Bank's financial statements have been prepared on a going concern basis, assuming that the Bank will continue to operate in the foreseeable future.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.14 Leases

As of 1 January 2019, the Bank applies International Financial Reporting Standard 16 (IFRS 16) in accounting for lease contracts.

A lease is an agreement whereby the lessor (the legal owner of an asset) conveys to the lessee (the user of the asset) the right to use an asset for an agreed period of time in return for a payment or series of payments.

For each lease contract, the Bank assesses whether the contract contains elements of a lease. The Bank assesses whether the contract identifies the asset and whether the Bank has the right to control the use of identifiable assets for a specified period of time.

The rate at which the Bank calculates the right of use is the incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Bank does not apply the requirements of IFRS 16:

- to the lease contracts with terms shorter than 12 months and those not containing the purchase option, and/or
- lease contracts with low-value assets (RSD equivalent of USD 5,000 or less).

3.15 Repossessed Assets

Under assets acquired through collection of receivables, the Bank presents tangible assets received in lieu of debt collection (collection of receivables) until the moment of their sale or use for the Bank's own needs.

Repossessed property is recognized after the acquisition at the lower of its estimated market value or the cost of acquisition. Up to the moment of sale or change of purpose for repossessed assets, once a year the Bank performs revaluation of each repossessed item of property.

3.16 Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of payment guarantees and performance bonds, letters of credit, acceptances and other warranties. Financial guarantees are contracts which obligate the issuer of a guarantee to perform the payment or compensate the loss to the holder of a guarantee, incurred if a certain client fails to settle its liabilities in due time as required under the terms of the contract.

Financial guarantees are initially recognized in the financial statements at fair value as at the date the guarantee is issued. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligations arising as a result of the guarantee.

Any increase in the liability relating to the financial guarantees is recognized in the income statement. The premium received is recognized in the income statement within the fee and commission income on a straight-line basis over the life of the guarantee.

Financial guarantees are presented under contingent liabilities, within the Bank's off-balance sheet items (Note 26).

4 INTEREST INCOME AND EXPENSES

a) INTEREST INCOME

Interest income includes:

	In RSD thousand For the year ended 31 December	
	2025	**2024**
RSD borrowings measured at AC, due from:		
Banks	50,706	343,175
Public companies	22,837	32,986
Corporate customers	3,329,828	3,199,655
Entrepreneurs	371,040	341,894
Public sector	54,688	70,481
Retail customers	2,004,528	1,947,475
Other customers	263,905	241,897
	6,097,532	**6,177,563**
Foreign currency loans measured at AC, due from:		
Banks	57,118	131,451
Corporate customers	838	7,533
Retail customers	-	8
Other customers	308,133	368,807
	366,089	**507,799**
RSD deposits measured at AC, due from:		
Banks	118,658	145,168
	118,658	**145,168**
FX deposits measured at AC, due from:		
Banks	9,917	23,537
Other customers	4,178	5,576
	14,095	**29,113**
Securities measured at FVTOCI:		
In RSD	833,156	806,783
In foreign currency	32,803	-
	865,959	**806,783**
Other placements measured at AC:		
In RSD	2,142	1,587
In foreign currency	735	358
	2,877	**1,945**
TOTAL:	**7,465,210**	**7,668,371**

Total interest income recognized on impaired financial assets for the year ended 31 December 2025 amounted to RSD 39,672 thousand (2024: RSD 50,264 thousand).

4 INTEREST INCOME AND EXPENSES (Continued)

b) INTEREST EXPENSES

		In RSD thousand For the year ended 31 December
	2025	**2024**
RSD borrowings measured at AC, due to:		
Banks	9,110	1,534
Other customers	593	642
	9,703	**2,176**
Foreign currency loans measured at AC, due to:		
Public sector	90,008	176,179
Banks	-	3,431
Other customers	19,456	15,624
	109,464	**195,234**
RSD deposits measured at AC, due to:		
Banks	163,904	187,425
Public companies	41,619	85,606
Corporate customers	470,295	514,045
Entrepreneurs	16,422	15,280
Public sector	11,288	13,354
Retail customers	207,645	246,092
Other customers	47,681	51,792
	958,854	**1,113,594**
FX deposits measured at AC, due to:		
Banks	140,874	109,354
Public companies	12,444	15,815
Corporate customers	207,747	160,768
Entrepreneurs	8,476	3,470
Retail customers	695,015	711,581
Other customers	12,840	19,504
	1,077,396	**1,020,492**
Lease liabilities measure at AC, due to:		
In RSD	1,055	1,119
In foreign currency	30,699	29,352
	31,754	**30,471**
TOTAL:	**2,187,171**	**2,361,967**

Interest expenses that relate to the lease of business premises for the year ended 31 December 2025 amounted to RSD 30,153 thousand (2024: RSD 29,419 thousand), while interest expenses on vehicle leasing for the year ended 31 December 2025 amounted to RSD 1,601 thousand (2024: RSD 1,052 thousand).

5 FEE AND COMMISSION INCOME AND EXPENSES

	Retail		Legal entities		Total	
	2025	2024	2025	2024	2025	2024
FEE AND COMMISSION INCOME						
Payment operations	313,808	284,143	1,102,981	1,039,512	1,416,789	1,323,655
Loans	11,607	8,355	15,918	38,821	27,525	47,176
Credit card operations	94,364	76,078	919,389	769,194	1,013,753	845,272
Purchase and sale of foreign currency and foreign currency cash funds	30,708	25,375	246,655	241,345	277,363	266,720
Guarantees	773	1,650	455,382	442,092	456,155	443,742
Other fees and commissions	14,613	13,297	79,564	535	94,177	13,832
Total income from fees and commissions	**465,873**	**408,898**	**2,819,889**	**2,531,499**	**3,285,762**	**2,940,397**

	Retail		Legal entities		Total	
	2025	2024	2025	2024	2025	2024
FEE AND COMMISSION EXPENSES						
Payment operations	-	-	(273,460)	(254,393)	(273,460)	(254,393)
Loans	(7,839)	(7,116)	(13,551)	(17,248)	(21,390)	(24,364)
Credit card operations	-	-	(773,658)	(663,401)	(773,658)	(663,401)
Purchase and sale of foreign currency and foreign currency cash funds	-	-	(1,304)	(1,668)	(1,304)	(1,668)
Other fees and commissions	-	-	(5,290)	(1,083)	(5,290)	(1,083)
Total expenses on fees and commissions	**(7,839)**	**(7,116)**	**(1,067,263)**	**(937,793)**	**(1,075,102)**	**(944,909)**
Net income from fees and commissions	**458,034**	**401,782**	**1,752,626**	**1,593,706**	**2,210,660**	**1,995,488**

The majority of fee and commission expense items are presented as costs related to the Bank’s clients (legal entities), classified according to the legal form of the service provider. A significant portion of the fee-based income the Bank generates from card operations relates to revenue from merchants for the use of the Bank’s POS terminals.

6 NET GAINS/(LOSSES) FROM CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

Net (gains)/losses from changes in the fair value of financial instruments

		In RSD thousand For the year ended 31 December
	2025	**2024**
Net gains from the changes in the fair value of financial assets measured at FVTPL	1,204	99
Net gains/(losses) from the changes in the fair value of other derivatives	(3,645)	32,795
TOTAL:	**(2,441)**	**32.894**

7 NET GAINS ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Net gains arising from derecognition of financial instruments measured at fair value:

		In RSD thousand For the year ended 31 December
	2025	**2024**
Net gains from derecognition of financial assets measured at FVTOCI	-	265,945
Net gains from derecognition of financial assets measured at FVTPL	44	4,808
TOTAL:	**44**	**270,753**

8 NET FOREIGN EXCHANGE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS

Net income on foreign exchange differences and foreign currency clause include:

		In RSD thousand For the year ended 31 December
	2025	**2024**
Net foreign exchange gains on loans and deposits	158,536	57,644
Net foreign exchange losses on other items	(94,002)	(102,253)
Net foreign exchange gains and positive currency clause effects:	**64,534**	**44,609**

9 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AND CREDIT RISK-WEIGHTED OFF-BALANCE ITEMS

a) Credited/(Charged) to Profit or Loss

		In RSD thousand For the year ended 31 December
	2025	**2024**
Impairment allowance of financial assets measured at AC	(1,972,002)	(2,333,564)
Reversal of impairment allowance of financial assets measured at AC (Note 9b)	1,435,307	1,559,467
Net losses	**(536,695)**	**(774,097)**
Provisions for off-balance sheet items (Note 23a)	(20,801)	(36,508)
Reversal of provisions for off-balance sheet items (Note 23a)	28,227	36,121
Net gains/(losses)	**7,426**	**(387)**
Impairment allowance of financial assets measured at FVTOCI	(18,733)	(42,434)
Reversal of impairment allowance for financial assets measured at FVTOCI	21,329	41,476
Net losses	**2,596**	**(958)**
Write-off of irrecoverable receivables	(101)	(810)
Recovery of receivables previously written off	191,128	87,883
Net gains	**191,027**	**87,073**
Gains on the modification of financial instruments	3,930	7,807
Losses on the modification of financial instruments	(3,631)	(47,977)
Net gains/(losses)	**299**	**(40,170)**
TOTAL:	**(335,347)**	**(728,539)**

For the year ended 31 December 2025, the Bank recognized interest income on impaired loans using the effective interest rate on the amortized cost of loans, or their net values along with adjustment of the income recorded in the income statement and with the calculated impairment allowance of receivables in this respect, and recorded losses on impairment of financial assets measured at amortized cost within the line item of net gains/losses from impairment of financial assets not measured at fair value through profit or loss. The impairment allowance made in this respect was recorded in the amount of RSD 39,672 thousand (2024: RSD 50,264 thousand). Due to the foregoing, losses on impairment assets recorded in the income statement (Note 9a) exceeded by the same amount losses on impairment presented in the table of movements on impairment allowance accounts (Note 9b).

The net present value of housing loans before modification as of 31 December 2025 amounted to RSD 725,317 thousand, in accordance with the NBS Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person (2024: RSD 8,655,837 thousand). The effect of the modification in 2025 amounts to RSD 3,460 thousand (2024: RSD 45,485 thousand).

9 NET LOSSES ON IMPAIRMENT OF FINANCIAL ASSETS AND CREDIT RISK-WEIGHTED OFF-BALANCE ITEMS (Continued)

b) Movements on Impairment Allowance Accounts

In RSD thousand - 2025

	Cash and balances held with the Central Bank (Note 14)	Loans and receivables from banks (Note 17)	Loans and receivables from customers (Note 18)	Other financial assets (Note 20)	Total
Balance as of 1 January 2025	**3,654**	**2,731**	**1,589,766**	**128,788**	**1,724,939**
Impairment losses on balance sheet items	3,799	4,755	1,880,065	43,710	1,932,329
Reversal of impairment of balance sheet items (Note 9a)	(3,650)	(4,558)	(1,408,374)	(18,725)	(1,435,307)
Foreign exchange effects	(3)	1	(403)	-	(405)
Write-off	-	-	(143,004)	(9,483)	(152,487)
Other	-	(286)	(38)	(191)	(515)
Balance as of 31 December 2025	**3,800**	**2,643**	**1,918,012**	**144,099**	**2,068,554**

In RSD thousand - 2024

	Cash alances with Central Bank (Note 14)	Loans and receivables from banks (Note 17)	Loans and receivables from customers (Note 18)	Other financial assets (Note 20)	Total
Balance as of 1 January 2024	**2,793**	**2,359**	**1,106,337**	**91,850**	**1,203,339**
Impairment losses on balance sheet items	5,295	9,945	2,142,346	125,715	2,283,301
Reversal of impairment of balance sheet items (Note 9a)	(4,437)	(9,498)	(1,464,979)	(80,553)	(1,559,467)
Foreign exchange effects	3	1	(2,551)	1	(2,546)
Write-off	-	-	(191,241)	(8,225)	(199,466)
Definite write-off	-	-	(146)	-	(146)
Other	-	(76)	-	-	(76)
Balance as of 31 December 2024	**3,654**	**2,731**	**1,589,766**	**128,788**	**1,724,939**

10 OTHER OPERATING INCOME

Other operating income consists of:

	In RSD thousand For the year ended 31 December 2025	2024
Income from operations	84,328	7,101
Income from dividends and equity interests	673	767
TOTAL:	**85,001**	**7,868**

11 SALARIES, COMPENSATIONS AND OTHER PERSONNEL EXPENSES

	In RSD thousand For the year ended 31 December 2025	2024
Salaries and compensations	1,531,876	1,314,383
Taxes on salaries and salary compensations	187,824	161,488
Contributions on salaries and salary compensation	725,514	614,210
Other personal expenses	13,711	14,462
Provisions for retirement and other employee employee benefits	312,959	261,326
Considerations payable to temporary and seasonal staff members	6,548	1,997
Income from reversal of provisions for retirement and other employee benefits	-	(11,034)
TOTAL:	**2,778,432**	**2,356,832**

Within the line item of salaries and salary compensations, the amount of RSD 61,201 thousand (2024: RSD 60,291 thousand) relates to the Executive Board members' remunerations, while the Board of Directors members' remunerations are presented within the line item of other personal expenses in the net amount of RSD 10,839 thousand (2024: RSD 11,581 thousand).

12 OTHER INCOME AND EXPENSES

		In RSD thousand For the year ended 31 December
	2025	2024
Gains on the sale of property, plant, equipment and intangible assets	-	74,192
Surpluses	3,244	-
Other income	15,212	29,602
Income from the reversal of unused provisions for litigations (Note 23)	17,524	12,407
Income from reversal of other provisions (severance/retirement pay)	-	13
Income from reduction in liabilities (leases)	-	583
TOTAL:	**35,980**	**116,797**
Operating expenses		
Cost of materials	137,667	122,760
Costs of production services	543,880	457,363
Non-production costs	844,748	758,281
Taxes payable	24,702	17,742
Contributions payable	1,009	1,008
Other expenses	1,562	1,454
Provisions for liabilities (Note 23)	2,949	23,004
Costs of reversal of unused provisions for litigations (Note 23)	-	235
	1,556,517	**1,381,847**
Other operating expenses		
Losses on the retirement and disposal of property, equipment and intangible assets	57	223
Losses from the sale of property, plant, equipment and intangible assets	-	4
Other expenses	4,109	2,119
Deficiencies and damages	319	1,500
	4,485	**3,846**
TOTAL:	**1,561,002**	**1,385,693**

Within the line item non-material expenses, the most significant amount relates to paid insurance premiums of RSD 388,412 thousand (2024: RSD 345,988 thousand), of which the largest portion is the mandatory insurance premium for retail deposits in the amount of RSD 284,624 thousand (2024: 257,854 thousand) and insurance premium paid for cash loans in the amount of RSD 59,721 thousand (2024: RSD 50,961 thousand). Besides the aforementioned, the largest non-production costs relate to the costs of securing facilities and transporting money in the amount of RSD 102,571 thousand (2024: RSD 86,298 thousand), costs of renting software in the amount of RSD 97,133 thousand (2024: RSD 98,977 thousand).

Within the line item of costs of production services, the largest amount relates to IT equipment maintenance costs of RSD 111,208 thousand (2024: RSD 87,450 thousand).

The expenses of real-estate lease covered by IFRS 16 amount to RSD 101,101 thousand (2024: RSD 92,511 thousand), of which the largest part is value added tax for all real-estate leased from legal entities, personal income tax for individuals, as well as service costs of leasing the Bank's head office.

Vehicle rental costs covered by IFRS 16 relate to value added tax borne by the lessee (the Bank) and amount to RSD 9,137 thousand (2024: RSD 9,238 thousand).

The costs of leases of areas for ATMs, which due to their low value are not covered by the IFRS 16 standard, amounted to RSD 10,935 thousand in 2025 (2024: RSD 10,982 thousand). ATM lease agreements do not meet the requirements for posting under IFRS 16, due to the low value of the contract and the indefinite contract period.

13 INCOME TAXES

a) Income tax recognized under other comprehensive income is presented below:

	2025			2024		
	Before tax	Tax payable	After tax	Before tax	Tax payable	After tax
Gains/(Losses) from effects of change in value of debt instruments measured at fair value through other comprehensive income	216,092	(32,414)	183,678	984,667	(147,700)	836,967
Increase in revaluation reserves arising from intangible assets and property, plant and equipment	-	-	-	38,253	(5,738)	32,515
Actuarial losses	(8,991)	1,349	(7,642)	(8,180)	1,227	(6,953)
Balance as of 31 December	**207,101**	**(31,065)**	**176,036**	**1,014,740**	**(152,211)**	**862,529**

b) Components of income tax are as follows:

In RSD thousand	**2025**	**2024**
Current tax expense for the period	(191,533)	(204,767)
Increase in deferred tax assets/(decrease in deferred tax liabilities) and decrease in deferred tax liabilities/(increase in deferred tax assets)	5,559	(583)
Total	**(185,974)**	**(205,350)**

c) Income tax reconciliation with prescribed tax rates

	In RSD thousand For the year ended 31 December	
	2025	**2024**
Profit before taxes	**2,160,637**	**2,556,567**
Income tax at the statutory rate of 15%	**324,096**	**383,485**
Tax effects of expenses not recognized for tax purposes and other expense adjustments	3,918	1,522
Tax effects of income from debt securities and other income adjustments	(136,481)	(180,138)
Other	-	(102)
Income tax stated in the tax statement	**191,533**	**204,767**
Effective tax rate	**8.86%**	**8.01%**
Profit arising from deferred taxes	(5,559)	583
Total tax expense of the period	**185,974**	**205,350**
Effective tax rate	**8.61%**	**8.03%**

13 INCOME TAXES (Continued)

d) Components of deferred tax assets and liabilities

The Bank recognized deferred tax assets in accordance with its projected results as per the adopted five-year business strategy. Given that as of 31 December 2025, there were changes in the amount of deferred tax assets compared to the 2024 year-end, The Bank recorded an increase in deferred tax assets compared to the previous year, in the amount of RSD 4,562 thousand.

Deferred tax assets and liabilities relate to:

	2025			2024		
In RSD thousand	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Deferred tax assets from temporary differences on property, plant and equipment	55,459	-	55,459	47,959	-	47,959
Deferred tax assets from securities	7,732	-	7,732	7,682	-	7,682
Deferred tax assets from litigation provisions	2,976	-	2,976	6,736	-	6,736
Deferred tax assets from provisions for employee retirement benefits	4,929	-	4,929	4,179	-	4,179
Deferred tax assets from impairment of securities	2,148	-	2,148	1,129	-	1,129
Deferred tax liabilities from changes in the value of property, plant and equipment	-	(20,596)	(20,596)	-	(20,596)	(20,596)
Deferred tax liabilities arising from actuarial losses	-	(2,957)	(2,957)	-	(1,960)	(1,960)
Deferred tax assets from impairment of assets	720	-	720	720	-	720
Total	**73,964**	**(23,553)**	**50,411**	**68,405**	**(22,556)**	**45,849**

Movements in temporary differences during 2025 are shown in the following table:

In RSD thousand	**Balance as of 1 January**	**Reported in the income statement**	**Reported in other comprehen-sive income**	**Balance as of 31 December**
Deferred tax assets from temporary differences on property, plant and equipment	47,959	7,500	-	55,459
Deferred tax assets from securities	7,682	50	-	7,732
Deferred tax assets from litigation provisions	6,736	(3,760)	-	2,976
Deferred tax assets from provisions for employee retirement benefits	4,179	750	-	4,929
Deferred tax assets from impairment of securities	1,129	1,019	-	2,148
Deferred tax liabilities from changes in the value of property, plant and equipment	(20,596)	-	-	(20,596)
Deferred tax liabilities arising from actuarial losses	(1,960)	-	(997)	(2,957)
Deferred tax assets from impairment of assets	720	-	-	720
Total	**45,849**	**5,559**	**(997)**	**50,411**

14 CASH AND BALANCES HELD WITH THE CENTRAL BANK

	31 December 2025	31 December 2024
		In RSD thousand
Gyro account balance	8,750,016	9,885,423
Cash in hand in RSD	2,253,621	2,024,165
Receivables for accrued interest, fees and commissions related to the cash and balances held with the central bank	1,563	-
Liquidity surpluses held with NBS	12,499,999	-
Cash in hand in foreign currencies	720,744	1,021,245
Mandatory foreign currency reserve held with NBS	8,025,584	6,580,752
Other cash and cash equivalents	704	704
Prepayments and deferred expenses in RSD for cash and balances held with Central Bank	-	485
Less: Impairment allowance of the cash and balances held with the Central Bank	(3,800)	(3,654)
Balance as of	**32,248,431**	**19,509,120**

The gyro account balance includes the mandatory RSD reserve that represents the minimum average balance of RSD funds that the Bank has to allocate to its gyro account in accordance with the National Bank of Serbia's Decision on Banks' Required Reserves with the National Bank of Serbia (Official Gazette of the Republic of Serbia nos. 76/2018 and 77/2023).

In accordance with Article 6 of this Decision, the Bank is obliged to calculate and allocate the RSD mandatory reserve at the rate of 7% on the average daily balance of RSD deposits, borrowings and other liabilities with a maturity of up to two years, during one calendar month, while for deposits, borrowings and other liabilities with a maturity of over two years, the allocation rate is 2%. Mandatory reserve is calculated once a month. During 2025, the NBS calculated and paid interest on the amount of the realized average daily balance of the allocated dinar mandatory reserve in the calculation period, which does not exceed the amount of the calculated RSD mandatory reserve, at the interest rate from 1 January 2025 until the end of 2025 kept at the level of 0.75% on an annual basis.

As of 31 December 2025, the mandatory RSD reserve was calculated in the amount of RSD 10,390,510 thousand (2024: RSD 8,818,572 thousand). The stated amount is included within the gyro account balance line item.

The portion of the calculated foreign currency mandatory reserve allocated in dinars amounts to 46% and relates to deposits, borrowings and other liabilities with contractual maturity of up to two years and 38% relates to deposits, borrowings and other liabilities with contractual maturity of over two years, so that the total RSD mandatory reserve consists of the sum of the calculated RSD reserve in dinars and the stated part of the calculated foreign currency reserve.

The mandatory foreign currency reserve represents the minimum average balance of foreign currency assets which the Bank is obligated to allocate to its account held with NBS, in accordance with the Decision on Banks' Required Reserves with the National Bank of Serbia (Official Gazette of the Republic of Serbia nos. 76/2018 and 77/2023). The Bank is obliged to calculate and allocate the foreign currency reserve to the amount of the average daily balance of foreign currency deposits, borrowings and other liabilities during one calendar month at a rate of 23% for those with contractual maturity of up to two years, 16% for those with contractual maturity of over two years and 100% for the average balance of the foreign currency clause-indexed RSD liabilities. The NBS does not pay any interest on the mandatory foreign currency reserve funds on the Bank's account held with the NBS.

The line item "reserve requirement with the NBS in foreign currency" represents the current balance on the foreign currency account with the NBS where the required reserve is allocated. The obligation of the Bank is that the average monthly balance of allocated funds be at the level of calculated required reserves in foreign currency. As this account is used for other purposes, individual days have a different balance. The table shows the balance on that account as of 31 December 2025.

As of 31 December 2025, the Bank's mandatory foreign currency reserve amounted to RSD 7,855,026 thousand (2024: RSD 6,435,299 thousand).

14 CASH AND BALANCES HELD WITH THE CENTRAL BANK (Continued)

The Bank's mandatory foreign currency reserve is comprised of 54% of the foreign currency reserve calculated for the Bank's liabilities with maturities of up to two years and 62% of the foreign currency reserve calculated for the Bank's liabilities with maturities of over two years.

For the purposes of preparation of the cash flow statement, the Bank includes in the cash and cash equivalents cash funds held on the gyro account, cash in hand in both RSD and foreign currencies, and cash funds on the accounts held with foreign banks. The item of cash and balances held with the Central Bank was reconciled with the items of the statement of cash flows at the end of the reporting period as follows:

In RSD thousand

	31 December 2025	31 December 2024
Total cash	32,252,231	19,512,774
Effects of restatements on the statement of cash flows	(1,563)	(485)
Foreign currency accounts held with foreign banks	812,819	1,694,838
Mandatory foreign currency reserve	(8,025,584)	(6,580,752)
Liquidity surpluses	(12,499,999)	-
Balance of cash in the Cash Flow Statement	**12,537,904**	**14,626,375**

15 RECEIVABLES/(PAYABLES) UNDER DERIVATIVE FINANCIAL INSTRUMENTS

In RSD thousand

	31 December 2025	31 December 2024
Receivables from derivatives	529	1,538
Liabilities arising from derivatives	(83)	(79)
Balance as of	**446**	**1,459**

16 SECURITIES

In RSD thousand

	31 December 2025	31 December 2024
a) Securities measured at FVTPL		
Corporate shares	20,891	19,644
	20,891	**19,644**
b) Securities measured at FVTOCI		
Bonds issued by the Republic of Serbia in RSD	19,723,038	18,551,766
Bonds issued by the Republic of Serbia in foreign currencies	1,162,943	-
Bonds issued by the Republic of Turkey in foreign currencies	542,716	-
	21,428,697	**18,551,766**
Balance as of	**21,449,588**	**18,571,410**

16 SECURITIES (Continued)

In 2025, a net negative effect in the amount of RSD 183,678 thousand was realized based on changes in the value of securities that are measured at fair value through other comprehensive income (the statement of other comprehensive income shows the positive effect of changes in the value of debt instruments in the amount of RSD 217,808 thousand, while the negative effect amounted to RSD 34,130 thousand). The statement of changes in equity also presents the negative effects of changes in the value of debt instruments that are measured at fair value through other comprehensive income within revaluation reserves in the amount of RSD 183,678 thousand.

In 2024, a net negative effect in the amount of RSD 836,967 thousand was realized based on changes in the value of securities that are measured at fair value through other comprehensive income (the statement of other comprehensive income shows the positive effect of changes in the value of debt instruments in the amount of RSD 878,443 thousand, while the negative effect amounted to RSD 41,476 thousand). The statement of changes in equity also presents the negative effects of changes in the value of debt instruments that are measured at fair value through other results within revaluation reserves in the amount of RSD 836,967 thousand.

As of 31 December 2025, the securities and investments traded by the Bank in the Belgrade Stock Exchange comprised corporate shares.

17 LOANS AND PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

In RSD thousand

	31 December 2025	31 December 2024
Loans for repo transactions in RSD	-	3,872,700
Foreign currency accounts	812,819	1,694,838
Loans in RSD	683,931	628,957
Placements that are approved and mature within one day	586,410	351,045
Other investments	12	12
Deposits in foreign currencies	2,399,439	659,617
Receivables for accrued interest on loans, deposits and other placements in RSD	740	500
Interest income on loans, deposits, and other placements in RSD in current reporting period that do not mature for payment in that period	2,073	1,912
Interest income on loans, deposits, and other placements in foreign currency in current reporting period that do not mature for payment in that period	251	83
Deferred income for receivables carried at amortized cost using the effective interest rate	(594)	(658)
Gross loans and placements to banks and other financial institutions	**4,485,081**	**7,209,006**
Less: Impairment allowance (Note 9b)	(2,643)	(2,731)
Balance as of	**4,482,438**	**7,206,275**

Foreign currency assets with the Central Securities Depository and foreign currency assets on transaction accounts held with domestic and foreign banks as of 31 December 2025 amounted to RSD 812.819 thousand (2024: RSD 1,694,838 thousand) and are presented within the line item of foreign currency accounts.

18 LOANS AND PLACEMENTS TO CUSTOMERS

	31 December 2025	In RSD thousand 31 December 2024
Loans in RSD and loans indexed to EUR	99,812,058	84,456,958
Loans and placements in foreign currencies	5,199,753	4,839,898
Other placements in RSD	34,395	109,171
Other placements in foreign currencies	1,123	1,854
Receivables for accrued interest on loans, deposits and other placements:		
- in RSD	99,024	87,542
- in foreign currency	128	128
Accrued receivables for interest on loans, deposits and other investments		
- in RSD	467,154	466,684
- in foreign currency	54,094	58,619
Receivables for fee and commission income from loans, deposits and other placements	81	272
Income from fees and other income in RSD from loans, deposits, and other placements in current reporting period that do not mature for payment in that period	2	2
Deferred income for receivables carried at amortized cost using the effective interest rate		
- in RSD	(161,859)	(170,376)
- in foreign currency	(25,700)	(14,589)
Gross loans and receivables from customers	**105,480,253**	**89,836,163**
Less: Impairment allowance (Note 9b)	(1,918,012)	(1,589,766)
Balance as of	**103,562,241**	**88,246,397**

The largest part of long-term loans placed during 2025 related to:

- loans extended in the amount EUR 483 million in Corporate, SME and agribusiness segments, through loans granted from the Bank's resources, as well as certain programs and campaigns. The focus was on loans granted from the Bank's resources, and credit lines in cooperation with the SEF foundation, Micro credits campaign, FRK campaigns of investment loans in cooperation with the National Bank of Serbia, as well as placements in the agribusiness customers.

- In the second quarter, the Bank signed an agreement on business cooperation with the Guarantee Fund of AP Vojvodina with the aim of supporting AGRO clients and small and medium-sized enterprises from the territory of AP Vojvodina through financing within one of the Fund's defined programs.

- In cooperation with the Ministry of Agriculture, Forestry and Water Management, the Bank started implementing the Project for Competitive Agriculture financed by the World Bank, for the allocation of grants in agriculture. The target group are entrepreneurs and entities engaged in processing and storage of agricultural products.

18 LOANS AND PLACEMENTS TO CUSTOMERS (Continued)

Gross loans and placements to corporate clients (including gross NPL as at 31 December) without interest, fees and accrued fees are as follows:

In RSD thousand

Loan Type	31 December 2025	31 December 2024	% of change
Loans from the Bank's resources	74,146,432	61,938,084	19.71%
Loans from credit lines obtained from the International Financial Institutions	1,468,161	2,386,691	-38.49%
Balance as of	**75,614,593**	**64,324,775**	**17.55%**

Total Gross loans and placements to retail clients (including gross NPL as at 31 December (without interest)) are as follows:

In RSD thousand

Loan Type	31 December 2025	31 December 2024	% of change
Cash loans	17,257,134	14,286,771	20.79%
Housing loans	10,804,155	9,603,608	12.50%
Consumer loans – other purposes	124,902	150,409	-16.96%
Matured loan receivables	364,752	371,596	-1.84%
Consumer loans – purchase of vehicles	404,860	277,557	45.87%
Authorized current account overdrafts	274,432	231,390	18.60%
Receivables from credit cards	202,502	163,072	24.18%
Balance as of	**29,432,737**	**25,084,403**	**17.33%**

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

a) Intangible Assets

In RSD thousand

	Intangible assets under development	Patents, licenses and software	Total
Cost			
Balance as at 1 January 2024	1,313,687	813,848	2,127,535
Increases	442,335	10,930	453,265
Increases (internally developed)	147,519	-	147,519
Transfer (from)/to	(984,463)	984,463	-
Transfer (from)/to (internally developed)	(834,941)	834,941	-
Removal from inventory	-	-	-
Balance as of 31 December 2024	**84,137**	**2,644,182**	**2,728,319**
Allowance for impairment			
Balance as at 1 January 2024	-	507,729	507,729
Amortization for the year	-	221,837	221,837
Removal from inventory	-	-	-
Balance as of 31 December 2024	**-**	**729,566**	**729,566**
Carrying value as of 31 December 2024	**84,137**	**1,914,616**	**1,998,753**
Cost			
Balance as at 1 January 2025	84,137	2,644,182	2,728,319
Increases	206,589	-	206,589
Increases (internally developed)	123,381	-	123,381
Transfer (from)/to	(222,994)	222,994	-
Transfer (from)/to (internally developed)	(135,010)	135,010	-
Disposal	-	(172,045)	(172,045)
Balance as of 31 December 2025	**56,103**	**2,830,141**	**2,886,244**
Allowance for impairment			
Balance as at 1 January 2025	-	729,566	729,566
Amortization for the year	-	253,625	253,625
Other		(32)	(32)
Disposal	-	(172,045)	(172,045)
Balance as of 31 December 2025	**-**	**811,114**	**811,114**
Carrying value as of 31 December 2025	**56,103**	**2,019,027**	**2,075,130**

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

b) Real-estate Property

In RSD thousand

	Property under construction	Real-estate Property	Total
Cost			
Balance as at 1 January 2024	-	357,266	357,266
Increases	7,191	-	7,191
Revaluation	-	88,373	88,373
Revaluation of trade receivables		(6,952)	(6,952)
Transfer (from)/to	(6,584)	6,584	-
Sale / disposal	-	(34,495)	(34,495)
Balance as of 31 December 2024	**607**	**410,776**	**411,383**
Allowance for impairment			
Balance as at 1 January 2024	-	170,182	170,182
Amortization for the year	-	8,938	8,938
Revaluation	-	43,168	43,168
Revaluation of trade receivables		(6,952)	(6,952)
Sale / disposal	-	(14,398)	(14,398)
Balance as of 31 December 2024	**-**	**200,938**	**200,938**
Carrying value as of 31 December 2024	**607**	**209,838**	**210,445**

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

b) Real-estate Property (Continued)

In RSD thousand

	Property under construction	Real-estate Property	Total
Cost			
Balance as at 1 January 2025	607	410,776	411,383
Increases	1,901,751	-	1,901,751
Transfer (from)/to	(727)	727	-
Balance as of 31 December 2025	**1,901,631**	**411,503**	**2,313,134**
Allowance for impairment			
Balance as at 1 January 2025	-	200,938	200,938
Amortization for the year	-	10,266	10,266
Balance as of 31 December 2025	**-**	**211,204**	**211,204**
Carrying value as of 31 December 2025	**1,901,631**	**200,299**	**2,101,930**

The highest amount of real-estate investment relates to the purchase of a new building for the Bank's HQ in the amount of RSD 1,898,086 thousand.

The Bank has satisfactory evidence of ownership of all assets in its possession, except for three buildings with the total carrying value of RSD 1,663 thousand as of 31 December 2025 (2024: RSD 1.755 thousand). The Bank acquired the aforementioned three real estate properties under purchase agreements executed in 1997, all of which were duly certified by the court, and the Bank has regularly reported and paid property taxes on them. The Bank has no encumbrances registered on its assets.

If the Bank applied the cost model less depreciation when calculating the value of buildings owned by the Bank, the carrying value of buildings as of 31 December 2025 would amount to RSD 156,089 thousand (2024: RSD 162,912 thousand).

In accordance with the Bank's Accounting Policy, the Bank used internally determined market values of properties owned as of 30 November 2025 for assessing any impairment.

In accordance with the Bank's accounting policies, revaluation of buildings is performed every three years. The Bank engaged a certified appraiser to carry out the revaluation of all buildings owned by the Bank as of 30 November 2021. The comparative market method and income approach were used in the valuation. The Bank performed the revaluation, such that the effects of the revaluation performed were recognized in the amount of the certified appraiser's assessment within equity.

The following table presents valuation techniques as well as significant non-determinable parameters used in estimating the fair value of buildings.

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

b) Real-estate Property (Continued)

Valuation technique	Significant unobservable inputs	Relation between the key unobservable inputs and the fair value
Market Approach - is based on the method of comparable transactions, i.e., on the comparison of assets that are valued with other comparable assets subject to buying/selling in the market	Real-estate prices in the local market are observed. Comparable real-estate was found for the Bank's buildings. Comparable market prices in Belgrade as of 31 December 2025 ranged from 1,700 to 2,500 EUR/m2 in Belgrade, and in Cacak, Gornji Milanovac and Jagodina from 1,016 to 2,000 EUR/m2, in Kraljevo from 900 to 2,000 EUR/m2, in Krusevac from 400 to 1,600 EUR/m2.	The appraised fair value would increase/(decrease) if the prices of comparable properties in the local real-estate market increased/(decreased)

The property revaluation process

The property revaluation is performed once every three years based on the appraisal reports prepared by qualified independent appraisers hired by the Bank, while the Bank internally reviews and reassess the market values of the building properties on an annual basis. The most recent appraisal performed by independent appraisers was made on 30 November 2024.

The appraisal reports are prepared based on:

- the information obtained from the Bank on the current rent amounts, lease of similar properties, utility service prices, amounts of capital expenditures made by the Bank, etc.; such information is taken from the Bank's systems for finance management, property and collateral management and is subject to the general controls within the control environment;

- the assumptions and models used by the appraisers for revaluation of the Bank's property are usually market-bases, such as comparable prices, and depend on the professional estimates and judgments made by the appraisers, as well as on their observation of the market;

Information and data the Bank provides to the independent appraisers as well as the assumptions and models applied by the appraisers are subject to review by the Bank's competent departments. Such a review entails analyses of changes in the fair values of the property items over the year.

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

c) Equipment and Other Fixed Assets

In RSD thousand

	Equipment and other fixed assets under construction	Equipment and other fixed assets	Total
Cost			
Balance as at 1 January 2024	126,056	1,771,072	1,897,128
Increases	213,801	-	213,801
Decreases	-	(10,931)	(10,931)
Transfer (from)/to	(229,892)	229,892	-
Sales	-	(76)	(76)
Disposals and write-offs	-	(3,833)	(3,833)
Balance as of 31 December 2024	**109,965**	**1,986,124**	**2,096,089**
Allowance for impairment			
Balance as at 1 January 2024	-	1,050,437	1,050,437
Amortization for the year	-	235,273	235,273
Sales	-	(38)	(38)
Disposals and write-offs	-	(3,568)	(3,568)
Balance as of 31 December 2024	**-**	**1,282,104**	**1,282,104**
Carrying value as of 31 December 2024	**109,965**	**704,020**	**813,985**

In RSD thousand

	Equipment and other fixed assets under construction	Equipment and other fixed assets	Total
Cost			
Balance as at 1 January 2025	109,965	1,986,124	2,096,089
Increases	364,855	-	364,855
Transfer (from)/to	(408,822)	408,822	-
Sales	-	(114)	(114)
Disposals and write-offs	-	(43,319)	(43,319)
Balance as of 31 December 2025	**65,998**	**2,351,513**	**2,417,511**
Allowance for impairment			
Balance as at 1 January 2025	-	1,282,104	1,282,104
Amortization for the year	-	263,862	263,862
Sales	-	(15)	(15)
Disposals and write-offs	-	(43,319)	(43,319)
Balance as of 31 December 2025	**-**	**1,502,632**	**1,502,632**
Carrying value as of 31 December 2025	**65,998**	**848,881**	**914,879**

The largest amount of investment in 2025 relates to adaptation and relocation of branches/sub-branches in the amount of RSD 123,302 thousand, procurement of servers in the amount of RSD 31,775 thousand and POS terminals in the amount of RSD 70,004 thousand.

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

d) Investment Property

In RSD thousand

	Investment property under construction	Investment properties	Total
Cost			
Balance as at 1 January 2024	-	141,880	141,880
Sale / disposal	-	(3,668)	(3,668)
Balance as of 31 December 2024	**-**	**138,212**	**138,212**
Allowance for impairment			
Balance as at 1 January 2024	-	20,679	20,679
Amortization for the year	-	3,778	3,778
Sale / disposal	-	(183)	(183)
Balance as of 31 December 2024	**-**	**24,274**	**24,274**
Carrying value as of 31 December 2024	**-**	**113,938**	**113,938**

In RSD thousand

	Investment property under construction	Investment properties	Total
Cost			
Balance as at 1 January 2025	-	138,212	138,212
Balance as of 31 December 2025	**-**	**138,212**	**138,212**
Allowance for impairment			
Balance as at 1 January 2025	-	24,274	24,274
Amortization for the year	-	3,701	3,701
Balance as of 31 December 2025	**-**	**27,975**	**27,975**
Carrying value as of 31 December 2025	**-**	**110,237**	**110,237**

Revenues from the lease of facilities/premises in 2025 amounted to RSD 4,016 thousand (2024: RSD 1,301 thousand), while revenues from recharged lease expenses in 2025 amounted to RSD 2,785 thousand (2024: RSD 2,150 thousand).

After initial recognition, the Bank’s investment property is stated at cost less accumulated depreciation. If the Bank had not chosen the purchase value method in accordance with IAS 40, but the fair value method, the fair value on 31 December 2025 would have amounted to RSD 130,942 thousand (31 December 2024: RSD 130,706 thousand).

Valuation technique	Significant unobservable inputs	Relation between the key unobservable inputs and the fair value
Market Approach - is based on the method of comparable transactions, or the comparison of assets that are valued with other comparable assets subject to buying / selling in the market.	Real-estate prices in the local market are observed. Comparable real-estate was found for the Bank's buildings. Comparable market prices in Čačk and Užice as of 31 December 2025 ranged from 500 to 1800 EUR/m2, while at Vladimirci the appraised market value of special purpose facilities (industrial refrigerators) ranged from 200.00 to 600.00 EUR/m2	The appraised fair value would increase/(decrease) if the prices of comparable properties in the local real-estate market increased/(decreased)

The Bank has satisfactory evidence of ownership of all investment properties in its possession.

19 INTANGIBLE ASSETS, PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

e) Leases

A lease is an agreement whereby the lessor (the legal owner of an asset) conveys to the lessee (the user of the asset) the right to use an asset for an agreed period of time in return for a payment or series of payments.

For each lease contract, the Bank assesses whether the contract contains elements of a lease. The Bank assesses whether the contract identifies the asset and whether the Bank has the right to control the use of identifiable assets for a specified period of time.

Within this standard, the Bank includes:

- Business premises and
- Vehicles.

The rate at which the Bank calculates the right of use is the incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

For calculation of the incremental borrowing rate for business premises the Bank uses the average cost of funding sources (term deposits and credit lines).

In order to ensure inclusion of market factors, the projected price takes into account the rates of return on the secondary market of securities of the Republic of Serbia. In this way, the calculation covers both the country-specific risk and the Bank-specific risk.

The Bank leases vehicles under leases with maturities of four to five years. Accordingly, and taking into account that these are permanent working capital, the total amount of the right-of-use assets for all vehicles, which is significantly less than the right-of-use assets for business premises, these assets would not be financed from credit lines.

Additionally, since these are extremely easily marketable assets, the Bank evaluates these contracts by calculating the average cost price on total demand deposits and term deposits plus the insurance premium, i.e., the Bank uses the average rate on deposits (term deposits and demand deposits), which is adjusted (increased) for the cost of deposit insurance.

As of 31 December 2025, the standard was applied to the lease of: 47 properties and 85 vehicles.

In RSD thousand

Right-of-use assets

	31 December 2025	31 December 2024
Properties		
Balance as of 1 January	863,117	969,960
Increase during the year	253,500	133,952
Decrease during the year	(17,777)	(7,112)
Amortization for the year	(260,398)	(233,683)
Balance as of	**838,442**	**863,117**

	31 December 2025	31 December 2024
Vehicles		
Balance as of 1 January	60,465	62,459
Increase during the year	183,094	66,380
Decrease during the year	(79,334)	(24,725)
Amortization for the year	(44,546)	(43,649)
Balance as of	**119,679**	**60,465**

20 OTHER ASSETS

		In RSD thousand
	31 December 2025	31 December 2024
Receivables for calculated fees and commissions related to other assets	53,369	38,015
Trade receivables	2,509	1,615
Other receivables from regular operating activities	28,512	26,818
Other receivables in RSD	1,500,717	534,433
Other receivables in foreign currencies	122,670	360,614
Other placements in RSD	1,537	1,537
Other placements in foreign currencies	4,551	4,540
Other deferred expenses	39,641	30,938
Deferred interest expenses in foreign currencies	23	649
Tangible assets acquired through collection of receivables (Note 28.3)	370,896	65,600
	2,124,425	**1,064,759**
Less: Impairment allowance of other assets		
Impairment of the value of receivables from employees	-	(42,019)
Allowance for impairment of other receivables (Note 9b)	(144,099)	(86,768)
Balance as of	**1,980,326**	**935,972**

The line item of other receivables in RSD relates mostly to receivables in the calculation based on payment cards (Visa, Dina, MasterCard) in the amount of RSD 548,607 thousand (2024: Visa, Dina, MasterCard in the amount of RSD 373,747 thousand) and to advances paid for the purchase of land in the amount of RSD 664,552 thousand (2024: RSD 0 thousand).

The line-item Tangible assets acquired through collection of receivables primarily relates to assets acquired in 2025 whose carrying amount as at 31 December 2025 amounted to RSD 305,295 thousand.

21 DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK

In RSD thousand

	31 December 2025	31 December 2024
Deposits due to banks		
Transaction deposits	149,197	180,704
Deposits related to granted loans	108,893	97,756
Special-purpose deposits	215,661	216,977
Other deposits	10,879,734	6,018,237
Deposits and loans due within one day (overnight)	200,000	240,141
Other financial liabilities	45,060	15,568
Interests and fees payable	943	924
Accrued liabilities for accrued interest on deposits and other financial liabilities due to banks	128,219	97,037
	11,727,707	**6,867,344**
Borrowings due to banks and financial institutions		
Borrowings due to banks and other financial institutions	1,076,236	206,498
Liabilities for accrued interest on borrowings due to banks	16,582	3,661
Deferred expenses for liabilities measured at amortized cost using the effective interest rate	(9,926)	(1,521)
	1,082,892	**208,638**
Balance as of	**12,810,599**	**7,075,982**

The line Other deposits relates to short-term deposits of insurance and other financial institutions in RSD in the amount of RSD 2,949,143 thousand (2024: RSD 2,549,142 thousand) and to deposits from other financial institutions in foreign currency in the amount of RSD 4,894,832 thousand (2024: RSD 3,387,284 thousands), long-term deposits of investment and other financial institutions in dinars in the amount of RSD 690,118 thousand, and deposits of domestic banks in the amount of RSD 2,345,640 thousand (in 2024: RSD 468,060 thousand).

The item of borrowings due to banks in the amount of RSD 1,076,236 thousand in 2023 (2024: RSD 1,166,323 thousand) relates to the credit line from the Green for Growth Fund (GGF) in the amount of RSD 137,980 thousand and the credit line from the European Fund for Southeast Europe S:A: in the amount of RSD 938,256 thousand.

In accordance with the defined limits in the contract concluded with International Financial Institutions, Green for Growth Fund (GGF) and European Fund for Southeast Europe S:A, the Bank is obliged to fulfill certain financial indicators until the final repayment of the borrowings.

As of 31 December 2025, the Bank was in compliance with all agreed financial indicators.

21 DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK (Continued)

Changes in borrowings due to banks during 2025 are shown in the following table:

Creditors	Balance as of 1 January 2025	Balance as of 1 January 2025	Repayments in 2025	Repayments in 2025	Increase in borrowings during 2025	Increase in borrowings during 2025	Foreign exchange effects	Balance as of 31 December 2025	Balance as of 31 December 2025	Due in 2026	Due after 2026	Final Maturity date
	in 000 EUR	in 000 RSD	in 000 EUR	in 000 RSD	in 000 EUR	in 000 RSD	in 000 RSD	in 000 EUR	in 000 RSD	in 000 EUR	in 000 EUR	
Green for Growth Fund (GGF)	1,765	206,498	(588)	(68,927)	-	-	409	1,177	137,980	588	589	15-Sep-27
European Fund for Southeast Europe S:A	-	-	-	-	8,000	937,603	653	8,000	938,256	-	8,000	22-Sep-30
Balance as of	**1,765**	**206,498**	**(588)**	**(68,927)**	**8,000**	**937,603**	**1,062**	**9,177**	**1,076,236**	**588**	**8,589**	

22 DEPOSITS AND OTHER LIABILITIES DUE TO OTHER CUSTOMERS

In RSD thousand

	31 December 2025	31 December 2024
Deposits due to banks		
Transaction deposits	57,157,332	48,044,711
Saving deposits	27,412,245	25,810,290
Deposits related to granted loans	3,405,237	3,613,647
Special-purpose deposits	1,893,850	941,575
Other deposits	19,758,188	14,614,871
Deposits and loans due within one day (overnight)	11,583,327	4,496,670
Deposits and other liabilities due to other customers	368,307	240,464
Interests and fees payable to customers	4,734	4,436
Accrued liabilities for accrued interest on deposits and other financial liabilities due to customers	456,982	562,862
	122,040,202	**98,329,526**
Borrowings received from customers		
Borrowings received from customers	2,573,560	3,335,553
Liabilities for accrued interest on borrowings due to customers	13,409	24,089
Deferred expenses for liabilities measured at amortized cost using the effective interest rate	-	(39)
	2,586,969	**3,359,603**
Balance as of	**124,627,171**	**101,689,129**

Borrowings relate to long-term loans approved to the Bank by the European Investment Bank with the mediation of NBS in the amount of EUR 18.8 million, and the European Agency for Reconstruction in the amount of EUR 3.2 million.

Maturities of borrowings due to other customers in accordance with contracts are as follows:

Creditors	Balance as of 31 December 2025 in 000 EUR	Balance as of 31 December 2025 in 000 RS	Due in 2026	Due in 2027	Due in 2028	Due after 2028
EIB	18,790	2,203,740	4,069	4,069	3,443	7,209
FRK	3,153	369,820	1,739	832	360	222
Balance as of	**21,943**	**2,573,560**	**5,808**	**4,901**	**3,803**	**7,431**

22 DEPOSITS AND OTHER LIABILITIES DUE TO OTHER CUSTOMERS (Continued)

Changes in borrowings due to customers during 2025 are shown in the following table:

Creditors	Balance as of 1 January 2025 in 000 EUR	Balance as of 1 January 2025 in 000 RSD	Repayments in 2025 in 000 EUR	Repayments in 2025 in 000 RSD	Increase in borrowings during 2025 in 000 EUR	Increase in borrowings during 2025 in 000 RSD	Foreign exchange effects in 000 RSD	Balance as of 31 December 2025 in 000 EUR	Balance as of 31 December 2025 in 000 RSD
EIB	23,171	2,711,393	(4,381)	(513,618)	-	-	**5,965**	18,790	2,203,740
FRK	5,334	624,160	(2,990)	(350,364)	809	94,839	1,185	3,153	369,820
Balance as of	**28,505**	**3,335,553**	**(7,371)**	**(863,982)**	**809**	**94,839**	**7,150**	**21,943**	**2,573,560**

23 PROVISIONS

	31 December 2025	In RSD thousand 31 December 2024
a) Movements on provisions for potential losses on off-balance sheet items		
Balance as of 1 January	11,428	11,043
New provisions (Note 9a)	20,801	36,508
Reversal of provisions (Note 9a)	(28,227)	(36,121)
Other	-	(2)
Balance as of	**4,002**	**11,428**
b) Movements on provisions for employment benefits		
Balance as of 1 January	27,858	20,428
New provisions	1,030	2,121
Release of provisions	(2,675)	(737)
Actuarial (gains)/losses	6,645	6,046
Balance as of	**32,858**	**27,858**
c) Movements on provisions for litigations		
Balance as of 1 January	44,908	79,007
New provisions (Note 12)	2,949	23,004
Reversal of provisions (Note 12)	(17,524)	(12,407)
Payments	(10,492)	(44,696)
Balance as of	**19,841**	**44,908**
Balance as of	**56,701**	**84,194**

Provisions for potential losses in the amount of RSD 4,002 thousand (2024: RSD 11,428 thousand) were created for guarantees and other off-balance sheet items.

In respect of the lawsuits filed against the Bank and the relating claims, according to the status of the cases as of 31 December 2025, the Bank made a provision of RSD 19,841 thousand (2024: RSD 44,908 thousand).

As of 31 December 2025, there were 783 lawsuits pending against the Bank (2024: 1,171 lawsuits) with claims in the total amount of RSD 70,616 thousand (2024: RSD 85,610 thousand). The Bank has adopted the Methodology for the Calculation of Litigation Loss Provisions, so in accordance with this Methodology, it calculates the amounts of provisions required on a quarterly basis.

24 OTHER LIABILITIES

	31 December 2025	In RSD thousand 31 December 2024
Trade payables	11,523	28,631
Advances received	475,598	231,963
Lease liabilities	959,907	915,455
Liabilities from consignment operations	167	167
Other operating liabilities	42,418	6,799
Liabilities in settlement	353,000	267,104
Temporary and suspense accounts	1,566	2,237
VAT liabilities	21,447	8,148
Liabilities for other taxes and contributions payable	1,072	2,691
Accrued liabilities	112,713	96,647
Deferred other income	146,467	103,977
Other accruals – subsidized interest	59,391	54,407
Liabilities to employees	353,494	297,335
Balance as of	**2,538,763**	**2,015,561**

The advances received line item presents the advance received for the sale of assets acquired through the collection of receivables in the amount of RSD 146,471 thousand, then the funds collected for financing projects for legal entities and entrepreneurs for the program with a 50% grant in the amount of RSD 178,210 thousand, as well as payments from clients for loan receivables not yet due in the amount of RSD 148,951 thousand.

Lease liabilities are related to the Bank's liabilities to its lessors based on discounted lease payments for real-estate property and cars.

Lease liabilities

	31 December 2025	In RSD thousand 31 December 2024
Maturity period		
Up to 1 year	54,905	21,973
1-3 years	511,646	127,546
3-5 years	308,330	669,436
5-10 years	85,026	96,500
Balance as of	**959,907**	**915,455**

Liabilities for Lease of Property

	31 December 2025	In RSD thousand 31 December 2024
Maturity period		
Up to 1 year	50,714	9,506
1-3 years	496,763	104,405
3-5 years	207,701	645,351
5-10 years	85,026	96,500
Balance as of	**840,204**	**855,762**

24 OTHER LIABILITIES (Continued)

Liabilities for Lease of Vehicles

	31 December 2025	In RSD thousand 31 December 2024
Maturity period		
Up to 1 year	4,191	12,467
1-3 years	14,883	23,141
3-5 years	100,629	24,085
Balance as of	**119,703**	**59,693**

Overview of the Incremental Borrowing Rates Used for Vehicle Leases

Type of leased vehicle	Maturity of lease liabilities by years	Incremental borrowing rate	In RSD thousand
Automobile	Up to 1 year	1.20%-2.31%	4,191
Automobile	1-3 years	1.52%-2.52%	14,883
Automobile	3-5 years	2.27%-2.61%	100,629
Balance as of			**119,703**

An overview of the incremental borrowing rates used for property leases

Maturity of lease liabilities by years	Incremental borrowing rate	In RSD thousa
0-1 years	1.82%-3.67%	50,714
1-3 years	2.02%-3.83%	496,763
3-5 years	3.01%-5.03%	207,701
5-10 years	3.70%-4.08%	85,026
Total:		**840,204**

Total lease outflows in 2025 amounted to RSD 311,327 thousand.

Accrued liabilities refer to costs incurred in the current reporting period for which the Bank did not obtain documentation for recording by the reporting date, so it made a provision for them.

25 EQUITY

Analysis of other comprehensive income is presented in the following table:

	31 December 2025	In RSD thousand 31 December 2024
Actuarial losses	(7,642)	(6,953)
Change in fair value of debt instruments measured at FVTOCI	183,678	836,967
Net change in fair value of non-current assets	-	32,515
Other comprehensive income after tax	**176,036**	**862,529**

Equity and the Bank's Share Capital Structure

A breakdown of the Bank's equity as of 31 December 2025 and 2024 is provided in the following table:

	31 December 2025	In RSD thousand 31 December 2024
Share capital – ordinary shares	9,887,600	9,887,600
Share capital – preference shares	601,340	601,340
Share premium	7,873,729	7,873,729
Revaluation reserves	(40,063)	(216,099)
Reserves from profit	9,599,782	7,241,613
Prior years' profit	-	6,952
Profit for the year	1,974,663	2,351,217
Balance as of	**29,897,051**	**27,746,352**

The Bank's share capital consists of 988,760 ordinary shares and 60,134 preference shares whose nominal value is RSD 10,000. There were no changes with respect to 2024. Total Bank's equity consists of share capital in the amount of RSD 10,488,940 thousand (2024: RSD 10,488,940 thousand), share premium in the amount of RSD 7,873,729 thousand (2024: RSD 7,873,729 thousand), reserves from profit in the amount of RSD 9,599,782 thousand (2024: RSD 7,241,613 thousand) and negative revaluation reserves in the amount of RSD 40,063 thousand (2024: RSD 216,099 thousand). In 2025 the Bank reported profit in the amount of RSD 1,974,663 thousand (2024: RSD 2,351,217 thousand).

Preference shares are shares without voting rights. The Bank reserves the right to limit or not to pay dividends on these shares. Preference shares carry the right of prior purchase for issues of shares of the same class and carry the right of priority of collection from the liquidation balance or bankruptcy estate.

Owners of ordinary shares carry the right to vote in the Bank's Assembly, where one share equals one vote; the right to the payment of dividends, after the payment of dividends on all issued preference shares in the full amount; the right to participate in the distribution of the liquidation balance or bankruptcy estate, in accordance with the law; the right of prior purchase of ordinary shares and other financial instruments exchangeable for ordinary shares, in accordance with the law, and other rights guaranteed by law.

The Bank is required to maintain a minimum capital adequacy ratio of 8% as prescribed by the National Bank of Serbia. The Bank's unadjusted capital adequacy ratio as of 31 December 2025 was 22.74% (2024: 25.47%%), which is higher than the minimum prescribed by the National Bank of Serbia.

25 EQUITY (Continued)

Breakdown of reserves

In RSD thousand

	31 December 2025	31 December 2024
Revaluation reserves:		
Reserves from value changes of property, plant and equipment	116,711	116,711
Reserves from value changes of RSD debt instruments	(134,108)	(317,786)
Actuarial gains/(losses)	(22,666)	(15,024)
Revaluation reserves	**(40,063)**	**(216,099)**
Reserves from profit	9,599,782	7,241,613
Balance as of	**9,559,719**	**7,025,514**

Reserves from value changes of fixed assets are related to the effects of appraisal of the Bank's buildings and writing them down to their market value. Reserves from value changes of debt instruments refer to adjustment effects with the fair value of securities through other comprehensive income. Actuarial losses are related to the effects of changes in provisions for employees' retirement benefits on the basis of an actuarial assessment. Profit reserves refer to cumulative effects of profit distribution.

The Bank's shareholder structure as of 31 December 2025:

		In RSD thousand				Equity interest (%)			
No.	Shareholder	Ordinary shares	Cumulative preference shares	Other preference shares	TOTAL	Ordinary shares	Cumulative preference shares	Other preference shares	TOTAL
1	TURKIYE HALK BANKASI A.S.	9,887,600	1,340	600,000	10,488,940	100.00	100.00	100.00	100.00
	TOTAL:	**9,887,600**	**1,340**	**600,000**	**10,488,940**	**100.00**	**100.00**	**100.00**	**100.00**

The Bank's shareholder structure as of 31 December 2024:

		In RSD thousand				Equity interest (%)			
No.	Shareholder	Ordinary shares	Cumulative preference shares	Other preference shares	TOTAL	Ordinary shares	Cumulative preference shares	Other preference shares	TOTAL
1	TURKIYE HALK BANKASI A.S.	9,887,600	1,340	600,000	10,488,940	100.00	100.00	100.00	100.00
	TOTAL:	**9,887,600**	**1,340**	**600,000**	**10,488,940**	**100.00**	**100.00**	**100.00**	**100.00**

Turkiye Halk Bankasi AS is the owner of 100% of Bank's shares.

	31 December 2025			31 December 2024		
	Total	Turkiye Halkbankasi	% Turkiye Halkbankasi	Total	Turkiye Halkbankasi	% Turkiye Halkbankasi
Ordinary shares	988,760	988,760	100.00%	988,760	988,760	100.00%
Preference shares	60,134	60,134	100.00%	60,134	60,134	100.00%
Balance as of	**1,048,894**	**1,048,894**	**100.00%**	**1,048,894**	**1,048,894**	**100.00%**

26 OFF-BALANCE SHEET RECORDS

	31 December 2025	In RSD thousand 31 December 2024
a) Managed funds	**187,062**	**201,793**
b) Guarantees, sureties and irrevocable commitments		
RSD guarantees	38,383,961	25,961,211
Guarantees in foreign currencies	3,454,370	3,378,865
Total guarantees:	**41,838,331**	**29,340,076**
c) Irrevocable commitments for undrawn loans and placements	**1,980,230**	**1,461,104**
Total guarantees, sureties and irrevocable commitments	**43,818,561**	**30,801,180**
d) Derivatives held for trading at contracted value	**2,514,150**	**5,749,583**
e) Other off-balance sheet items		
Collateralized securities	-	3,872,700
Accrued suspended interest	5,646,339	5,468,091
Commitments for framework loans and facilities	34,053,419	24,369,469
Other off-balance sheet records and written-off financial assets	95,058,279	104,032,826
Total other off-balance sheet items	**134,758,037**	**137,743,086**
Balance as of	**181,277,810**	**174,495,642**

Other off-balance sheet records include all tangible and intangible assets the Bank obtained as collateral securitizing repayment of loans totaling RSD 89,222,465 thousand as of 31 December 2025 (2024: RSD 97,949,978 thousand).

In addition, an amount of RSD 4,217,617 thousand within other off-balance sheet records as of 31 December 2025 (2024: RSD 4,212,645 thousand) refers to write-offs of receivables according to relevant decisions of the Board of Directors and to the accounting write-off in line with the Decision on the Accounting Write-Off of Bank's Balance Sheet Assets of the National Bank of Serbia, effective from 30 September 2017. Within the meaning of this Decision, the accounting write-off is a write-off of a non-performing loan when the amount of the impairment of that loan calculated by the Bank and credited to allowance for impairment equals 100% of its gross carrying amount. The Bank does not give up on the recovery of its receivables subject to the accounting write-off but simply transfers such receivables to the off-balance sheet items.

27 RELATED PARTY DISCLOSURES

The Bank conducts transactions with its related parties. All balances of receivables and payables at the reporting date, as well as income and expenses realized/incurred during the year, are the result of the ordinary course of business. The Bank charges and pays interest on its receivables and payables, calculated by applying usual interest rates.

27 RELATED PARTY DISCLOSURES (Continued)

The following table provides the total exposure to related parties that may have an impact on the Bank's performance:

	31 December 2025	In RSD thousand 31 December 2024
a) Granted loans, deposits, other placements and receivables		
The parent entity and entities under the joint control of the parent entity		
Turkiye Halk Bankasi AS	120,528	118,743
Halkleasing (Halk Finansal Kiralama A.Ş. Turkiye)	1,076,935	944,987
Halk Faktoring A.Ş. (Turkiye)	833,156	707,700
Halkbank a.d. Skopje	7,217	25,669
Other related parties		
RVM d.o.o.	80,922	124,491
DOO Duomos Novi Pazar	7,247	4,724
Animalis d.o.o. Aranđelovac	557	1,885
Elhh društvo sa ograničenom odgovornošću	2,670	5,548
Boutique H&M Lux PR Ena Ugljanin Novi Pazar	1,245	1,850
Kosmas Samaras PR Konsultantske usluge	1,175	1,756
Jovana Lukić PR Trgovina Domaks Aranđelo	1,626	1,542
“Aspen” Stzur Slavko Nikolić PR	522	888
Drvo Aks doo privredno društvo Ivanjica	835	829
TP Tekstil Trend doo Požega	-	695
Ljubivoje Jevremović PR Connect 032 Čačak	1,808	601
Other corporate customers	4	107
Retail customers	543,931	481,885
Balance as of	**2,680,378**	**2,423,900**
b) Received loans, deposits and other liabilities		
The parent entity and entities under the joint control of the parent entity		
Halk Faktoring A.Ş. (Turkiye)	-	142
Turkiye Halk Bankasi AS	2,350,317	-
Other related parties		
RVM d.o.o	2,001	608
Animalis doo Aranđelovac	2,690	2,469
"Radulović“ STR	156	81
Duomos doo Novi Pazar	120	220
Jovana Lukić PR Trgovina Domaks Aranđelo	120	1,132
Elhh društvo sa ograničenom odgovornošću	830	1,119
Other corporate customers	2,504	2,332
Retail customers	626,036	596,707
Balance as of	**2,984,774**	**604,810**
c) Off-balance sheet receivables and payables		
Funds managed on behalf of third parties:		
Retail customers	7,978	8,260
Long- and short-term performance and payable guarantees		
Turkiye Halk Bankasi AS	2,352,036	306,022
RVM d.o.o.	97,365	166,135
Undertaken irrevocable commitments for undrawn loans and other placements		
RVM d.o.o.	124,998	-
DOO Duomos Novi Pazar	3,000	-
Profesional 2000 d.o.o. Gornji Milanovac	500	-
“TIVA-TEX” SZR Tomislav Cvetković PR	6,000	-
Animalis d.o.o. Aranđelovac	2,000	-
Other corporate customers	1,105	200
Retail customers	16,557	14,503
Issued foreign currency letters of credit		
Halkbank a.d. Skopje	117,282	117,015
Balance as of	**2,728,821**	**612,135**

27 RELATED PARTY DISCLOSURES (Continued)

Loans and deposits approved and received from the parent entity and entities under the joint control and significant influence of the parent entity were granted and obtained at the prevailing market interest rates.

In RSD thousand

	31 December 2025	31 December 2024
d) Interest, fee and commission income		
The parent entity and entities under the joint control of the parent entity		
Turkiye Halk Bankasi AS	9,921	11,233
Halkleasing (Halk Finansal Kiralama A.Ş. Turkiye)	61,768	61,122
Halk Faktoring A.Ş. (Turkiye)	43,209	35,737
Halkbank a.d. Skopje	20	2,305
Other related parties		
RVM d.o.o.	9,140	8,375
Animalis d.o.o. Aranđelovac	178	173
"Radulović" STR	484	397
Ivex Drink d.o.o. Ivanjica	130	-
DOO Duomos Novi Pazar	717	365
Boutique H&M Lux PR Ena Ugljanin	129	165
Bdnn-Glišić doo export-import Brđani	8	29
"TIVA-TEX" PR Gornji Milanovac	37	50
TIBO Kompanija doo Beograd Mladenovac	30	39
Vaga szr Marinović	25	29
Other corporate customers	1,608	1,170
Retail customers	32,033	29,754
TOTAL:	**159,437**	**150,943**
e) Interest, fee and commission expenses		
The parent entity and entities under the joint control of the parent entity		
Turkiye Halk Bankasi AS	17,730	8,602
Halkbank a.d. Skopje	-	3
Entities under significant influence of the parent company		
Demir Halkbank Netherlands	-	3,431
Other related parties	-	4
Retail customers	10,733	9,932
TOTAL:	**28,463**	**21,972**

Gross remunerations to the Chairmen and members of the Bank's Board of Directors and Executive Board in 2025 amounted to RSD 95,667 thousand (2024: RSD 75,277 thousand). Net remunerations to the Chairmen and members of the Bank's Board of Directors and Executive Board in 2025 amounted to RSD 72,040 thousand (2024: RSD 57,948 thousand).

The Bank calculates retirement pay for its employees upon retirement, including key management, and these provisions amount to RSD 110 thousand. The Bank does not calculate and does not pay other benefits upon termination of employment.

28 RISK MANAGEMENT

Introduction

Pursuant to the Law on Banks ("Official Gazette of RS", no. 107/2005, 91/2010, 14/2015 and 19/2025), the National Bank of Serbia's Decision on Risk Management ("Official Gazette of RS", no. 45/2011, 94/2011, 119/2012, 123/2012, 23/2013 – other decision, 43/2013, 92/2013, 33/2015, 61/2015, 61/2016, 103/2016, 119/2017, 76/2018, 57/2019, 88/2019, 27/2020 and 67/2020 – other decision 89/2022, 77/20232, 13/2025 and 51/2025), the Decision on Banks' Liquidity Risk Management ("Official Gazette of RS", no. 103/2016 and 100/2023), as well as Bank's corporate policies, methodologies and procedures, the following risks that the Bank is exposed to when doing business have been identified:

- Liquidity risk;
- Credit risk, which includes the residual risk, downgrade risk, settlement/free delivery risk, counterparty risk, credit-interest rate risk, credit-foreign exchange risk, risk of the portfolio currency structure, and concentration risk;
- Risk of incurring losses due to external factors;
- Interest rate risk;
- Market risks, which include foreign exchange risk, price risk and commodity risk;
- Outsourcing risk;
- Risk of money laundering and terrorism financing;
- Risk of introducing new products/services;
- Risks of investing in other corporate customers and fixed assets;
- Country risks related to the counterparty the Bank is exposed to;
- Operational risk, including legal risk, model risk and risks relating to inadequate management of information and other technologies important for the Bank's operations;
- Reputation risk;
- Strategic risk;
- Risk of overleveraging by the Bank;
- Compliance risk, including the risk of sanctions by regulatory bodies, risk of financial losses and reputational risk;
- Environmental and social risks.

The Bank's objectives in risk management, defined within the risk management system, are minimization of the adverse effects of the Bank's exposure to the above listed risks on the Bank's financial performance and capital with simultaneous adherence to the defined risk appetite frameworks and maintenance of the required capital adequacy ratio. In 2025, the Bank did not change its risk management objectives, but it significantly improved the risk management framework and adequate articulation of the overall risk management objectives by introducing new strategies, policies, procedures, methodologies and instructions.

In 2025, the Bank improved risk management processes by adjusting and improving existing strategies, policies, procedures, methodologies and instructions relating to the risk identification, measurement, assessment, mitigation and management and capital management.

The Bank's risk management system in place consists of:

- Risk management strategies and policies as well as the procedures and instructions for risk identification, measurement, assessment and management;
- Risk appetite – the Bank's intention to assume risks in order to implement its strategies and policies (the risk structure) and definition of the acceptable levels of the assumed risks (risk tolerance).
- An optimum and acceptable risk level that the Bank is willing to accept is qualified through risk appetite;
- Risk profile – a Bank's estimate of the structure and levels of all the risks it is or may be exposed to in the course of its operations;
- Risk Appetite Framework (RAF) - The overall approach, including strategies, policies, procedures, processes, controls and systems through which risk appetite is established, communicated and monitored. It includes a statement of risk appetite, risk limits and an overview of the roles and responsibilities of the Bank's organizational parts that oversee the implementation and monitoring of the RAF. RAF considers risks material to the Bank, as well as to the high esteem and reputation of the Bank among its customers, depositors, creditors and in the market in general. RAF is aligned with the Bank's business strategy.
- The Risk Appetite Statement (hereinafter: RAS) - Represents the aggregated level of risk that the Bank is ready to accept, or avoid, in order to achieve its business goals. It includes qualitative descriptions as well as quantitative measures expressed in relation to income, capital, risk measurement, liquidity and other relevant indicators;
- Internal organization, i.e., organizational structure that ensures functional and organizational separation of the risk management activities from the risk assumption activities, with clearly defined segregation of duties for employees, which prevents conflict of interest;

28 RISK MANAGEMENT (Continued)

Introduction (Continued)

- Effective and efficient risk management process entailing mitigation, monitoring and control of the risks the Bank is or may be exposed to;
- An internal control system as a set of processes and procedures in place intended to ensure adequate risk control, operational effectiveness and efficiency monitoring, financial and other data reliability and compliance with the effective legislation and the Bank's internal bylaws with a view to achieve safe and stable banking operations;
- Adequate information system.

The Bank's Board of Directors is responsible for establishing a uniform risk management system throughout the Bank and for supervising that system. The Board of Directors has to ensure that the Bank's Executive Board will identify the risks the Bank is exposed to and control such risks in accordance with the bank's adopted policies and procedures.

The Bank's Executive Board implements the risk management strategies and polices adopted by the Board of Directors, defines procedures, instructions and guidelines for risk identification, measurement, assessment and management, analyses their efficiency and reports back to the Board of Directors on these activities.

The Audit Committee is in charge of an ongoing oversight of implementation of the risk management policies and procedures and performance of the internal control system.

The Asset and Liability Management Committee (“ALCO“) is in charge of monitoring the Bank's exposure to the risks arising from the structure of the Bank's receivables and liabilities and off-balance sheet items and proposes measures for risk management.

The Competent Credit Committee decides on loan approval and origination of other receivables as well as on the amendments to the contracted terms of such loans and receivables. It makes decisions on loan recovery matters, including rescheduling and restructuring of loans and on all other issues related to the potentially non-performing, non-performing loans and receivable and bad and doubtful exposures.

28.1 Credit Risk

Credit Risk Management

Credit risk is a risk of possible adverse effects on Bank's financial performance and capital arising from the customers failing to meet their obligations toward the Bank. The effects of this risk are measured by the amount of the Bank's expenses incurred for impairment of financial assets.

The following organizational units of the Bank are responsible for credit risk management:

- The Board of Directors, which has defined the risk management strategy and credit risk management policy;
- The Executive Board, which implements the adopted strategy and policy and defines procedures and instructions for risk management;
- ALCO, which monitors the Bank's exposure to the credit risk and proposes adequate measures for credit risk management;
- The Bank's Credit Committee, which approves loans and make decision on all the matters of collection of potential NPLs, NPLs and doubtful receivables;
- Credit Department, which assess the customer credit risk; and
- Risk Management Department, which monitors the loan portfolio quality.

Assessment of credit risk exposure is carried out within the Lending Division and Risk Management Department.

In the Lending Division a credit risk exposure is assessed during an analysis of customer requests. Credit risk is identified, controlled and monitored in the same Division at the borrower level, by assessing borrower's creditworthiness and collateral quality.

Credit risk identification, control and monitoring on portfolio basis are performed by the Risk Management Department through preparation and analysis of the Bank's portfolio, control over classification of the balance sheet assets and off-balance sheet items, calculation of impairment allowances and provisions and control of the quality of the balance sheet assets and off-balance sheet items.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Analysis of Financial Assets, Financial Liabilities and Off-Balance Sheet Items

The Bank's financial assets and financial liabilities as of 31 December 2025 and 31 December 2024 are presented below by:

- Net credit risk exposure,
- Gross credit risk exposure,
- Gross and net impairment,
- Internal categories in accordance with IFRS 9 on gross and net bases,
- Fair value of collaterals and other security instruments on a gross basis,
- LTV ratio for financial assets securitized with mortgages,
- Past-due intervals on gross and net bases,
- Industry on gross and net bases,
- Geographic region on a net basis,
- Fair value,
- Repossessed property following foreclosure,
- Write-off of receivables,
- Breakdown of restructured financial assets.

Structure of Net Financial Assets, Financial Liabilities and Off-Balance Sheet Items

As of 31 December 2025, Bank's cash, cash equivalents and balances held with the Central Bank increased by RSD 12,739,311 thousand compared to 31 December 2024, and they account for 19.75% in total financial assets. Securities are higher by RSD 2,880,789 thousand. Loans and receivables due from customers increased by RSD 15,315,845 thousand and account for 63.43% in total financial assets.

As of 31 December 2025, deposits and other liabilities due to customers are higher by RSD 22,938,042 thousand than as of 31 December 2024, and they account for 89.72% in total financial liabilities.

As of 31 December 2025, net off-balance sheet items increased by RSD 22,708,757 thousand in comparison to 31 December 2024. Guarantees and letters of credit increased by RSD 12,499,214 thousand and account for 53.73% in total off-balance sheet items. Unused liabilities are higher by RSD 10,209,543 thousand and account for 46.27% in total net off-balance sheet items.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Structure of Net Financial Assets, Financial Liabilities and Off-Balance Sheet Items (Continued)

Financial assets and liabilities in net amounts are presented below by categories in accordance with IFRS 9:

	31 December 2025	In RSD thousand 31 December 2024
Financial assets		
Cash and balances held with the Central Bank	32,248,431	19,509,120
Receivables from derivatives	529	1,538
Securities	21,418,695	18,537,906
Loans and receivables due from banks and other financial institutions	4,482,438	7,206,275
Loans and receivables from customers	103,562,241	88,246,397
Other financial assets	1,545,670	837,784
Balance as of	**163,258,004**	**134,339,019**
Financial liabilities		
Liabilities arising from derivatives	83	79
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	12,810,599	7,075,982
Deposits and other financial liabilities due to other customers	124,627,171	101,689,129
Other liabilities	1,463,107	1,316,767
Balance as of	**138,900,960**	**110,081,957**

	31 December 2025	In RSD thousand 31 December 2024
Guarantees and letters of credit		
Public sector	211,020	813,957
Large corporate customers	5,918,642	7,350,711
SMEs, micro enterprises and entrepreneurs	20,723,559	18,123,499
Retail	3,518	-
Other customers	14,980,610	3,049,968
	41,837,349	**29,338,135**
Commitments for undrawn loans		
Public sector	744,278	588,911
Large corporate customers	7,142,359	5,268,843
SMEs, micro enterprises and entrepreneurs	27,408,908	19,370,007
Retail	735,084	587,879
Other customers	-	5,446
	36,030,629	**25,821,086**
Off-balance sheet items (net)	**77,867,978**	**55,159,221**

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Structure of Gross Financial Assets and Off-Balance Sheet Items

Financial assets and liabilities in gross amounts are presented below by categories in accordance with IFRS 9:

		In RSD thousand
	31 December 2025	**31 December 2024**
Financial assets		
Cash and balances held with the Central Bank	32,252,231	19,512,774
Receivables from derivatives	529	1,538
Securities	21,449,588	18,571,410
Loans and receivables due from banks and other financial institutions	4,485,083	7,209,006
Loans and receivables from customers	**105,480,252**	**89,836,162**
Out of which:		
Public sector	327,957	591,279
Large corporate customers	13,089,784	12,376,148
SMEs, micro enterprises and entrepreneurs	62,537,991	51,707,581
Retail	29,524,462	25,161,097
Other customers	58	58
Other financial assets	1,689,769	966,572
Balance as of	**165,357,452**	**136,097,462**

Gross exposure by off-balance sheet items

		In RSD thousand
	31 December 2025	**31 December 2024**
Off-balance sheet items		
Guarantees and letters of credit		
Public sector	211,021	813,968
Large corporate customers	5,918,698	7,351,480
SMEs, micro enterprises and entrepreneurs	20,724,095	18,124,207
Retail	3,518	-
Other customers	14,980,999	3,050,421
	41,838,331	**29,340,076**
Commitments for undrawn loans		
Public sector	744,278	588,949
Large corporate customers	7,143,352	5,269,151
SMEs, micro enterprises and entrepreneurs	27,410,377	19,377,167
Retail	735,642	589,860
Other customers	-	5,446
	36,033,649	**25,830,573**
Off-balance sheet items (net)	**77,871,980**	**55,170,649**

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Accounting treatment of financial assets and calculation of expected credit losses

In accordance with the requirements of IFRS 9 *Financial Instruments*, the Bank applies a methodology for estimating and calculating expected credit losses (hereinafter: the Methodology). The methodology is applied to all financial instruments measured at amortized cost or at fair value through other comprehensive income (FVTOCI) except for:

- Interests in subsidiaries, associated entities and joint ventures that are accounted for in accordance with IFRS 10, IAS 27 or IAS 28 (except in cases where the said standards require or permit the application of IFRS 9);
- Employer’s rights and obligations according to the employee benefit plans, within the scope of IAS 19 *Employee Benefits*;
- Rights and obligations within the scope of IFRS 15 *Revenue from Contracts with Customers*, except for those for which IFRS 15 requires application of IFRS 9.

Financial instruments are defined under IAS 32, *Financial Instruments: Presentation*, as contracts that give rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

For the purposes of calculating the allowance for impairment, financial assets include cash, as well as contractual rights to receive cash or other financial assets from another entity, and the exchange of financial assets or financial liabilities under potentially favorable conditions.

The calculation of expected credit losses is based on:

- classification of exposure into appropriate stages (Stage 1, Stage 2 and Stage 3),
- assessment of whether there has been a significant increase in credit risk,
- applying parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD),
- inclusion of forward-looking information and macroeconomic scenarios when calculating PD.

Recognition and modification of financial assets
The Bank recognizes a financial asset when it has become a contractual party to a financial instrument. Debt instruments are initially measured at fair value increased or decreased for transaction costs directly attributable to the acquisition or issuance of the financial asset, except for the financial assets at FVTPL.

Modification and derecognition of financial assets
In some circumstances, renegotiation or modification of the contractual cash flows of a financial asset may lead to derecognition of an existing financial asset and recognition of a new financial asset.

In such situations, the Bank conducts a quantitative and qualitative analysis in order to assess whether there is a significant difference between the cash flows of the original and the modified financial asset. If the existence of a significant difference is determined, the contractual rights under the original financial asset are considered to have expired, and the new financial asset is recognized at fair value on recognition date.

Derecognition gives rise to recognition of a gain or loss in the income statement, representing the difference between the amortized cost of the original financial asset and the fair value of the new financial asset, net of expected credit losses recognized for the new financial asset.

Restructured and POCI financial assets
A financial asset can be modified or replaced as part of restructuring of a debtor's obligations (so-called "forbearance"), especially in situations where the debtor is facing financial difficulties. In cases where:

- the modification represents a significant change in contractual cash flows (difference greater than 10%), and
- the exposure exceeds the amount of EUR 200,000,

and the modification is a consequence of the deterioration of the debtor's creditworthiness, the newly recognized financial asset is classified as a financial asset that is credit-impaired at initial recognition (POCI - Purchased or Originated Credit-Impaired).

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Accounting treatment of financial assets and calculation of expected credit losses (Continued)

In accordance with the requirements of IFRS 9 *Financial Instruments*, the Bank applies the methodology for the calculation of expected credit losses (Expected Credit Loss - ECL) to all financial instruments that are measured at amortized cost, as well as to financial assets that are measured at fair value through other comprehensive income (FVOCI), including off-balance sheet exposures (guarantees, letters of credit and assumed credit obligations).

For financial instruments measured at fair value through other comprehensive income, expected credit losses are calculated in the same way as for assets measured at amortized cost and are recognized as an expense in the income statement. The cumulative amount of the value correction for these assets does not reduce the book value of the asset, but is recorded through the other comprehensive income.

Expected credit losses represent a probability-weighted estimate of credit losses during the expected life of the financial instrument and are based on the present value of the difference between the contracted cash flows and the cash flows that the Bank expects to receive.

For financial assets, the credit loss is the present value of the difference between:
- the contractual cash flows belonging to the Bank under the relevant contract, and
- the cash flows the Bank expects to receive.

As for undrawn loan commitments, a credit loss is the present value of the difference between:
- the contractual cash flows that would belong to the Bank if the client withdrew approved funds; and
- cash flows that the Bank expects to receive if loan drawdown occurs.

As for exposures on documentary business (guarantees or letters of credit) a credit loss is the present value of the difference between:
- the amount that the Bank would pay in case of activation of the guarantee or letter of credit; and
- the amount that the Bank expects to collect from the debtor after payment has been made.

Change in the methodology for calculating expected credit losses in 2025

In September 2025, the Bank implemented an improved methodology for calculating expected credit losses in accordance with IFRS 9, the key component of which is the development and application of an internal rating model for credit risk assessment purposes.

The previous approach to the classification of exposure was predominantly based on days past due (the so-called "time-bucket" approach), whereby the internal rating categories to a significant extent reflected the status of the delay in the settlement of obligations.

Changes to the methodology introduced an internal rating model that enables a more comprehensive and risk-sensitive assessment of credit risk, based on a combination of quantitative and qualitative indicators, including financial parameters, behavioral characteristics and other relevant risk factors. Rating assessments are performed independently of exclusive reliance on days past due, thus improving the ability for timely identification of significant increases in credit risk (SICR).

The implementation of the internal rating model resulted in:
- more granular segmentation of the credit portfolio and the formation of more homogeneous risk groups,
- improved risk differentiation within the performing population,
- by a more precise assessment of the probability of default (PD) parameter,
- improved construction of transition matrices based on real migrations between rating categories,
- by changing the criteria for allocating exposure by impairment levels (Stage 1, Stage 2 and Stage 3), through a comparison of the initial and current internal rating,
- by harmonizing the segmentation of the portfolio (including the separation of entrepreneurs from the segment of natural persons), which consequently led to the adjustment of the materiality thresholds for the individual assessment of credit-impaired exposures.

In addition to the above, the macroeconomic modeling framework was improved through a formalized satellite model, which systematically models the connection between macroeconomic factors and the PD parameter within defined scenarios. There has been no change in the basic concept for calculating expected credit losses, including the application of PD, LGD and EAD parameters, as well as in the definition of default.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Model Validation

During 2025, the Bank conducted regular annual independent validation of the Internal Rating Model (PD Model) and the Macro Model. Independent validation confirmed that models are still conceptually stable and adequate for use in credit risk assessment and calculation of expected credit losses. The validation results indicate that the discriminatory power of the model is at an acceptable level, with certain changes in performance compared to the period of model development, which is expected given the passage of time, macroeconomic trends and changes in portfolio structure. Based on the conducted validation, the model was assessed as "overall robust" and adequate for further application, with continuous monitoring of performance and implementation of planned improvement activities in accordance with the internal model management framework.

Quantification of the Effect of Methodology Change

In order to assess the financial effect of the implementation of the improved methodology for calculating expected credit losses (switching from an approach based on days past due to an approach based on an internal rating model), the Bank performed a comparative calculation of the value correction as of 30 September 2025, using the previous and the new methodological framework.

The comparative review included:

- calculation performed within the previous system (approach based on days past due), and
- calculation performed within the new system (approach based on the internal rating model).

The determined difference refers exclusively to exposures that are assessed as a group, while the effect of the change in methodology was not identified in the case of individually assessed exposures.

In line with the fact that the most recent parallel calculation (comparing the previous and the new methodology) was performed as of 31 August 2025, the effects of the change are presented below, in thousands of dinars:

- previous approach: 1,962,025 thousand dinars,
- new approach: 1,999,312 thousand dinars.

The difference of 37,287 thousand dinars represents the estimated effect of applying the new expected credit loss calculation methodology.

On the date of the initial application of the new methodology (30 September 2025) and on the balance sheet date (31 December 2025), the Bank performed additional analyses and assessed that no material differences had arisen in the effects of applying the new methodology compared to the disclosed amount.

The previous methodology was based primarily on the classification by days past due, whereby clients with no recorded past due status were classified in the lowest risk categories. By introducing a rating model that, in addition to days past due, also takes into account financial indicators and other credit characteristics, a more detailed differentiation of credit risk is possible. As a result, some defaulting clients may have a higher estimated probability of default due to weaker financial performance, which has led to reassignment to rating baskets and, in certain cases, moving to a higher stage.

At the same time, observed at the level of transition matrices, PD parameters according to the new methodology are on average lower compared to the previous approach. However, the effect of the increase stems from a different distribution of clients by rating category and more precise risk mapping, and not from an increase in the basic default rates. The mentioned impact is a methodological effect of improving the model, and not necessarily a worsening of the credit quality of the portfolio.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Classification of Exposure and Identification of Significant Increase in Credit Risk

In accordance with IFRS 9, the Bank assesses in each reporting period whether there has been a significant increase in credit risk (SICR) for each financial instrument individually, in order to perform the appropriate allocation of exposure to Stage 1, Stage 2 or Stage 3.

From September 2025, the assessment of a significant increase in credit risk is based on a modified methodology that includes the application of an internal rating model, which enables a more granular and risk-sensitive differentiation of exposure compared to the previous approach based predominantly on days past due. Exposure is divided into:

- Stage 1 – if no significant increase in credit risk has been identified since initial recognition;
- Stage 2 – if a significant increase in credit risk is identified, but the exposure is still not in default status;
- Stage 3 – if the exposure is credit impaired (default).

Significant Increase in Credit Risk (SICR)

The Bank assesses a significant increase in credit risk based on a combination of quantitative and qualitative indicators, including:

- past due status by more than 30 days,
- restructuring exposure due to financial difficulties of the debtor (forbearance - performing status),
- deterioration of the internal rating compared to the rating at initial recognition,
- frozen accounts (for corporate clients),
- specific risk events identified within the credit risk management system.

The application of the internal rating model from September 2025 enables the assessment of the relative deterioration of credit quality in relation to the initial rating, which represents an additional and essential criterion for the identification of SICR. The assessment of a significant increase in credit risk (SICR) is performed based on change in the internal rating category compared to the initial rating at the time of recognition of the exposure, with the application of a time horizon of five years, in accordance with defined rules by segments.

The following criteria apply to segments of corporate clients: Exposures that were initially assigned to rating group 1 or 2 are classified as SICR, if the rating deteriorates to group 4 or lower within a period of five years. Exposures that were initially in group 3 are considered SICR only in case of deterioration to group 5. All exposures that are assigned to Group 5 at any time are automatically classified to Stage 2, regardless of the initial rating category and the elapsed time.

For the SMEs and entrepreneurs segment, a methodologically similar approach is applied, with adjusted thresholds in accordance with the risk profile of the portfolio: Exposures that were initially in groups 1 or 2 are classified as SICR if they deteriorate to group 4 or lower within five years. Exposures that were initially in group 3 are considered SICR if they deteriorate to group 5. Exposures that are assigned to Group 5 at any time are automatically classified to Stage 2.

For the retail portfolio with revolving products, the SICR assessment is based on a comparison of the initial and current rating categories: Exposures that were initially in groups 1 or 2 are classified as SICR if their rating deteriorates to group 4 or worse within five years. Exposures that were initially in group 3 are classified as SICR only in case of deterioration to group 5. Any exposure currently assigned to Group 5 is automatically classified into Stage 2, regardless of initial rating and elapsed time.

For the retail clients portfolio without revolving products, the SICR estimate is based on analysis of the deterioration of the rating category over time. The initial analysis showed that the transition to rating group 5 represents threshold of a significant increase in credit risk (transition from Stage 1 to Stage 2). However, taking into account the pronounced worsening of the probability of default (PD) by rating category, as well as at the level of the overall portfolio, the Bank applies a more conservative approach. Accordingly, the transition to rating group 4, instead of exclusively transitioning to group 5, is already applied as a criterion for SICR identification.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Definition of Default (Stage 3)

The Bank considers that a default has occurred when the debtor is more than 90 days in arrears on a materially significant obligation, in accordance with the regulations of the National Bank of Serbia. A materially significant amount of delay is defined as an amount greater than 1% of the Bank's individual receivable from a debtor, but not less than:

- RSD 10,000 for retail customers,
- RSD 50,000 for corporate customers.

The status of default can be identified even before the expiration of 90 days if there is objective evidence of impairment, including financial difficulties of the debtor, initiation of bankruptcy or liquidation proceedings, suspension of interest, significant breaches of contractual obligations or other relevant risk indicators.

Exposures classified as POCI (Purchased or Originated Credit-Impaired) are considered credit impaired upon initial recognition.

Approach to exposures to countries and financial institutions

For exposures to states, central banks and financial institutions, the Bank relies on external ratings from renowned rating agencies (Moody's, Fitch, S&P), due to the limited internal history of defaults for this type of exposure.

A significant deterioration in the external rating may result in a Stage 2 assignment, while a move to a high-risk rating category (eg Ca or C) results in a Stage 3 classification.

Portfolio Segmentation

For the purposes of calculating expected credit losses, the credit portfolio is segmented into:

1. retail customers (including agro clients),
2. corporate customers (Corporate, SMEs and entrepreneurs),
3. countries, central banks and financial institutions.

As of 30 September 2025, the Bank applies internal rating models with:

- 12 performing rating categories for the corporate customers segment,
- 10 performing rating categories for the retail customers segment.

A more detailed description of the rating system is described in the section below that describes financial assets according to internal rating categories.

Segmentation and rating classification are the basis for the assessment of PD, LGD and EAD parameters, as well as for the identification of a significant increase in credit risk.

Change in Methodology in the Part of Criteria for Classification by Impairment Levels and Portfolio Segmentation

In September 2025, the Bank improved the methodology for calculating expected credit losses in the part of the criteria for the classification of financial assets by impairment levels (Stage 1, Stage 2 and Stage 3), as well as in the part of segmentation of the loan portfolio.

By applying the new methodology, the segmentation of the loan portfolio was changed for the purposes of calculating impairment, with the aim of more precisely grouping exposures based on client and product characteristics, as well as improving the homogeneity of risk groups.

Compared to the previous methodology, the new segmentation:

- introduces the division of retail customers according to the nature of the product (revolving vs. non-revolving), instead of a detailed division by individual types of loans;
- introduces a clearer differentiation within the corporate customers segment (Corporate vs. SME and entrepreneurs);
- a more precise approach to the segment of exposures to countries and financial institutions;
- simplifies the structure of segmentation while simultaneously increasing methodological consistency and homogeneity of risk groups.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Change in Methodology in the Part of Criteria for Classification by Impairment Levels and Portfolio Segmentation (Continued)

An internal rating model was introduced that enables a more accurate assessment of the relative deterioration of credit quality compared to the initial recognition, which further improved the criteria for identifying a significant increase in credit risk.

The definition of default and the basic principles of recognition and measurement in accordance with IFRS 9 remained unchanged. The aforementioned amendment represents an improvement in the valuation technique in terms of IAS 8 and is applied prospectively from the date of implementation.

Exposure at Default (EAD)

Exposure at Default (EAD) is an estimate of the amount of the Bank's receivable at the time of default status, in accordance with the requirements of IFRS 9.

EAD is determined taking into account:

- the book value of the financial instrument on valuation date,
- profile of contracted cash flows,
- expected additional withdrawals of funds from approved credit lines until the moment of default.

In the case of financial instruments that do not have predefined cash flows or an agreed maturity period (e.g. revolving products), the Bank bases its exposure assessment on historical and empirical experience, including customer behavioral patterns.

In order to assess the potential exposure of off-balance sheet and revolving products, the Bank applies appropriate credit conversion factors (CCF), separately defined for:

- payment and performance guarantees and letters of credit,
- undrawn limits on credit facilities (separately for revocable and irrevocable limits),
- credit cards,
- overdraft products by customer segment.

The application of the CCF factor enables the estimation of the part of undrawn amounts that is expected to be withdrawn before the moment of default. In 2025, there were no changes to the methodology in the estimation of the EAD parameter.

Probability of Default (PD)

Probability of Default (PD) is an estimate of the probability that the debtor will default during the expected life of the financial instrument and is one of the key parameters in the calculation of expected credit losses in accordance with IFRS 9.

Before applying the new methodology, the Bank's multi-year PDs were calculated based on transition matrices using days past due (DPD). The TTC matrices were then converted into PIT matrices using the Z-shift method, in order to take into account current macroeconomic conditions and forward-looking elements, in accordance with the requirements of IFRS 9. Lifetime PDs were obtained by combining matrices for multiple periods within each sub-segment, observing periods up to 20 years and updating PDs quarterly in accordance with changes in the portfolio and macroeconomic trends.

From September 2025, the Bank applies an approach based on the term structure of the probability of default, whereby the cumulative probability of default is estimated over the lifetime of the instrument. The term structure of default probability is based on cumulative migration matrices derived from historical transition matrices between rating categories. Based on the cumulative structure, periodic (marginal) probabilities are derived that are used in the calculation of lifetime expected credit losses.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Probability of Default – PD (Continued)

In accordance with the requirements of IFRS 9, for exposures in Stage 1, a 12-month PD is applied, signifying the probability of default in the next 12 months. For exposures where a significant increase in credit risk has been identified (Stage 2), as well as for credit impaired exposures (Stage 3), lifetime PD is applied, i.e. the probability of default during the remaining life of the instrument. The assessment of PD is based on historical data on migrations between rating categories, which are adjusted to current conditions and projections of future macroeconomic trends. The Bank applies the Point-in-Time approach, which includes relevant macroeconomic indicators and scenarios for assessing future credit risks in the model.

Key Estimates and Sources of Uncertainty

Determining PD parameters require the application of significant professional judgments, especially in the area of:

- selection and calibration of macroeconomic variables,
- determining the weights of macroeconomic scenarios,
- assessments of long-term trends,
- identification of a significant increase in credit risk.

Changes in the aforementioned assumptions may have a material impact on the amount of calculated expected credit losses.

Forward-looking Information on Macroeconomic Conditions

In accordance with the requirement of IFRS 9 to include forward-looking information in the assessment of expected credit losses, the Bank uses satellite models as an analytical tool to quantify the relationship between macroeconomic trends and credit risk, primarily through the assessment and projection of the probability of default (PD).

Satellite models are developed by relevant portfolio segments/clusters and are based on a statistical assessment of the relationship between historical default rates and selected macroeconomic indicators. The choice of variables is made through a combination of statistical criteria and expert assessment, with the application of appropriate transformations and time delays (lags), in order to ensure the stability and interpretability of the model.

The models are validated by applying standard diagnostic tests, as well as by expert verification of the economic significance of the results. The results of satellite models are used to project PD parameters within defined macroeconomic scenarios (basic, more favorable and less favorable), which are then probability weighted based on the internal risk management framework. In this way, a consistent and impartial inclusion of future macroeconomic trends is ensured in the calculation of expected credit losses.

Sensitivity Analysis

In calculating expected credit losses, the Bank uses projections of macroeconomic indicators for a period of 12 quarters in the future, starting from the last quarter of 2025, within three scenarios: base, pessimistic and optimistic.

The projections are based on publicly available data and estimates from the National Bank of Serbia, the Ministry of Finance of the Republic of Serbia, the International Monetary Fund and the European Commission. Annual projections are aggregated and transformed into quarterly time series using appropriate quantitative methods. In cases of unavailability of certain indicators, indirect estimates based on available data and internal statistical models were used.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Sensitivity Analysis (Continued)

The base scenario reflects valid macroeconomic projections, assuming moderate economic growth and inflation within the target range set by the National Bank of Serbia. The pessimistic scenario assumes slower economic growth and higher inflationary pressures due to prolonged global uncertainty and potential disruptions in industrial production and exports. The optimistic scenario implies a more stable external environment and more favorable movements of domestic factors, with lower inflationary pressures compared to the basic scenario.

Scenario	Inflation (%)	GDP (%)	Consumption (%)	Investments (%)	Employment (%)
Base	3.6	3.9	4	11.2	53.2
Pessimistic	3.9	3.6	3.7	9.5	53.2
Optimistic	3.5	4	4	11.2	53.2

The values shown are averages for a period of 12 quarters (Q4 2025 – Q3 2028) per scenario. The table summarizes the basic macroeconomic factors used for FLI - inflation, GDP, consumption, investment and employment - for three scenarios: basic, pessimistic and optimistic

For the purposes of calculating expected credit losses as of 31 December 2025, the Bank applied three macroeconomic scenarios with the following probability weights:

- base scenario 60%,
- pessimistic scenario 30% and
- optimistic scenario 10%.

Total gross exposure (EAD) by Corporate and Retail segments did not differ between scenarios, while the differences arose at the level of estimated allowance for impairment due to different assumptions about the movement of macroeconomic indicators and their impact on the probability of default (PD) parameter.

As at 31 December 2025:

- In the Corporate segment, the allowance for impairment in the pessimistic scenario amounts to RSD 1,591,212 thousand, in the base scenario RSD 1,579,573 thousand, while in the optimistic scenario it amounts to RSD 1,577,488 thousand. The weighted amount of the allowance for impairment amounts to RSD 1,582,856 thousand.
- In the Retail segment, the allowance for impairment in the pessimistic scenario amounts to RSD 521,946 thousand, in the base and optimistic scenario RSD 521,371 thousand, while the weighted amount amounts to RSD 521,543 thousand.

The share of exposures assigned to level 2 (Stage 2) remained stable through all scenarios and amounts to 4.38% for the Corporate and 4.75% for the Retail segments.

The results of the sensitivity analysis indicate that the application of the exclusively pessimistic scenario would lead to a slight increase in the allowance, while the application of the optimistic scenario would have a limited effect on the reduction in allowances for impairment compared to the base scenario. The Bank believes that the weighted approach adequately reflects the expected range of possible macroeconomic developments on the reporting date.

For the purposes of calculating expected credit losses as of 31 December 2024, the Bank used one central macroeconomic scenario, without additional sensitivity analysis. Although a weighted combination of several scenarios was not applied, the PDs were adjusted to current macroeconomic conditions and forward-looking projections in accordance with the requirements of IFRS 9.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Description of Changes in the PD Parameter Calculation Methodology

During the reporting period, the Bank improved the methodology for assessing the probability of default (PD), which is used in the calculation of expected credit losses in accordance with IFRS 9. The previous methodology was based on the calculation of TTC (through-the-cycle) migration matrices, which were subsequently adjusted using the regression model and Z-shift mechanism, in order to include Point-in-Time (PiT) and forward-looking effects through the projection of default rates. The new methodology introduced an approach based on the direct construction of PiT migration matrices, while integrating macroeconomic projections into the very structure of transition probabilities. In this way, the need for subsequent scaling of TTC matrices is eliminated, while the lifetime term structure of PD is derived from cumulative migration matrices using the standard Markov principle.

The Bank believes that the improved methodology ensures a more consistent application of forward-looking information and the actual calculation of the PD indicator.

Changes in Macroeconomic Modeling of the PD Parameter

In 2025, the Bank improved the methodology of macroeconomic adjustment of the PD parameter. The previous approach, based on annual linear regression by segments, has been replaced by a formalized satellite model that systematically links macroeconomic factors and credit risk by homogeneous portfolio clusters. The improvement includes a structured selection of macro variables, the application of time delays (lags) and an expanded framework for statistical model validation. Projections of PD parameters are explicitly linked to defined macroeconomic scenarios that are weighted by probability within the calculation of expected credit losses. The time horizon of the projections (1–3 years) remained unchanged.

PD Adjustment for Country Risk

For all persons whose country of origin is not the Republic of Serbia, the Bank makes an adjustment for the risk of the debtor's country of origin, in such a way as to increase the calculated value correction by applying a percentage that represents the PD of the country according to Moody's rating determined on the calculation date.

ECL = (1+ Moody’s PD) * ECL_calculated

Loss Given Default (LGD)

Loss Given Default (LGD) is an estimate of the exposure percentage that the Bank expects not to collect in the event of default status. LGD is one of the key components in the calculation of expected credit losses in accordance with IFRS 9.

In estimating the LGD parameter, the Bank takes into account:

- expected cash flows from regular billing,
- collection based on realization of collateral and other security instruments,
- time required for collection (recovery period),
- discounting expected future cash flows using the effective interest rate.

The Bank applies the concept of separating the secured and unsecured part of the exposure, depending on the degree of collateralization of the individual placement.

Secured LGD

For secured placements, LGD is determined taking into account the market value of the collateral, the application of appropriate haircut factors, as well as the estimated period of collateral realization. Haircut factors and realization periods are defined by internal collateral management procedures and are based on the Bank's historical experience and assessment of the volatility and collectability of certain types of collateral. The Bank reviews periodically the adequacy of the applied factors through backtesting of realized collateral.

In the case of fully secured placements where the calculated LGD would be zero, the Bank applies the minimum LGD (minLGD) based on historical experience of insufficient collection in certain cases of collateral realization.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Unsecured LGD
For unsecured placements, LGD is estimated based on historical data on the collection of receivables in default, applying discounting of future cash flows. The Bank analyzes collection by homogeneous segments (legal entities, housing loans, cash and consumer loans, cards, overdraft, etc.) and applies a count-weighted approach when determining the final LGD rate per segment.

In accordance with the EBA guidelines regarding the treatment of multiple defaults, the Bank applies a consistent approach of consolidating default events within a defined time period.

For exposures to countries, central banks and financial institutions, due to limited collection history, the Bank applies an LGD rate of 45%, in accordance with relevant regulations.

The Bank updates LGD parameters at least once a year.

In 2025, there were no changes to the methodology in the estimation of the LGD parameter.

Assessment of Credit Impaired Exposures on Individual Basis

In accordance with IFRS 9, expected credit losses represent probability-weighted estimates of credit losses, taking into account multiple possible collection scenarios.

When assessing expected future cash flows, and especially for credit-impaired exposures (Stage 3), the Bank applies at least three collection scenarios, in accordance with the principles of impartiality and objectivity. Scenarios may include, depending on the specific exposure:

- continuation of a debtor's business (going concern),
- restructuring or reprogramming obligations,
- collateral foreclosure,
- bankruptcy or liquidation,
- sale of receivables,
- other relevant forms of settlement.

When determining the weighting of individual scenarios, the Bank is guided by the historical experience of collecting problematic placements, as well as the specifics of the individual financial instrument. The weights assigned to the scenarios add up to 100%.

For the purposes of assessing collection based on collateral realization, the Bank applies haircut factors and estimated realization periods in accordance with internal collateral management procedures.

Individual assessment of expected credit losses is applied to credit-impaired exposures that exceed defined materiality thresholds. In 2025, materiality thresholds were adjusted due to the improved segmentation of the portfolio, which separated entrepreneurs from the segment of natural persons and included them in the segment of legal entities.

The materiality threshold is:

- RSD 1.2 million for natural persons and agricultural clients (at party level),
- RSD 3 million for legal entities and entrepreneurs (at the client level).

Group Assessment of Credit-Impaired Exposures

For credit-impaired exposures (Stage 3) that do not meet the criteria for individual assessment, the Bank applies a group approach to the calculation of expected credit losses. This approach implies the grouping of financial instruments by homogeneous sub-segments in accordance with defined portfolio segmentation.

The expected credit loss within the group assessment is calculated using the standard ECL formula, whereby for exposures in Stage 3 the probability of default (PD) is equal to 100%. In this sense, the allowance amount is essentially the product of the unsecured exposure amount in default and the corresponding LGD rate for non-performing exposures.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

The LGD rate for group valuation purposes depends on time spent in default status. Due to the technical limitations of the information system used to calculate the allowance for impairment, the Bank applies an approximation by using the number of days past due according to the National Bank of Serbia's methodology, instead of the actual time spent in default.

Given that more than 90% of exposures classified in Stage 3 are past due by more than 90 days, the Bank believes that the applied approximation does not materially affect the reliability of the calculated allowance.

Loan Portfolio Analysis

The tables that follow present movements in gross exposures and impairment amounts by comparing opening and closing date balances, according to individual financial instruments:

	2025_Gross carrying amount			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables due from banks and other financial institutions				
Balance as of 1 January	7,209,006	-	-	7,209,006
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in exposure in the same impairment stages on opening and closing date	(379,813)	-	-	(379,813)
Financial assets realized during the year (impairment stage on closing date)	2,634,800	-	-	2,634,800
Derecognized financial assets	(4,987,974)	-	-	(4,987,974)
Write-offs and definite write-offs	-	-	-	-
FX gains/losses and other changes	9,064	-	-	9,064
Balance as of 31 December	4,485,083	-	-	4,485,083

	2024_Gross carrying value			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables due from banks and other financial institutions				
Balance as of 1 January	13,926,707	-	1	13,926,708
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in exposure in the same impairment stages on opening and closing date	(211,214)	-	-	(211,214)
Financial assets realized during the year (impairment stage on closing date)	7,091,482	-	-	7,091,482
Derecognized financial assets	(13,595,867)	-	(1)	(13,595,868)
Write-offs and definite write-offs	-	-	-	-
FX gains/losses and other changes	(2,102)	-	-	(2,102)
Balance as of 31 December	7,209,006	-	-	7,209,006

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

	2025_Allowance for impairment			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables due from banks and other financial institutions				
Balance as of 1 January	2,731	-	-	2,731
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in exposure in the same impairment stages on opening and closing date	(80)	-	-	(80)
Financial assets realized during the year (impairment stage on closing date)	698	-	-	698
Derecognized financial assets	(710)	-	-	(710)
Write-offs and definite write-offs	-	-	-	-
FX gains/losses and other changes	6	-	-	6
Balance as of 31 December	2,645	-	-	2,645

	2024_Allowance for impairment			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables due from banks and other financial institutions				
Balance as of 1 January	2,358	-	1	2,359
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in exposure in the same impairment stages on opening and closing date	(563)	-	-	(563)
Financial assets realized during the year (impairment stage on closing date)	2,488	-	-	2,488
Derecognized financial assets	(1,476)	-	(1)	(1,477)
Write-offs and definite write-offs	-	-	-	-
FX gains/losses and other changes	(76)	-	-	(76)
Balance as of 31 December	2,731	-	-	2,731

	2025_Gross carrying amount				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from customers					
Balance as of 1 January	71,773,795	15,973,281	1,973,438	115,648	89,836,162
Transfer to Stage 1	6,821,892	(6,820,514)	(1,378)	-	-
Transfer to Stage 2	(1,852,741)	1,875,660	(22,919)	-	-
Transfer to Stage 3	(346,949)	(114,696)	461,645	-	-
Changes in exposure in the same impairment stages on opening and closing date	(14,639,723)	(1,997,661)	(348,642)	(157)	(16,986,183)
Financial assets realized during the year (impairment stage on closing date)	55,912,491	2,405,724	232,620	-	58,550,835
Derecognized financial assets	(21,916,195)	(3,936,430)	(58,160)	-	(25,910,785)
Write-offs and definite write-offs	-	-	(143,004)	-	(143,004)
FX gains/losses and other changes	121,615	10,409	939	264	133,227
Balance as of 31 December	95,874,185	7,395,773	2,094,539	115,755	105,480,252

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

	2024_Gross carrying value				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from customers					
Balance as of 1 January	64,088,892	13,807,349	1,417,849	116,682	79,430,772
Transfer to Stage 1	1,394,643	(1,391,365)	(3,278)	-	-
Transfer to Stage 2	(2,847,325)	2,856,607	(9,282)	-	-
Transfer to Stage 3	(321,004)	(602,845)	923,849	-	-
Changes in exposure in the same impairment stages on opening and closing date	(12,430,250)	(2,582,048)	(124,640)	(877)	(15,137,815)
Financial assets realized during the year (impairment stage on closing date)	42,261,535	8,042,293	118,168	-	50,421,996
Derecognized financial assets	(20,322,617)	(4,138,985)	(157,639)	-	(24,619,241)
Write-offs and definite write-offs	-	-	(191,068)	-	(191,068)
FX gains/losses and other changes	(50,078)	(17,725)	(521)	(157)	(68,481)
Balance as of 31 December	71,773,796	15,973,281	1,973,438	115,648	89,836,163

	2025_Allowance for impairment				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from customers					
Balance as of 1 January	174,284	172,526	1,177,143	65,813	1,589,766
Transfer to Stage 1	16,143	(16,127)	(16)	-	-
Transfer to Stage 2	(44,808)	45,154	(346)	-	-
Transfer to Stage 3	(142,333)	(60,676)	203,009	-	-
Changes in exposure in the same impairment stages on opening and closing date	141,942	25,902	48,888	(3,528)	213,204
Financial assets realized during the year (impairment stage on closing date)	214,008	65,950	76,297	-	356,255
Derecognized financial assets	(49,484)	(22,220)	(27,744)	-	(99,448)
Write-offs and definite write-offs	-	-	(143,004)	-	(143,004)
FX gains/losses and other changes	375	281	440	142	1,238
Balance as of 31 December	310,127	210,790	1,334,667	62,427	1,918,011

	2024_Allowance for impairment				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from customers					
Balance as of 1 January	158,883	111,830	770,536	65,088	1,106,337
Transfer to Stage 1	4,475	(4,470)	(5)	-	-
Transfer to Stage 2	(28,924)	28,978	(54)	-	-
Transfer to Stage 3	(147,543)	(299,026)	446,569	-	-
Changes in exposure in the same impairment stages on opening and closing date	118,278	250,678	109,626	725	479,307
Financial assets realized during the year (impairment stage on closing date)	121,493	117,558	54,127	-	293,178
Derecognized financial assets	(52,430)	(33,022)	(12,588)	-	(98,040)
Write-offs and definite write-offs	-	-	(191,068)	-	(191,068)
FX gains/losses and other changes	52	-	-	-	52
Balance as of 31 December	174,284	172,526	1,177,143	65,813	1,589,766

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

	2025_Gross carrying amount				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from corporate clients					
Balance as of 1 January	47,273,517	15,704,253	1,581,647	115,648	64,675,065
Transfer to Stage 1	6,803,757	(6,803,757)	-	-	-
Transfer to Stage 2	(1,321,183)	1,326,850	(5,667)	-	-
Transfer to Stage 3	(266,682)	(77,685)	344,367	-	-
Changes in exposure in the same impairment stages on opening and closing date	(11,927,525)	(1,965,929)	(308,702)	(157)	(14,202,313)
Financial assets realized during the year (impairment stage on closing date)	42,986,332	2,009,257	186,890	-	45,182,479
Derecognized financial assets	(15,764,059)	(3,912,013)	(40,813)	-	(19,716,885)
Write-offs and definite write-offs	-	-	(89,126)	-	(89,126)
FX gains/losses and other changes	95,470	9,949	886	264	106,570
Balance as of 31 December	67,879,628	6,290,925	1,669,482	115,755	75,955,790

	2024_Gross carrying value				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from corporate clients					
Balance as of 1 January	42,352,038	13,585,274	1,043,258	116,682	57,097,252
Transfer to Stage 1	1,322,945	(1,322,945)	-	-	-
Transfer to Stage 2	(2,665,341)	2,665,714	(373)	-	-
Transfer to Stage 3	(268,134)	(572,502)	840,636	-	-
Changes in exposure in the same impairment stages on opening and closing date	(10,001,934)	(2,551,991)	(86,079)	(877)	(12,640,881)
Financial assets realized during the year (impairment stage on closing date)	32,537,583	8,020,057	96,189	-	40,653,829
Derecognized financial assets	(15,967,430)	(4,101,730)	(131,055)	-	(20,200,215)
Write-offs and definite write-offs	-	-	(180,417)	-	(180,417)
FX gains/losses and other changes	(36,219)	(17,624)	(512)	(157)	(54,502)
Balance as of 31 December	47,273,518	15,704,253	1,581,647	115,648	64,675,066

	2025_Allowance for impairment				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from corporate clients					
Balance as of 1 January	149,581	161,835	882,364	65,813	1,259,593
Transfer to Stage 1	16,030	(16,030)	-	-	-
Transfer to Stage 2	(28,253)	28,273	(20)	-	-
Transfer to Stage 3	(101,184)	(39,145)	140,329	-	-
Changes in exposure in the same impairment stages on opening and closing date	89,460	11,919	67,294	(3,528)	165,145
Financial assets realized during the year (impairment stage on closing date)	195,786	49,710	58,600	-	304,096
Derecognized financial assets	(39,515)	(21,062)	(16,118)	-	(76,695)
Write-offs and definite write-offs	-	-	(89,126)	-	(89,126)
FX gains/losses and other changes	367	277	423	142	1,209
Balance as of 31 December	282,272	175,777	1,043,746	62,427	1,564,222

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

	2024_Allowance for impairment				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from corporate clients					
Balance as of 1 January	123,459	93,862	556,683	65,088	839,092
Transfer to Stage 1	4,349	(4,349)	-	-	-
Transfer to Stage 2	(21,925)	21,926	(1)	-	-
Transfer to Stage 3	(116,123)	(278,652)	394,775	-	-
Changes in exposure in the same impairment stages on opening and closing date	93,877	244,370	74,522	725	413,494
Financial assets realized during the year (impairment stage on closing date)	107,404	115,763	41,833	-	265,000
Derecognized financial assets	(41,512)	(31,085)	(5,037)	-	(77,634)
Write-offs and definite write-offs	-	-	(180,417)	-	(180,417)
FX gains/losses and other changes	52	-	-	-	52
Balance as of 31 December	149,581	161,835	882,358	65,813	1,259,587

	2025_Gross carrying amount				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from retail clients					
Balance as of 1 January	24,500,278	269,028	391,791	-	25,161,097
Transfer to Stage 1	18,135	(16,757)	(1,378)	-	-
Transfer to Stage 2	(531,558)	548,810	(17,252)	-	-
Transfer to Stage 3	(80,267)	(37,011)	117,278	-	-
Changes in exposure in the same impairment stages on opening and closing date	(2,712,198)	(31,732)	(39,940)	-	(2,783,870)
Financial assets realized during the year (impairment stage on closing date)	12,926,159	396,467	45,730	-	13,368,356
Derecognized financial assets	(6,152,136)	(24,417)	(17,347)	-	(6,193,900)
Write-offs and definite write-offs	-	-	(53,878)	-	(53,878)
FX gains/losses and other changes	26,144	460	53	-	26,657
Balance as of 31 December	27,994,557	1,104,848	425,057	-	29,524,462

	2024_Gross carrying value				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from retail clients					
Balance as of 1 January	21,736,854	222,075	374,591	-	22,333,520
Transfer to Stage 1	71,698	(68,420)	(3,278)	-	-
Transfer to Stage 2	(181,984)	190,893	(8,909)	-	-
Transfer to Stage 3	(52,870)	(30,343)	83,213	-	-
Changes in exposure in the same impairment stages on opening and closing date	(2,428,316)	(30,057)	(38,561)	-	(2,496,934)
Financial assets realized during the year (impairment stage on closing date)	9,723,952	22,236	21,979	-	9,768,167
Derecognized financial assets	(4,355,187)	(37,255)	(26,584)	-	(4,419,026)
Write-offs and definite write-offs	-	-	(10,651)	-	(10,651)
FX gains/losses and other changes	(13,869)	(101)	(9)	-	(13,979)
Balance as of 31 December	24,500,278	269,028	391,791	-	25,161,097

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

	2025_Allowance for impairment				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from retail clients					
Balance as of 1 January	24,703	10,691	294,779	-	330,173
Transfer to Stage 1	113	(97)	(16)	-	-
Transfer to Stage 2	(16,555)	16,881	(326)	-	-
Transfer to Stage 3	(41,149)	(21,531)	62,680	-	-
Changes in exposure in the same impairment stages on opening and closing date	52,482	13,983	(18,406)	-	48,059
Financial assets realized during the year (impairment stage on closing date)	18,222	16,240	17,697	-	52,159
Derecognized financial assets	(9,969)	(1,158)	(11,626)	-	(22,753)
Write-offs and definite write-offs	-	-	(53,878)	-	(53,878)
FX gains/losses and other changes	8	4	17	-	29
Balance as of 31 December	27,855	35,013	290,921	-	353,789

	2024_Allowance for impairment				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from retail clients					
Balance as of 1 January	35,424	17,968	213,853	-	267,245
Transfer to Stage 1	126	(121)	(5)	-	-
Transfer to Stage 2	(6,999)	7,052	(53)	-	-
Transfer to Stage 3	(31,420)	(20,374)	51,794	-	-
Changes in exposure in the same impairment stages on opening and closing date	24,401	6,308	35,104	-	65,813
Financial assets realized during the year (impairment stage on closing date)	14,089	1,795	12,294	-	28,178
Derecognized financial assets	(10,918)	(1,937)	(7,551)	-	(20,406)
Write-offs and definite write-offs	-	-	(10,651)	-	(10,651)
FX gains/losses and other changes	-	-	-	-	-
Balance as of 31 December	24,703	10,691	294,785	-	330,179

	2025_Gross carrying amount			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other financial assets				
Balance as of 1 January	768,668	49,040	148,864	966,572
Transfer to Stage 1	1,367	(1,233)	(134)	-
Transfer to Stage 2	(10,069)	10,081	(12)	-
Transfer to Stage 3	(2,708)	(305)	3,013	-
Changes in exposure in the same impairment stages on opening and closing date	616,779	(46,510)	(88,923)	481,346
Financial assets realized during the year (impairment stage on closing date)	586,540	1,518	1,029	589,087
Derecognized financial assets	(294,217)	(365)	(43,640)	(338,222)
Write-offs and definite write-offs			(9,483)	(9,483)
FX gains/losses and other changes	356	-	113	469
Balance as of 31 December	1,666,716	12,226	10,827	1,689,769

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

	2024_Gross carrying value			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other financial assets				
Balance as of 1 January	1,046,533	2,797	98,625	1,147,955
Transfer to Stage 1	3,932	(423)	(3,509)	-
Transfer to Stage 2	(195)	345	(150)	-
Transfer to Stage 3	(6,430)	(5,406)	11,836	-
Changes in exposure in the same impairment stages on opening and closing date	8,775	4,818	13,426	27,019
Financial assets realized during the year (impairment stage on closing date)	728,513	48,613	44,495	821,621
Derecognized financial assets	(1,012,064)	(1,704)	(7,473)	(1,021,241)
Write-offs and definite write-offs	-	-	(8,352)	(8,352)
FX gains/losses and other changes	(396)	-	(34)	(430)
Balance as of 31 December	**768,668**	**49,040**	**148,864**	**966,572**

	2025_Allowance for impairment			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other financial assets				
Balance as of 1 January	2,558	270	125,960	128,788
Transfer to Stage 1	745	(728)	(17)	-
Transfer to Stage 2	(3,911)	3,911	-	-
Transfer to Stage 3	(1,017)	(125)	1,142	-
Changes in exposure in the same impairment stages on opening and closing date	64,125	980	(71,375)	(6,270)
Financial assets realized during the year (impairment stage on closing date)	72,203	991	571	73,765
Derecognized financial assets	(1,089)	(7)	(41,811)	(42,907)
Write-offs and definite write-offs	-	-	(9,483)	(9,483)
FX gains/losses and other changes	103	-	103	206
Balance as of 31 December	133,717	5,292	5,090	144,099

	2024_Allowance for impairment			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other financial assets				
Balance as of 1 January	2,505	55	89,290	91,850
Transfer to Stage 1	10	(1)	(9)	-
Transfer to Stage 2	(2)	10	(8)	-
Transfer to Stage 3	(3,833)	(3,341)	7,174	-
Changes in exposure in the same impairment stages on opening and closing date	3,490	3,318	18,535	25,343
Financial assets realized during the year (impairment stage on closing date)	2,802	257	22,528	25,587
Derecognized financial assets	(2,414)	(28)	(3,198)	(5,640)
Write-offs and definite write-offs	-	-	(8,352)	(8,352)
FX gains/losses and other changes	-	-	-	-
Balance as of 31 December	2,558	270	125,960	128,788

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Portfolio Analysis (Continued)

In RSD thousand	2025_Gross carrying amount	2024_Gross carrying value
Cash and balances held with the Central Bank		
Balance as of 1 January	19,512,774	16,732,386
Changes in exposure in the same impairment stages on opening and closing date	-	-
Financial assets realized during the year	12,739,457	2,780,388
Derecognized financial assets	-	-
FX gains/losses and other changes	-	-
Balance as of 31 December	32,252,231	19,512,774
Securities		
Balance as of 1 January	18,571,410	13,713,114
Changes in exposure in the same impairment stages on opening and closing date	(3,436,793)	683,227
Financial assets realized during the year	7,440,686	4,716,220
Derecognized financial assets	(1,125,715)	(541,151)
FX gains/losses and other changes	-	-
Balance as of 31 December	21,449,588	18,571,410
Commitments for undrawn loans, guarantees and letters of credit		
Balance as of 1 January	55,170,649	52,181,901
Changes in exposure in the same impairment stages on opening and closing date	5,772,960	(3,307,938)
Financial assets realized during the year	39,196,787	29,518,438
Derecognized financial assets	(22,381,699)	(23,178,763)
FX gains/losses and other changes	113,283	(42,989)
Balance as of 31 December	77,871,980	55,170,649

In RSD thousand	2025_Allowance for impairment	2024_Allowance for impairment
Cash and balances held with the Central Bank		
Balance as of 1 January	3,654	2,793
Changes in exposure in the same impairment stages on opening and closing date	-	-
Financial assets realized during the year	146	861
Derecognized financial assets	-	-
FX gains/losses and other changes	-	-
Balance as of 31 December	3,800	3,654
Securities		
Balance as of 1 January	33,504	32,545
Changes in exposure in the same impairment stages on opening and closing date	(13,418)	(6,379)
Financial assets realized during the year	11,523	8,539
Derecognized financial assets	(716)	(1,201)
FX gains/losses and other changes		-
Balance as of 31 December	30,893	33,504
Commitments for undrawn loans, guarantees and letters of credit		
Balance as of 1 January	11,428	11,043
Changes in exposure in the same impairment stages on opening and closing date	(5,055)	(597)
Financial assets realized during the year	979	4,725
Derecognized financial assets	(3,354)	(3,739)
FX gains/losses and other changes	4	(4)
Balance as of 31 December	4,002	11,428

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Financial Assets by Internal Rating Categories

The Bank monitors the credit quality of financial assets using an internal rating system, which was introduced in September 2025 through the implementation of the internal rating model. Until that date, exposure classification was predominantly based on days past due, while from September 2025 credit quality is assessed using a model based on a comprehensive assessment of credit risk.

Until the application of the new approach, the Bank used a methodology based on TTC migration matrices by segments and sub-segments, including individuals, legal entities and exposures to countries and institutions, for the purposes of calculating the allowance for impairment of the loan portfolio. The retail segment is further divided into housing loans, cash and consumer loans, loans to farmers / entrepreneurs, credit cards and overdrafts, as well as payment receivables. Debtors within sub-segments were classified by groups based on days past due (0, 1–30, 31–60, 61–90, >90), and migration between classes was observed over a period of at least 5 years. The TTC matrices were used as a basis for calculating multi-year PDs, with subsequent adjustments for Point-in-Time and forward-looking effects, to ensure compliance with IFRS 9.

In accordance with the new approach, financial assets are allocated to internal rating categories that reflect the borrower's credit quality based on a combination of quantitative and qualitative indicators, including financial parameters, behavioral characteristics and other relevant risk factors. Each rating category is associated with a corresponding assessment of the probability of default (PD) and is the basis for the allocation of exposures by impairment levels (Stage 1, Stage 2 and Stage 3) in accordance with IFRS 9.

Performing exposures (Level 1 and Level 2) are distributed by internal rating categories in accordance with the estimated level of credit risk and changes in relation to initial recognition, while credit-impaired exposures (Level 3) include financial assets for which the status of default has been identified based on the internal definition and valid regulatory requirements.

The internal rating system was developed for:

- Corporate segment and
- Retail segment.

Rating models for the corporate segment were developed in a modular structure, in order to quantify the credit quality of clients by combining information from different sources. The rating system includes three modules:

- **Internal behavioral module**, based on internal data on exposure, limits, delays and transaction characteristics;
- **Demographic module**, based on the client's characteristics (e.g. sector/SSKR, age of the company, relationship with the Bank, etc.);
- **Financial module**, based on data from annual financial statements and derived financial ratios (indebtedness, liquidity, profitability, efficiency and trend indicators).

Module scores are integrated using a regression approach into a single integrated score. The obtained score is mapped to an internal rating scale that enables the differentiation of clients according to the degree of credit risk.

Rating models for the retail segment (individuals), including Revolve and Non-Revolve models, were developed within a modular framework with the aim of quantifying the creditworthiness of clients from the retail segment. These models have a modular structure and include:

- **Behavioral module**, based on internal data on the history of payment of obligations, the dynamics of product use, the movement of exposure and the duration of the business relationship with the Bank;
- **Other (Other) module**, based on demographic data, Credit Bureau data and customer deposit data.

The results of the individual modules are integrated by applying logistic regression into a single integrated score, which is the basis for credit risk assessment at the debtor level.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Financial Assets by Internal Rating Categories (Continued)

The final rating model for the Non-Retail portfolio (covering Corporate, SME and entrepreneurs) contains 12 rating categories, while the final rating model for the Retail portfolio (covering also agricultural clients) contains 10 rating categories. Twelve categories in the Non-Retail and ten categories in the Retail portfolio are consolidated into five broader rating buckets, from very low risk (Group 1) to the riskiest exposures with high PD values (Group 5). This consolidation facilitates risk review, migration tracking and application in the calculation of expected credit losses.

The models were subjected to a validation process that included assessment of discriminatory power, sample stability, and calibration adequacy. The validation results confirm that the models provide a satisfactory level of separation of risky and non-risky exposures, as well as stability in application.

For **exposures to states, central banks and financial institutions**, the Bank uses the external credit rating agency Moody's as the primary input for credit risk assessment and allocation by internal rating categories. The external rating is mapped to the Bank's internal rating scale, which includes a total of eight categories, whereby the rating Aaa is classified in category 1, Aa in category 2, A in category 3, Baa in category 4, Ba in category 5, B in category 6, while rating grades Caa to C are allocated in category 7. For exposures for which an external rating is not available, the average probability of default (PD) according to Moody's methodology is applied, and such exposures are assigned to the eighth internal rating category.

Below is the structure of loans and receivables from commitments by internal rating categories and impairment levels:

	31 December 25				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables due from customers - Non-retail portfolio					
Rating group 1 (rating 1, 2)	469,945	-	-	-	469,945
Rating group 2 (rating 3, 4)	4,738,949	729	-	-	4,739,678
Rating group 3 (rating 5, 6)	21,242,983	2,191	39	-	21,245,213
Rating group 4 (rating 7, 8, 9)	38,658,722	987,322	123,854	-	39,769,898
Rating group 5 (rating 10, 11, 12)	121,067	4,833,280	1,435,138	115,755	6,505,240
Gross carrying value	65,231,666	5,823,522	1,559,031	115,755	72,729,974
Allowance for impairment	(270,145)	(152,463)	(983,046)	(62,427)	(1,468,081)
Net carrying value	64,961,521	5,671,059	575,985	53,328	71,261,893
Loans and receivables due from customers - Retail portfolio					
Rating group 1 (rating 1, 2)	15,950,400	94,994	13,111	-	16,058,505
Rating group 1 (rating 3)	5,695,691	17,314	3,930	-	5,716,935
Rating group 1 (rating 4, 5)	8,187,377	25,437	48,775	-	8,261,589
Rating group 1 (rating 6, 7)	809,051	917,080	62,409	-	1,788,540
Rating group 1 (rating 8, 9, 10)	-	517,426	407,283	-	924,709
Gross carrying value	30,642,519	1,572,251	535,508	-	32,750,278
Allowance for impairment	(39,982)	(58,327)	(351,621)	-	(449,930)
Net carrying amount	30,602,537	1,513,924	183,887	-	32,300,348

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Financial Assets by Internal Rating Categories (Continued)

	31 December 24				
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and receivables from customers					
Internal rating category 1 (not past due)	68,951,606	15,232,018	-	-	84,183,624
Internal rating category 2 (1 to 30 days past due)	2,822,189	497,118	-	-	3,319,307
Internal rating category 3 (31 to 60 days past due)	-	190,637	-	-	190,637
Internal rating category 4 (61 to 90 days past due)	-	53,508	-	-	53,508
Internal rating category 5 (over 90 days past due)	-	-	1,973,438	115,648	2,089,086
Gross carrying value	71,773,795	15,973,281	1,973,438	115,648	89,836,162
Allowance for impairment	(174,284)	(172,526)	(1,177,143)	(65,813)	(1,589,766)
Net carrying amount	71,599,511	15,800,755	796,295	49,835	88,246,396

Financial Assets With an Available Credit Rating from Moody*s Investor Service Ltd

In RSD thousand	2025_Gross carrying amount	2024_Gross carrying value
Cash and balances held with the Central Bank		
From Ba1 to Ba3	29,277,162	16,466,660
Securities		
From Ba1 to Ba3	21,428,697	18,551,766
Loans and receivables due from banks and other financial institutions		
From Aaa to Aa3	3,391,378	843,329
From A1 to A3	77,250	1,486,792
From Ba1 to Ba3	229,561	3,872,751
From B1 to B3	-	118,568
Total gross carrying value	**3,698,189**	**6,321,440**
Commitments for undrawn loans, guarantees and letters of credit		
From Ba1 to Ba3	14,980,998	3,933,511
From B1 to B3	-	2,375,834
Total gross carrying value	**14,980,998**	**6,309,345**

Fair Value of Collaterals

The Bank's collateral management system entails a set of activities and prescribed measures and rules implemented for regular recording, allocation and measurement of collaterals.

In order to mitigate its credit risk exposure, the Bank obtains collaterals from borrowers to securitize loan repayments. Security instruments that the Bank accepts may be in the form of:

- Financial assets (guarantee deposits)
- Guarantees issued by other banks as payment security
- Mortgages on immovable assets, i.e. property (residential and commercial real-estate)
- Pledges over movable assets (machinery, equipment and vehicles); and
- Other collaterals

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Collaterals (Continued)

The Bank does not approve placements to customers based on the value of a security instrument, but on a positive assessment of the customer's financial position. Collaterals are therefore exclusively used to mitigate the credit risk exposure.

Collateral types and their fair values at the time of issuing securitized financial instruments comply with the loan type, maturity and borrower type.

Collaterals are recorded with relevant registers that are publicly available to all stakeholders.

The Bank may activate collaterals only after default status has been declared and the contract with the borrower is terminated. The method of collection from the collateral depends on the collateral type. The fair value (collected value) of collaterals activated in 2025 amounts to RSD 256,197 thousand (2024: RSD 69,272 thousand).

For the purpose of assessing an additional credit risk arising from potential difficulties in collateral activation and a time lapse between a borrower's default and the Bank's ability to foreclose the collateral, the market value of the collateral underlying the security instrument (lien) in favour of the Bank is reduced to arrive at the value that the Bank would achieve in case of a possible sale of the goods in order to collect its receivables securitized by the asset.

The fair values of collaterals are presented in the following breakdown at an estimated market value, but only up to the amount of the receivables they secure. This applies to mortgages, pledges, deposits and guarantees received from borrowers.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Collaterals (Continued)

	2025			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables from corporate clients				
Deposits	1,748,995	315,975	6,309	2,071,279
Securities and guarantees of the Republic of Serbia	12,066	350	1,262	13,678
Mortgages for residential real-estate properties	3,143,095	198,183	50,388	3,391,666
Mortgages for commercial real-estate properties	15,096,992	722,403	183,131	16,002,526
Pledges	3,561,429	162,043	112,743	3,836,215
Other	5,968,097	46,579	46,098	6,060,774
Total collateralized value	29,530,674	1,445,533	399,931	31,376,138
Net carrying value	67,597,356	6,115,147	679,065	74,391,568
Loans and receivables from retail clients				
Deposits	444,705	21,443	-	466,148
Mortgages for residential real-estate properties	10,357,991	215,565	15,491	10,589,047
Mortgages for commercial real-estate properties	155,049	31,291	-	186,340
Pledges	175,420	3,780	194	179,394
Other	1,033,503	66,611	11,669	1,111,783
Total collateralized value	12,166,668	338,690	27,354	12,532,712
Net carrying value	27,966,701	1,069,837	134,135	29,170,673
Commitments for undrawn loans, guarantees and letters of credit				
Deposits	1,318,330	15,586	2,346	1,336,262
Mortgages for residential real-estate properties	844,924	85,206	-	930,130
Mortgages for commercial real-estate properties	6,201,654	55,024	-	6,256,678
Pledges	574,064	107	4,762	578,933
Other	7,841,972	28,901	15,300	7,886,173
Total collateralized value	16,780,944	184,824	22,408	16,988,176
Net carrying value	77,010,179	826,975	31,213	77,868,367

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Collaterals (Continued)

	2024			
In RSD thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables from corporate clients				
Deposits	1,511,324	127,520	-	1,638,844
Securities and guarantees of the Republic of Serbia	48,543	4,858	-	53,401
Mortgages for residential real-estate properties	2,920,649	365,568	53,480	3,339,697
Mortgages for commercial real-estate properties	8,808,136	6,062,504	393,470	15,264,110
Pledges	3,122,359	383,426	49,822	3,555,607
Other	3,409,566	2,365,338	47,580	5,822,484
Total collateralized value	19,820,577	9,309,214	544,352	29,674,143
Net carrying value	47,123,937	15,542,418	749,124	63,415,479
Loans and receivables from retail clients				
Deposits	402,454	145	270	402,869
Mortgages for residential real-estate properties	9,348,474	137,156	4,181	9,489,811
Mortgages for commercial real-estate properties	156,997	-	12,251	169,248
Pledges	157,060	701	81	157,842
Other	1,172,123	13,517	5,839	1,191,479
Total collateralized value	11,237,108	151,519	22,622	11,411,249
Net carrying value	24,475,575	258,337	97,006	24,830,918
Commitments for undrawn loans, guarantees and letters of credit				
Deposits	1,072,205	74,063	-	1,146,268
Mortgages for residential real-estate properties	717,292	68,756	-	786,048
Mortgages for commercial real-estate properties	5,500,935	362,611	8,816	5,872,362
Pledges	431,911	190,586	-	622,497
Other	7,197,176	1,807,018	-	9,004,194
Total collateralized value	14,919,519	2,503,034	8,816	17,431,369
Net carrying value	49,493,103	5,612,564	53,554	55,159,221

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

LTV ratio

The LTV ratio is calculated as a ratio between the gross value of a financial asset and the estimated market value of the property on which a mortgage lien has been constituted in favour of the Bank.

Loans and receivables from corporate clients

In RSD thousand	31 December 2025	%	31 December 2024	%
LTV ratio				
Up to 50%	7,750,788	40.0%	9,747,050	52.4%
51-70%	4,037,993	20.8%	2,683,832	14.4%
71-90%	3,372,728	17.4%	3,277,560	17.6%
91-100%	1,075,233	5.5%	930,288	5.0%
Above 100%	3,157,450	16.3%	1,965,077	10.6%
Total	**19,394,192**		**18,603,807**	

Loans and receivables from retail clients

In RSD thousand	31 December 2025	%	31 December 2024	%
LTV ratio				
Up to 50%	3,783,005	35.1%	3,271,764	33.9%
51-70%	3,444,491	32.0%	3,633,944	37.6%
71-90%	2,585,144	24.0%	2,343,962	24.3%
91-100%	347,527	3.2%	144,064	1.5%
Above 100%	615,220	5.7%	265,325	2.7%
Total	**10,775,387**		**9,659,059**	

Financial Assets by Days Past Due

Breakdown of Loans and Receivables Due from Customers By Days-Past-Due Intervals

	31 December 2025							
In RSD thousand	**Stage 1**	**%**	**Stage 2**	**%**	**Stage 3**	**%**	**Total**	**%**
No days past due	93,596,943	97.9%	5,809,539	80.9%	239,764	29.5%	99,646,246	96.2%
Overdue up to 30 days	1,967,113	2.1%	1,062,957	14.8%	82,476	10.1%	3,112,546	3.0%
Overdue above 30	-	0.0%	312.488	4.3%	490,961	60.4%	803,449	0.8%
Total net exposure	95,564,056		7,184,984		813,201		103,562,241	

	31 December 2024							
In RSD thousand	**Stage 1**	**%**	**Stage 2**	**%**	**Stage 3**	**%**	**Total**	**%**
No days past due	69,449,307	97.0%	15,208,336	96.3%	146,552	17.3%	84,804,195	96.1%
Overdue up to 30 days	2,150,205	3.0%	381,699	2.4%	74,019	8.7%	2,605,923	3.0%
Overdue above 30	-	0.0%	210,720	1.3%	625,559	73.9%	836,279	0.9%
Total net exposure	71,599,512		15,800,755		846,130		88,246,397	

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Concentration of Financial Assets by Industry as of 31 December

In RSD thousand	Securities		Loans and receivables due from banks and other financial institutions		Loans and receivables from customers		Other financial assets		Commitments for undrawn loans, guarantees and letters of credit	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Net exposure	21,418,695	18,537,906	4,482,438	7,206,275	103,562,241	88,246,396	1,545,670	837,784		
Guaranteed value									77,867,978	55,159,221
Concentration by industry sector										
Agriculture, forestry and fishery	-	-	-	-	5,100,584	4,743,668	2,600	2,452	322,235	313,543
Mining	3,949	4,147	-	-	2,887,357	2,942,557	64	52	159,663	147,651
Manufacturing and processing industry	6,155	5,848	-	-	20,122,557	16,429,734	12,030	9,787	13,379,093	11,155,644
Electricity, gas and air conditioning supply; Water supply, waste water management	-	-	-	-	1,472,406	1,163,917	4,790	4,951	2,721,358	2,145,481
Construction industry	314	448	-	-	10,654,364	10,613,101	59,814	52,815	22,240,836	18,896,161
Trade and repair of motor vehicles and motorcycles	-	-	-	-	17,733,566	13,133,145	12,286	12,136	11,368,506	8,064,387
Transport and storage, accommodation and food, information and communications	-	-	-	-	8,174,437	7,030,086	652,983	256,551	6,281,516	5,482,916
Real-estate, professional, scientific and technical activities, arts, entertainment and leisure	2,355	1,995	-	-	2,751,449	3,086,187	18,551	14,561	3,683,617	3,183,529
Country	21,397,803	18,518,262	-	-	246,335	192,996	2,362	693	51,229	156,795
Banks, financial institutions and insurance companies	8,119	7,206	4,482,438	7,206,275	2,747,165	2,487,122	732,897	462,468	15,090,096	3,457,028
Retail	-	-	-	-	29,171,794	24,833,491	15,723	14,290	729,671	591,389
Other	-	-	-	-	2,500,227	1,590,392	31,570	7,028	1,840,158	1,564,697

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Financial Assets by Geographic Region

Concentration of Financial Assets by Geographic Region

In RSD thousand	Securities		Loans and receivables due from banks and other financial institutions		Loans and receivables from customers		Other financial assets		Commitments for undrawn loans, guarantees and letters of credit	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Net exposure	21,418,695	18,537,906	4,482,438	7,206,275	103,562,241	88,246,396	1,545,670	837,784		
Guaranteed value									77,867,978	55,159,221
Concentration by geographic region										
Republic of Serbia	20,876,842	18,537,906	687,911	4,505,663	98,173,231	83,260,584	1,535,073	831,478	62,884,140	52,107,763
European Union	-	-	3,571,035	2,452,774	64,421	67,394	4,797	4,749	-	-
USA and Canada	-	-	96,436	103,698	4,018	19,946	6	6	-	-
Other	541,853	-	127,056	144,140	5,320,571	4,898,472	5,794	1,551	14,983,838	3,051,458

The concentration of financial assets by geographic regions is determined according to the country of origin of borrowers.

In RSD thousand	Securities		Loans and receivables due from banks and other financial institutions		Loans and receivables from customers		Other financial assets		Commitments for undrawn loans, guarantees and letters of credit	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Net exposure	20,876,842	18,537,906	687,911	4,505,663	98,173,231	83,260,584	1,535,073	831,478		
Guaranteed value									62,884,140	52,107,763
Concentration by Serbian regions										
Belgrade region	20,868,409	18,530,252	368,734	4,326,461	39,374,154	33,137,961	1,496,462	796,904	31,878,129	26,672,596
Norther region of Serbia	-	-	287	-	17,934,154	15,883,606	11,567	7,611	12,743,702	10,741,976
Western and central region of Serbia	8,420	7,638	316,882	178,957	17,782,044	14,879,385	8,552	9,273	6,879,696	5,734,941
South-eastern region of Serbia	13	16	2,008	245	23,082,879	19,359,632	18,492	17,690	11,382,613	8,958,250

The concentration of financial assets according to Serbian regions is determined according to the Bank's branch in which a borrower's placement is approved.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Write-Off of Receivables

The Bank will adequately manage the collection of NPLs as long as it assesses that collection activities are economically justified and as long as collection is possible. The Bank deems that it is no longer economically justified to attempt collection in the following instances:

- Severe collection difficulties, including death of a borrower or a pledger;
- Lack of assets for foreclosure/enforcement procedure,
- Prolonged periods without collection and no prospects of further collection; and
- Debt amount is low and does not justify the use of the Bank's resources for collection purposes.

If the Bank assesses that a loan cannot be collected, it performs a so-called debt relief. After performing a debt relief, the Bank permanently waives collection of receivables from a borrower, based on a settlement (agreement) with the borrower/co-borrowers, a legally binding court decision, an enforceable document (adjudication or decision), a relevant decision of a Bank's competent body or an assignment of receivables resulting in the cessation of the right to further collection. In such a case, all of the Bank's receivables are derecognized from the Bank's balance and off-balance sheet items. A relief of a loan and/or receivable may, but need not be preceded by the direct write-off of the loan and/or receivable. On the other hand, the Bank performs so-called accounting write-off of balance sheet assets with low collectability. Accounting write-off entails a transfer of balance sheet assets to off-balance sheet items of the Bank. Balance sheet assets include non-performing loans and other non-performing exposures. Accounting write-off does not imply that the Bank has waived its legal and contractual rights, or the collection of these receivables, but accounting write-off is done from Bank's balance sheet items, whereas these receivables are further kept under off-balance sheet records and the Bank continues with the already started collection of the receivables. The Bank performs accounting write-off of balance sheet assets with low collectability in the event when the calculated impairment of such receivables that the Bank credited to the allowance for impairment amounts to 100% of its gross carrying value, if the receivables are fully impaired. Accounting write-off is performed at least quarterly. In 2025, the Bank performed accounting write-off of receivables for NPLs in the total amount of RSD 152,487 thousand (2024: RSD 199,466 thousand).

Receivables collected under bankruptcy procedures

The Bank reports receivables under a bankruptcy proceeding by registering such receivables with the competent court. The Bank is required to register receivables in the original currency of receivables in accordance with the Law on Bankruptcy. On the day when the bankruptcy proceedings commence, creditors' receivables from the debtor that are not due will be deemed due and payable. Foreign currency receivables are calculated in the RSD countervalue at the official middle exchange rate of the National Bank of Serbia on the date of the bankruptcy commencement, and they are recorded in RSD in the books of account. After the commencement of the bankruptcy proceeding, receivables in the functional currency (RSD) and receivables from indexed placements are stated in the books of account in the original currency and/or RSD. After the bankruptcy trustee has determined a final list of recognised receivables, a receivable to the client in the balance sheet items is reduced to the amount from the list of recognised receivables, and the potential difference is carried forward to off-balance sheet records.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Restructuring

In 2025, the Bank amended its terms and conditions for the repayment of receivables in accordance with the National of Bank of Serbia's Decision on Classification of Balance Sheet Assets and Off-balance Sheet Items (Official Gazette of the RS, no. 94/2011, 57/2012, 123/2012, 43/2013, 113/2013, 135/2014, 25/2015, 38/2015, 61/2016, 69/2016, 91/2016, 101/2017, 114/2017, 103/2018, 8/2019, 10/2024, 52/2024, 21/2025 and 70/2025) and National of Bank of Serbia's Decision on Loan Repayment (Official Gazette of the RS, no. 78/2025).

Restructuring entails approval of concessions on repayment of receivables due to borrower's financial difficulties, which would not otherwise be allowed, regardless of whether a certain amount of receivables has already matured, whether the receivable has been impaired or defaulted in accordance with the decision governing capital adequacy of banks, in at least one of the following ways:

- modification of the original terms of the receivable, particularly if the subsequently agreed terms of repayment are more favourable than the original terms (interest rate reduction, write-off of a portion of the principal outstanding, entailing derecognition of that portion in the balance sheet assets, write-off of a portion of the accrued interest, write-off of a portion of the receivable, a change in the maturity date of the principal and/or interest, etc.) or than the terms that would be approved to another borrower with the same or similar risk level.
- refinancing of receivables, where a new receivable is originated from the loan approved to settle a portion of or the entire amount of the borrower's liability to the Bank or another legal entity to which the receivable due from the borrower has been assigned.

Restructured receivables due from corporate customers are:

- receivables restructured at the Bank level, where the Bank defines the restructuring terms;
- receivables restructured in collaboration with other creditors, either under an interbank agreement on equal terms of restructuring or under the Law on Mutually Agreed Financial Restructuring of Companies with the participation of an institutional mediator;
- receivables due from debtors where, in the previous bankruptcy procedure, a pre-packed reorganization plan was proposed and adopted; and
- receivables due from debtors where, in the bankruptcy procedure, a bankruptcy debtor's reorganization plan was proposed and adopted

Restructured receivables from retail customers are receivables due from borrowers that the Bank assessed, based on creditworthiness, as being able to settle the loan repayment liabilities to the Bank in a timely manner in the forthcoming period if certain repayment concessions are granted by the Bank.

Upon undertaking restructuring measures, the Bank is required to estimate whether the placement restructuring approved to a debtor is sustainable and economically justified for both the Bank and the debtor and to determine the restructuring schedule and regularly monitor its implementation and effects.

On a regular basis, at least semi-annually, the Bank monitors the implementation of the loan restructuring schedule through the Report on the Rescheduled Receivables at the Client Level.

The Bank may cease to treat a receivable as restructured if at the end of the trial period the following criteria are met:

- the restructured receivable is not classified as non-performing;
- the borrower repaid a materially significant portion of the debt through regular payments of principal and/or interest during at least half of the probation period;
- The borrower is not over 30 days past due for any liability towards the Bank.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Loan Restructuring (Continued)

The probation period is a minimum two-year period that starts from the moment when the restructured receivable is classified as performing.

The table below provides the number of customers and placements restructured in 2025, as well as the associated gross exposure as of 31 December 2025.

Balance as of 31 December 2025	Number of customers	No. of restructured loans
278,766	89	94

The table below provides the number of customers and placements restructured in 2024, as well as the associated gross exposure as of 31 December 2024.

Balance as of 31 December 2024	Number of customers	No. of restructured loans
139,551	24	25

Breakdown of the Total Sum of Restructured and Impaired Loans as of 31 December 2025

(In RSD thousand)

Category	31 December 2025			
	Gross exposure	Net exposure	Number of customers	No. of loan facilities
Level 1	-	-	-	-
Level 2	94,982	94,671	21	27
Level 3	485,126	324,528	123	131
Total	**580,108**	**419,199**	**144**	**158**

Breakdown of the Total Sum of Restructured and Impaired Loans as of 31 December 2024

(In RSD thousand)

Category	31 December 2024			
	Gross exposure	Net exposure	Number of customers	No. of loan facilities
Level 1	-	-	-	-
Level 2	87,411	87,325	19	20
Level 3	294,053	197,956	57	63
Total	**381,464**	**285,281**	**76**	**83**

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Assets and Liabilities

The fair value stated in the financial statements is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an independent transaction.

Fair value is calculated using market information available as of the reporting date.

Whenever possible, the Bank measures the fair vale using market prices available on an active market for a specific instrument. A market is deemed active if the quoted prices are easily and regularly available and reflect actual, regular market transactions performed under market conditions.

The fair value of a current liquid instrument presented at its nominal value approximates its carrying value. This applies to cash and cash equivalents, as well as receivables and liabilities without a determined maturity or without a fixed interest rate. For other receivables and liabilities, expected future cash flows are discounted to their net present values using market interest rates.

Quoted market prices are used to determine the fair values of trading securities. The fair value of other securities is calculated as the net present value of expected future cash flows using the interest rates applied to similar securities.
Given that there is no sufficiently developed secondary loan market, where the fair value of these financial instruments could be determined, it is necessary to use lower input levels than Levels 1 and 2, i.e. Level 3 inputs. The observation unit is a single loan, or a loan facility, and the fair value is determined using the income approach or converting future cash flows (income) of a specific loan using the discounted cash flow method.

The production of new placements during 2025 to the retail and corporate segments was in line with market conditions. Given the foregoing, the fair values determined for loans disbursed in 2025 are equal to their carrying values.

Loans disbursed before 2025 were subject to discounting using the interest rates available on the website of the National Bank of Serbia. These interest rates are taken from the Report on Interest Rates of Banks on Loans to Retail and Non-financial Sector Customers by Type, Maturity and Purpose – newly approved placements. The Bank used inputs for December 2025.

Assessment of Financial Instruments

The Bank measures fair value by means of the following fair value hierarchy reflecting the importance of the inputs used in measurement:

- Level 1: Quoted market prices (unadjusted) on active markets for identical assets or liabilities accessible to market participants on the fair value measurement date;
- Level 2: Assessment techniques based on observable inputs that are not the quoted prices from level 1, whether directly (as prices) or indirectly (derived from prices, interest rates, correlations, etc.). Indirectly identifiable inputs are used for instrument measurement based on a quoted market price on active markets for similar instruments; indicated prices for the same or similar instruments on markets that are deemed less active or other assessment techniques, where all significant inputs are directly or indirectly observable from market data;
- Level 3: level 3 parameters are not publicly available for the given asset or liability.

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Assets and Liabilities (Continued)

Financial Assets Measured at Fair Value (in RSD thousand)

31 December 2025	Stage 1	Stage 2	Stage 3	Total
Securities and derivatives	536,608	20,886,509	-	21,450,117
• Financial assets at FVTPL	20,891	529	-	21,420
• Securities at fair value through other comprehensive income (FVTOCI)	542,717	20,885,980	-	21,428,697

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Securities and derivatives	19,644	18,553,304	-	18,572,948
• Financial assets at FVTPL	19,644	1,538	-	21,182
• Securities at fair value through other comprehensive income (FVTOCI)	-	18,551,766	-	18,551,766

Financial Assets and Liabilities Not Measured at Fair Value (in RSD thousand)

31 December 2025	Stage 1	Stage 2	Stage 3	Total
Financial assets	-	32,248,431	109,590,349	141,838,780
Cash and cash equivalents	-	32,248,431	-	32,248,431
Loans and receivables from banks and other financial organizations	-	-	4,482,438	4,482,438
Loans and receivables from customers	-	-	103,562,241	103,562,241
Other assets	-	-	1,545,670	1,545,670
Financial liabilities	-	-	138,900,877	138,900,877
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	12,810,599	12,810,599
Deposits and other liabilities due to other customers	-	-	124,627,171	124,627,171
Other liabilities	-	-	1,463,107	1,463,107

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Assets and Liabilities (Continued)

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Financial assets	-	19,509,120	96,214,428	115,723,548
Cash and cash equivalents	-	19,509,120	-	19,509,120
Loans and receivables from banks and other financial organizations	-	-	7,206,275	7,206,275
Loans and receivables from customers	-	-	88,246,397	88,246,397
Other assets	-	-	761,756	761,756
Financial liabilities	-	-	110,081,878	110,081,878
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	7,075,982	7,075,982
Deposits and other liabilities due to other customers	-	-	101,689,129	101,689,129
Other liabilities	-	-	1,316,767	1,316,767

Breakdown of financial assets and liabilities at fair value – comparison of their carrying and fair values calculated for the purpose of being disclosed in the Notes to the Financial Statements (In RSD thousand)

31 December 2025	FVTPL	FVTOCI	Other amortized cost	Total amount in the books	Total fair value
Financial assets					
Cash and balances held with the Central Bank	-	-	32,248,431	32,248,431	32,248,431
Receivables from derivatives	-	-	529	529	529
Securities	20,891	21,428,697	-	21,449,588	21,449,588
Loans and receivables due from banks and other financial institutions	-	-	4,482,438	4,482,438	4,482,438
Loans and receivables from customers	-	-	103,562,241	103,562,241	103,890,790
Other assets	-	-	1,545,670	1,545,670	1,545,670
Financial liabilities					
Liabilities arising from derivatives			83	83	83
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	-	12,810,599	12,810,599	12,810,599
Deposits and other liabilities due to other customers	-	-	124,627,171	124,627,171	124,627,171
Other liabilities	-	-	1,463,107	1,463,107	1,463,107

28 RISK MANAGEMENT (Continued)

28.1 Credit Risk (Continued)

Fair Value of Assets and Liabilities (Continued)

31 December 2024	FVTPL	FVTOCI	Other amortized cost	Total amount in books	Total fair value
Financial assets					
Cash and balances held with the Central Bank	-	-	19,509,120	19,509,120	19,509,120
Receivables from derivatives	-	-	1,538	1,538	1,538
Securities	19,644	18,551,766	-	18,571,410	18,571,410
Loans and receivables due from banks and other financial institutions	-	-	7,206,275	7,206,275	7,206,275
Loans and receivables from customers	-	-	88,246,397	88,246,397	88,558,121
Other assets	-	-	761,756	761,756	761,756
Financial liabilities					
Liabilities arising from derivatives			79	79	79
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	-	7,075,982	7,075,982	7,075,982
Deposits and other liabilities due to other customers	-	-	101,689,129	101,689,129	101,732,623
Other liabilities	-	-	1,316,767	1,316,767	1,316,767

28.2 Capital and Capital Adequacy

The Bank manages capital and capital adequacy ratios in order to maintain the required level of capital to support the development of the Bank and its business activities.

The capital adequacy ratio represents the ratio of the Bank's capital to its risk-weighted assets. The Bank's risk-weighted assets equal the sum of its credit-risk weighted assets and the capital requirement for the foreign exchange and operational risks multiplied by the reciprocal value of the capital adequacy ratio.

The Bank's capital is comprised of core capital and supplementary capital net of the sum of deductible items. The Bank is thereby required to maintain at all times a minimum amount of capital of no less than EUR 10,000,000 in the RSD countervalue in the ordinary course of business.

The Bank calculates the capital requirement for credit risk using the standardized approach, by multiplying total credit risk-weighted assets by 8%. The Bank's credit risk-weighted assets comprise the sum of the gross carrying values of the Bank's balance sheet assets less impairment allowances and the gross carrying values of the Bank's off-balance sheet items less provisions, multiplied by conversion factors.

The Bank calculates the capital requirement for foreign exchange risk by multiplying the sum of the total net open foreign currency position and the absolute value of the net open position in gold by 8%. The total net open foreign currency position represents the absolute value of the higher of either the total long or total short foreign currency positions.

The Bank calculates the capital requirement for operational risk by applying the basic indicator approach equal to the three-year average exposure indicator multiplied by the capital requirement rate of 15%.

Taking into account that the Bank does not reach the prescribed limits, it is not obliged, in addition to the capital requirements for credit, foreign exchange and operational risks, to calculate and ensure the coverage of capital requirements in connection with other market risks arising from items recorded in the trading book.

As of 31 December 2025, the Bank's capital and capital indicators were calculated in accordance with relevant decisions of the National Bank of Serbia, which comply with the implementation of the Basel III standard.

28 RISK MANAGEMENT (Continued)

28.2 Capital and Capital Adequacy (Continued)

The Bank's capital adequacy ratios as of 31 December 2025 were as follows:

- Bank's capital adequacy ratio - 22.81;
- Bank's Tier 1 capital adequacy ratio - 22.81%:
- Bank's common equity Tier 1 capital adequacy ratio 21.74%,
- Bank's gearing ratio (leverage) amounts to 13.74%, and

which were higher than their minimum values prescribed under the National Bank of Serbia's Decision on Capital Adequacy for Banks:

- 8% for capital adequacy ratio of banks:
- 6% for Tier 1 capital adequacy ratio of banks;
- 4.5% for common equity Tier 1 capital adequacy ratio of banks;
- 3% for gearing ratio (leverage).

28 RISK MANAGEMENT (Continued)

28.2 Capital and Capital Adequacy (Continued)

In RSD thousand

No.	Item	31 December 2025	31 December 2024
1	**CAPITAL**	**25,733,633**	**23,364,736**
1.1	**TIER 1 CAPITAL**	**25,732,293**	**23,363,396**
1.1.1	**Common equity Tier 1 capital**	**24,532,293**	**22,163,396**
1.1.1.1	**Common equity Tier 1 capital instruments and relevant share premium**	**17,161,329**	**17,161,329**
1.1.1.1.1	Paid in common equity Tier 1 capital instruments	9,887,600	9,887,600
1.1.1.1.2	Share premium associated with common equity Tier 1 capital instruments	7,273,729	7,273,729
1.1.1.2	(-) Loss	-	-
1.1.1.3	Revaluation reserves and other unrealized gains/losses	**(40,063)**	**(136,651)**
1.1.1.4	Reserves from profit, other reserves and reserves for general banking risks	**9,599,782**	**7,241,613**
1.1.1.5	(+/-) Regulatory adjustments of the value of common equity Tier 1 capital elements	**(21,650)**	**(18,783)**
1.1.1.6	(-) Goodwill decreased by related deferred tax liabilities	-	-
1.1.1.7	(-) Other intangible assets decreased by related deferred tax liabilities	**(2,075,129)**	**(1,998,753)**
1.1.1.8	(-) Deferred tax assets dependable on Bank's future profitability, except for those arising from temporary differences less related deferred tax liabilities	**(50,411)**	**(45,849)**
1.1.1.9	(-) The required reserve for estimated losses on Bank's balance sheet assets and off-balance sheet items deductible from Bank's common equity Tier 1 capital	**-**	**-**
1.1.1.10	(-) Gross amount of receivables from borrowers – retail customers, whose credit indebtedness before the loan approval was higher than the percentage determined in accordance with the decision of the NBS	**(39,800)**	**(39,510)**
1.1.1.11	(-) Gross amount of receivables from borrowers – retail customers, who meet the condition for applying the deductible item of common equity Tier 1 capital based on the contractual maturity criterion	**(1,765)**	**-**
1.1.2	**Additional Tier 1 capital**	**1,200,000**	**1,200,000**
1.1.2.1	Additional Tier 1 capital instruments and relevant share premium	1,200,000	1,200,000
1.1.2.1.1	Paid in additional Tier 1 capital instruments	600,000	600,000
1.1.2.1.2	Share premium associated with additional Tier 1 capital instruments	600,000	600,000
1.2	**SUPPLEMENTARY CAPITAL**	**1,340**	**1,340**
1.2.1	Supplementary capital instruments, subordinated liabilities and accompanying share premium	1,340	1,340
1.2.1.1	Paid in supplementary capital instruments	1,340	1,340
1.2.1.2	Share premium associated with supplementary capital instruments	-	-
2	**Total risk-weighted assets:**	**112,820,139**	**91,739,272**
2.1	Risk-weighted credit risk exposures	100,199,044	82,242,912
2.2	Risk-weighted foreign exchange risk exposures	732,904	-
2.3	Risk-weighted assets for credit exposure adjustment risk	10,323	-
2.4	Risk-weighted operational risk exposures	11,877,868	9,496,360
3	**Capital adequacy ratios:**		
3.1	Capital adequacy ratio	**22.81%**	**25.47%**
3.2	Tier 1 capital adequacy ratio	**22.81%**	**25.47%**
3.3	Common equity tier 1 capital ratio	**21.74%**	**24.16%**
3.4	Bank's gearing ratio (leverage)	**13.74%**	**15.04%**

Unaudited – regulatory ratios have not been subject of audit procedures

28 RISK MANAGEMENT (Continued)

28.3 Repossessed Property Following Foreclosure

The Bank is actively involved in the sale of repossessed property following foreclosure and may retain repossessed property for a certain period of time only in cases when a quick sale would result in significant losses.

Repossessed property following foreclosure as of 31 December 2025 and 31 December 2024:

Repossessed property	Acquisition date	Net book value (Note 20) 31 December 2025	Net book value (Note 20) 31 December 2024
Residential building 1, Ko Voljavče-Jagodina	31 August 2020	6,810	6,810
Two bedroom flat-Kragujevac	29 September 2020	10,584	10,584
Business premises 1-basement, KO Jagodina	21 May 2021	12,052	12,052
Business premises 2- ground floor, KO Jagodina	21 May 2021	20,101	20,101
Business premises 1- attic, KO Jagodina	21 May 2021	16,053	16,053
Refrigeration building with associated equipment	18 February 2025	178,684	-
Orchard in Žućkovac with associated buildings and equipment	18 February 2025	120,781	-
Construction land – Potes selo	21 October 2025	5,831	-
Total		**370,896**	**65,600**

28.4 Liquidity Risk

Liquidity risk is the risk of a potential occurrence of adverse effects on the Bank's financial performance and capital due to its inability to discharge its liabilities when these fall due. The objective of liquidity risk management is to maintain Bank's liquid assets at a level that ensures the Bank's timely settlement of its liabilities.

The Bank manages its assets and liabilities ensuring that it is able to settle its due liabilities (liquidity) at all times and permanently settle all its liabilities (solvency).

The following organizational units at the Bank are responsible for liquidity risk management:

- The Board of Directors, which adopted the Liquidity Risk Management Policy and the Contingency Business Plan (liquidity crisis plan);
- The Executive Board, which implements the adopted policy and defines the Liquidity Risk Management Procedure;
- The Risk Management Department and Treasury Department, which monitor and maintain liquidity on a daily basis;
- The Asset Liability Committee (ALCO), which monitors the Bank's the liquidity risk exposure and proposes adequate measures for liquidity risk management.

Liquidity risk is measured by the Risk Management Department by calculating the liquidity ratio, quick liquidity ratio, liquidity coverage ratio, the net stable sources of financing ratio, as well as additional liquidity ratios, deposit concentration ratio, GAP analysis and stress tests.

28 RISK MANAGEMENT (Continued)

28.4 Liquidity Risk (Continued)

The Bank's exposure to liquidity risk is measured by monitoring the liquidity ratio, quick liquidity ratio and liquidity coverage ratio, the net stable sources of financing ratio as prescribed by the NBS' Decision on Liquidity Risk Management by Banks and the Bank's Liquidity Risk Management Procedure. The liquidity ratio is the sum of the level 1 and level 2 liquid receivables, one hand, and the sum of demand payables or payables without a contracted maturity and liabilities falling due within a month from the day of calculating this ratio, on the other. The quick liquidity ratio is the sum of level 1 liquid receivables, on one hand, and the sum of liabilities payable on demand or a without contractually defined maturity and payables with contracted maturity falling due within a month from the ratio calculation date. The liquidity coverage ratio represents the Bank's liquidity buffer and its net liquid asset outflows, which would occur over the next 30 days from the date of calculating this ratio under assumed stress conditions. The net stable sources of financing ratio represents the ratio between elements that provide stable financing and elements that require stable financing.

Realized unaudited liquidity ratios and quick liquidity ratios

	Liquidity ratio	
	2025	2024
31 December	1.80	2.10
Average value	2.11	2.39
Maximum value	2.74	3.09
Minimum value	1.65	1.98

	Quick liquidity ratio	
	2025	2024
31 December	1.61	1.74
Average value	1.77	1.70
Maximum value	2.37	2.29
Minimum value	1.36	1.26

The Bank's liquidity was also monitored through its liquid asset ratio, which represents liquid assets relative to the total assets.

Realized unaudited liquid asset ratios

	2025	2024
31 December	33.88%	31.76%
Average value	30.73%	34.83%
Maximum value	34.16%	39.19%
Minimum value	27.72%	31.14%

Realized unaudited liquidity coverage ratio

	2025	2024
31 December	135.97%	138.99%

The Bank is required to maintain its ratio of coverage with liquid assets in aggregate in all currencies at a level that is not below 100%.

28 RISK MANAGEMENT (Continued)

28.4 Liquidity Risk (Continued)

		*2025	*2024
I	**TOTAL LIQUID ASSETS**	**36,551,469**	**26,701,939**
1	**LIQUID ASSETS OF FIRST ORDER**	**36,530,904**	**26,682,759**
1.1	Banknotes and coins in treasury	2,974,365	3,045,505
1.2	Reserves held with Central Bank	12,670,558	1,212,303
1.3	Exposures to central banks	-	3,873,185
1.4	Exposure to Republic of Serbia	20,885,981	18,551,766
1.5	Exposure to territorially autonomous local self-government units in the Republic of Serbia	-	-
1.6	Exposure to public administrative bodies in the Republic of Serbia	-	-
1.7	Exposure to public administrative bodies in European Union member states that correspond to at least credit quality level 1	-	-
1.8	Exposure to countries that correspond to at least credit quality level 1	-	-
1.9	Exposure to territorially autonomous local self-government units in countries that correspond to at least credit quality level 1	-	-
2	**LIQUID ASSETS OF SECOND ORDER**	**20,565**	**19,180**
2.1	Liquid assets of second order A	-	-
2.2	Liquid assets of second order B	20,565	19,180

*Unaudited

In 2025, the Bank monitored its liquidity risk levels based on the movements in its additional liquidity ratios specified by the Liquidity Risk Management Procedure and ratios referred to under contracts that the Bank signed with international financial institutions. The values of these ratios were within limits prescribed by the said Procedure.

The critical element of liquidity risk monitoring and management is monitoring the matching in the maturities of assets and liabilities. Matching and controlled mismatching of maturities of assets and liabilities are fundamental for the Bank's management. It is uncommon for banks to achieve complete maturity matching between their assets and liabilities since transactions are often performed for indefinite periods and are different types. A mismatch potentially increases profitablity, but at the same time increases the risk of loss.

In 2023, with the liquidity risk management procedure and the methodology for converting balance and off-balance sheet items into cash flows, and through its internal regulations, the Bank defined detailed methodological rules for the allocation of balance sheet items of assets and liabilities, as well as off-balance sheet items in the liquidity gap, defined limits for the maturity baskets, then defined the responsibilities of participants in calculating the liquidity gap, as well as participants in providing data that are relevant for calculating the gap.

According to the mentioned methodology, Liquidity Gap Limits are defined as the maximum amount of the negative value of individual and/or cumulative gap ("liquidity shortage"), which the Bank accepts as its maximum exposure to liquidity risk, after taking into account the monetization of its liquidity protection layer, the "liquidity buffer". The Bank also defined the risk bearing capacity, which represents the maximum amount of additional sources of financing (renewed and new) that the Bank can obtain at a certain point in time and with a certain maturity date.

With the Methodology for converting balance sheet and off-balance sheet items into cash flows, the Bank defined that the allocation of RSD and FX mandatory reserves in maturity baskets is carried out according to a model that follows the deposit maturity plan, but also modeled outflows on current accounts, and all obligations that have been taken into account during the monthly calculation of the required reserve level. In this way, the allocation of the mandatory reserve is based on percentages that reflect the displayed maturity of deposits in the gap and other obligations that generate the mandatory reserve.

In 2025 the Bank revised liquidity gap limits using the methodology for converting balance sheet and off-balance sheet items into cash flows.

Also, in 2024, using the revised Liquidity Risk Management Procedure the Bank introduced a new regulatory liquidity risk indicator, the indicator of net stable sources of financing, which as of 31 December 2025 amounted to 161.43%, which is within the regulatory limit (minimum 100%).

28 RISK MANAGEMENT (Continued)

28.4 Liquidity Risk (Continued)

The table below presents the remaining contracted maturities of the Bank's liabilities grouped in maturity buckets from the reporting date to the contractual maturity date.

31 December 2025	Up to 30 days	30 to 90 days	90 to 365 days	1 to 5 years	Over 5 years	Total
Cash and balances held with the Central Bank	18,801,507	2,616,268	9,984,204	703,555	142,897	**32,248,431**
Securities	3,600,682	-	-	3,151,365	14,697,541	**21,449,588**
Receivables from derivatives	-	-	-	-	529	**529**
Loans and receivables due from banks and other financial institutions	3,719,409	43,549	336,216	282,137	101,127	**4,482,438**
Loans and receivables from customers	3,325,014	7,023,246	32,276,610	48,829,092	12,108,279	**103,562,241**
Other assets	9,999	-	-	767	1,534,904	**1,545,670**
Derivatives	1,434,965	-	-	-	-	**1,434,965**
Total financial assets	**30,891,576**	**9,683,063**	**42,597,030**	**52,966,916**	**28,585,277**	**164,723,862**
Liabilities arising from derivatives	-	-	-	-	83	**83**
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	1,151,608	3,349,049	7,296,246	930,732	82,964	**12,810,599**
Deposits and other liabilities due to other customers	22,524,009	19,883,648	75,341,167	6,134,735	743,612	**124,627,171**
Other liabilities	1,923	89	768	36,705	1,423,622	**1,463,107**
Derivatives	1,434,827	-	-	-	-	**1,434,827**
Off-balance sheet items	1,970,280	4,682,017	17,029,170	45,647,469	8,539,042	**77,867,978**
Total financial liabilities	**27,082,647**	**27,914,803**	**99,667,351**	**52,749,641**	**10,789,323**	**218,203,765**
Maturity gap	**3,808,929**	**(18,231,740)**	**(57,070,321)**	**217,275**	**17,795,954**	**(53,479,903)**

The presented gap analysis represents a conservative, contracted (worst-case) scenario because it includes the entire amount of irrevocable off-balance sheet liabilities. Historically, such obligations are not realized in full, so the gaps shown do not represent the expected liquidity outflow. The Bank manages liquidity risk through: maintaining an adequate level of highly liquid assets, monitoring cumulative gaps, compliance with regulatory liquidity indicators (LCR and NSFR) as well as conducting regular stress tests.

28 RISK MANAGEMENT (Continued)

28.4 Liquidity Risk (continued)

31 December 2024	Up to 30 days	30 to 90 days	90 to 365 days	1 to 5 years	Over 5 years	Total
Cash and balances held with the Central Bank	7,282,807	2,388,095	9,232,282	462,869	143,067	**19,509,120**
Pledged financial assets	-	-	-	-	-	-
Securities	523,394	-	602,321	6,818,097	10,627,598	**18,571,410**
Receivables from derivatives	-	-	-	-	1,538	**1,538**
Loans and receivables due from banks and other financial institutions	6,496,069	52,135	275,245	274,159	108,667	**7,206,275**
Loans and receivables from customers	3,057,301	7,009,199	26,229,448	40,704,670	11,245,779	**88,246,397**
Other assets	86,775	-	-	674,981	-	**761,756**
Derivatives	4,667,162	585,885	-	-	-	**5,253,047**
Total financial assets	**22,113,508**	**10,035,314**	**36,339,296**	**48,934,776**	**22,126,649**	**139,549,543**
Liabilities arising from derivatives	-	-	-	-	79	**79**
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	945,690	2,383,990	3,334,449	396,472	15,381	**7,075,982**
Deposits and other liabilities due to other customers	16,176,229	14,876,607	64,644,622	5,103,035	888,636	**101,689,129**
Other liabilities	3,733	131	12,383	453,903	846,617	**1,316,767**
Derivatives	4,665,234	585,075	-	-	-	**5,250,309**
Off-balance sheet items	1,853,335	4,664,296	15,790,450	30,304,886	2,546,254	**55,159,221**
Total financial liabilities	**23,644,221**	**22,510,099**	**83,781,904**	**36,258,296**	**4,296,967**	**170,491,487**
Maturity gap	**(1,530,713)**	**(12,474,785)**	**(47,442,608)**	**12,676,480**	**17,829,682**	**(30,941,944)**

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk)

28.5.1 Interest Rate Risk

Interest rate risk is the risk of possible adverse effects on the Bank's financial performance and capital due to changes in interest rates. The Bank is exposed to interest rate risk based on items recorded in its banking book.

The objective of the Bank's interest rate risk management is to minimize adverse effects that may arise from changes in market interest rates.

The following organizational units at the Bank are responsible for interest rate risk management:

- The Board of Directors, which adopted the Interest Rate Risk Management Policy;
- The Executive Board, which implements the adopted policy and determines the Interest Rate Risk Management Procedure;
- The Asset Liability Committee (ALCO), which monitors the Bank's interest rate risk exposure and proposes adequate measures for interest rate risk management;
- The Risk Management Department, which implements the risk management policy and procedure and reports to the Bank's management on the risk exposure, and
- The Marketing Department, which monitors market interest rates on a daily basis and proposes interest rates for Bank's products.

Interest rate risk is measured by the Risk Management Department by means of repricing risk measurement, basis risk, yield curve risk and optionality risk measurements.

The following tables provide breakdowns of interest-bearing assets and liabilities grouped into maturity buckets for fixed interest rate items and repricing periods for variable interest rate items.

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.1 Interest Rate Risk (Continued)

31 December 2025	Up to 30 days	30 to 90 days	90 to 365 days	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances held with the Central Bank	21,251,280	-	-	-	-	10,997,151	**32,248,431**
Securities	3,600,682	-	-	3,151,365	14,676,650	20,891	**21,449,588**
Receivables from derivatives	-	-	-	-	-	529	**529**
Loans and receivables due from banks and other financial institutions	3,042,425	32,626	287,063	205,683	-	914,641	**4,482,438**
Loans and receivables due from customers*	45,156,076	4,733,732	23,822,393	26,076,966	2,914,906	858,168	**103,562,241**
Other assets	-	-	-	-	-	1,545,670	**1,545,670**
Total financial assets	**73,050,461**	**4,766,358**	**24,109,456**	**29,434,014**	**17,591,556**	**14,337,052**	**163,288,897**
Liabilities arising from derivatives	-	-	-	-	-	83	**83**
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	1,293,136	3,434,710	7,006,491	1,030,091	-	46,171	**12,810,599**
Deposits and other liabilities due to other customers	40,987,309	16,763,145	50,132,035	16,114,834	256,808	373,040	**124,627,171**
Other liabilities	-	-	-	-	-	1,463,107	**1,463,107**
Total financial liabilities	**42,280,445**	**20,197,855**	**57,138,526**	**17,144,925**	**256,808**	**1,882,401**	**138,900,960**
Gap individual	**30,770,016**	**(15,431,497)**	**(33,029,070)**	**12,289,089**	**16,171,805**		
Gap cumulative	**30,770,016**	**15,338,519**	**(17,690,551)**	**(5,401,462)**	**11,933,286**		

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.1 Interest Rate Risk (Continued)

31 December 2024	Up to 30 days	30 to 90 days	90 to 365 days	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances held with the Central Bank	8,818,572	-	-	-	-	10,690,548	**19,509,120**
Securities	523,394	-	602,321	6,818,097	10,607,954	19,644	**18,571,410**
Receivables from derivatives	-	-	-	-	-	1,538	**1,538**
Loans and receivables due from banks and other financial institutions	4,979,649	52,135	189,722	180,800	-	1,803,969	**7,206,275**
Loans and receivables due from customers*	39,196,455	4,142,084	21,805,704	20,361,821	1,744,273	996,060	**88,246,397**
Other assets	-	-	-	-	-	761,756	**761,756**
Total financial assets	**53,518,070**	**4,194,219**	**22,597,747**	**27,360,718**	**12,352,227**	**14,273,515**	**134,296,496**
Liabilities arising from derivatives	-	-	-	-	-	79	**79**
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	964,003	2,585,065	3,196,768	311,514	-	18,632	**7,075,982**
Deposits and other liabilities due to other customers	29,368,687	15,373,676	39,525,067	16,972,763	206,095	242,841	**101,689,129**
Other liabilities	-	-	-	-	-	1,316,767	**1,316,767**
Total financial liabilities	**30,332,690**	**17,958,741**	**42,721,835**	**17,284,277**	**206,095**	**1,578,319**	**110,081,957**
Gap individual	**23,185,380**	**(13,764,522)**	**(20,124,088)**	**10,076,441**	**12,146,132**		
Gap cumulative	**23,185,380**	**9,420,858**	**(10,703,230)**	**(626.789)**	**11,519,343**		

**The (net) amount of NPLs is stated as a non-interest-bearing amount under Loans and receivables due from customers*

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.1 Interest Rate Risk (Continued)

The table below provides interest rate sensitivity, which is measured against the impact of a parallel shift in the yield curve by 200 basis points on the Bank's capital and income.

In RSD thousand

	2025		2024	
	Capital impact	Income impact	Capital impact	Income impact
31 December	2,232,483	122,868	1,896,256	101,920
Average value	2,275,332	(75,605)	1,810,104	24,302
Maximum value	2,505,842	145,158	2,058,519	113,004
Minimum value	2,061,138	(202,528)	1,508,037	(160,001)

28.5.2 Foreign Exchange Risk

Foreign exchange risk is the risk of a potential occurrence of adverse effects on the Bank's financial performance and capital due to fluctuations in foreign exchange rates. The Bank is exposed to foreign exchange risk based on items stated in both the banking book and the trading book.

The Bank manages foreign exchange risk to minimize losses arising from changes in foreign exchange rates.

The following organizational units at the Bank are responsible for the foreign exchange risk management:

- The Board of Directors, which adopted the Market Risk Management Policy;
- The Executive Board, which implements the adopted policy and determines the Foreign Exchange Risk Management Procedure;
- The Asset Liability Committee (ALCO), which monitors the Bank's interest rate risk exposure and proposes adequate measures for interest rate risk management,
- The Risk Management Department and Treasury Department, which monitor and manage the currency structure of sources of assets and placements on a daily basis.

The foreign exchange risk is measured by the Risk Management Department using the foreign exchange ratio, as a ratio between the net open foreign currency position and Bank's capital, in accordance with the NBS' Decision on Capital Adequacy of Banks and Decision on Reporting Requirements for Banks and the Bank's Foreign Exchange Risk Management Procedure.

Realized unaudited foreign exchange risk ratios

	2025	2024
31 December	2.85%	0.41%
Average value	1.22%	1.45%
Maximum value	3.01%	6.79%
Minimum value	0.19%	0.17%

In 2025, the Bank's foreign exchange risk measured by the foreign exchange risk ratio was in a low-risk range. The average value of the foreign exchange risk ratio was 1.22%.

The following tables provide open net foreign exchange positions individually by currency as of 31 December 2025 and 2024.

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.2 Foreign Exchange Risk (Continued)

Breakdown of assets and liabilities by currency

In RSD thousand

31 December 2025	EUR	USD	CHF	Other	Total	RSD	Total
Cash and balances held with the Central Bank	8,529,758	93,922	81,427	39,786	8,744,893	23,503,538	**32,248,431**
Securities	1,162,943	542,717	-	-	1,705,660	19,743,928	**21,449,588**
Receivables from derivatives	-	-	529	-	529	-	**529**
Loans and receivables due from banks and other financial institutions	3,969,008	261,546	162,974	79,949	4,473,477	8,961	**4,482,438**
Loans and receivables from customers	57,913,291	-	-	-	57,913,291	45,648,950	**103,562,241**
Other assets	110,857	253	11	46	111,167	1,434,503	**1,545,670**
Total financial assets	71,685,857	898,438	244,941	119,781	72,949,017	90,339,880	**163,288,897**
Liabilities arising from derivatives	-	-	83	-	83	-	**83**
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	8,546,460	2,911	3460	4,308	8,557,138	4,253,461	**12,810,599**
Deposits and other liabilities due to other customers	61,171,956	861,208	1,093,299	89,449	63,215,912	61,411,259	**124,627,171**
Other liabilities	948,802	35,140	47	1,125	985,114	477,993	**1,463,107**
Total financial liabilities	**70,667,217**	**899,259**	**1,096,889**	**94,882**	**72,758,247**	**66,142,713**	**138,900,960**
Net currency position	**1,018,640**	**(821)**	**(851,948)**	**24,899**	**190,770**	**24,197,167**	**24,387,937**

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.2 Foreign Exchange Risk (Continued)

In RSD thousand

31 December 2024	EUR	USD	CHF	Other	Total	RSD	Total
Cash and balances held with the Central Bank	7,443,702	74,879	43,779	38,247	7,600,607	11,908,513	**19,509,120**
Pledged financial assets	-	-	-	-	-	-	-
Securities	-	-	-	-	-	18,571,410	**18,571,410**
Receivables from derivatives	-	-	-	-	-	1,538	**1,538**
Loans and receivables due from banks and other financial institutions	1,549,701	763,099	963,924	40,283	3,317,007	3,889,268	**7,206,275**
Loans and receivables from customers	50,174,338	-	-	-	50,174,338	38,072,059	**88,246,397**
Other assets	284,680	132	10	43	284,865	476,891	**761,756**
Total financial assets	**59,452,421**	**838,110**	**1,007,713**	**78,573**	**61,376,817**	**72,919,679**	**134,296,496**
Liabilities arising from derivatives	-	-	-	-	-	79	**79**
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	4,267,018	1,767	251	4	4,269,040	2,806,942	**7,075,982**
Deposits and other liabilities due to other customers	50,912,215	846,166	988,544	69,805	52,816,730	48,872,399	**101,689,129**
Other liabilities	894,985	-	6	-	894,991	421,776	**1,316,767**
Total financial liabilities	**56,074,218**	**847,933**	**988,801**	**69,809**	**57,980,761**	**52,101,196**	**110,081,957**
Net currency position	**3,378,203**	**(9,823)**	**18,912**	**8,764**	**3,396,056**	**20,818,483**	**24,214,539**

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.2 Foreign Exchange Risk (Continued)

The impact of changes in exchange rates by 15% on the Bank's net foreign currency position as of 31 December 2025 and 31 December 2024 is provided below. Foreign currency clause items are presented under the EUR item for RSD placements and EUR-indexed liabilities, and under the USD item for RSD placements and USD-indexed liabilities.

(In RSD thousand)

31 December 2025	EUR	EUR 15%	EUR -15%	USD	USD 15%	USD -15%	CHF	CHF 15%	CHF -15%
Financial assets	71,685,855	82,438,733	60,932,977	898,439	1,033,205	763,673	244,941	281,682	208,200
Financial liabilities	70,667,217	81,267,300	60,067,134	899,259	1,034,148	764,370	1,096,806	1,261,327	932,285
Net currency position	**1,018,638**	**1,171,433**	**865,843**	**(820)**	**(943)**	**(697)**	**(851,865)**	**(979,645)**	**(724,085)**

(In RSD thousand)

31 December 2024	EUR	EUR 15%	EUR -15%	USD	USD 15%	USD -15%	CHF	CHF 15%	CHF -15%
Financial assets	59,452,421	68,370,284	50,534,558	838,110	963,827	712,394	1,007,713	1,158,870	856,556
Financial liabilities	56,092,573	64,506,459	47,678,687	848,154	975,377	720,931	988,807	1,137,128	840,486
Net currency position	**3,359,848**	**3,863,825**	**2,855,871**	**(10,044)**	**(11,550)**	**(8,537)**	**18,906**	**21,742**	**16,070**

28.5.3 Securities Price Risk

Securities price risk is the risk of occurrence of adverse effects on the Bank's financial performance and capital due to changes in prices of securities within the Bank's portfolio.

The Bank manages security price risk to minimize adverse effects that may occur due to changes in prices of securities in the Bank's portfolio.

The following organizational units at the Bank are responsible for securities price risk management:

- The Board of Directors, which adopts the Securities Portfolio Management Policy and Market Risk Management Policy;
- The Executive Board, which implements the adopted policy;
- The Asset Liability Committee (ALCO), which monitors the Bank's security price risk exposure and proposes adequate measures for its management, and
- The Treasury Department, which manages the securities portfolio on a daily basis, and the Risk Management Department, which monitors the value trends in trading book items and reports to the Bank's management.

According to the relevant sources of market information, the Risk Management Department actively monitors the values of securities in Bank's possession and supervises their compliance with the internally prescribed limits.

28 RISK MANAGEMENT (Continued)

28.5 Market Risk (Interest Rate Risk, Foreign Exchange Risk and Securities Price Risk) (Continued)

28.5.3 Securities Price Risk (Continued)

Value of the Bank's Portfolio

In RSD thousand

	Market value as of 31 December	
	2025	**2024**
Securities at fair value through profit or loss (FVTPL)	**20,891**	19,644
Corporate shares	20,891	19,644
Securities at fair value through other comprehensive income (FVTOCI)	**21,428,697**	**18,551,766**
RSD bonds issued by the Republic of Serbia	19,723,037	18,551,766
EUR bonds issued by the Republic of Serbia	1,162,943	-
Republic of Turkey's t-bonds in USD	542,717	-

28.6 Operational Risk

Operational Risk Exposure

Operational risk is the risk of a potential occurrence of adverse effects on the Bank's financial result and capital due to negligence and omissions (unintentional and intentional) in employees' performance, inadequate internal procedures and processes, inadequate management of the information and other systems, development errors, inadequate application or use of internal models and unforeseen external events. Operational risk includes legal risk, model risk and the risk of inappropriate management of information and other technologies important for the Bank's operations. Legal risk is the risk of negative effects on the Bank's financial result and capital based on judicial or extrajudicial procedures related to the Bank's operations (contractual relations, labor relations, etc.).

The following organizational units at the Bank are responsible for operational risk management:

- The Board of Directors, which adopts the Operational Risk Management Policy;
- The Executive Board, which implements the adopted policy and determines the Operational Risk Management Procedure;
- The Asset Liability Committee (ALCO), which monitors the Bank's operational risk exposure and proposes adequate measures for its management;
- The Risk Management Department, which monitors and collects information on operational risk events and reports to the management on the Bank's operational risk exposure;
- Operational risk exposure is measured by the Risk Management Department through identification of operational risk, the database maintenance and analysis in accordance with the Operational Risk Management Procedure.

The Bank assesses outsourcing risk based on contracts concluded with third parties, which clearly specify rights and obligations of the contracting parties.

The Bank also identifies and assesses operational risks upon each introduction of new products, processes and systems or new business activities.

28 RISK MANAGEMENT (Continued)

28.7 Inadequate Information System Management Risk

The objective of inappropriate information system management risk is to minimize negative effects that may occur due to the Bank's information system exposure to public networks, malicious internal attacks, hardware failures, sabotage and maintenance of these exposures within the prescribed limits.

Pursuant to the National Bank of Serbia's Decision on Minimum Information System Management Standards for Financial Institutions (Official Gazette of RS, no. 102/2024), the Bank undertook a number of activities in order to comply with the said Decision. In this regard, the Information System Development Strategy, the Business Continuity Strategy, Outsourcing Exit Strategies, the Information System Security Policy and the Information System Management Policy were adopted.

Based on organisational and process changes, various procedures and instructions were harmonized with the NBS' Decision on Minimum Information System Management Standards for Financial Institutions.

The Bank's information system has functionalities to support business processes and provides timely, accurate and complete information relevant to making business decisions and risk management.

The Bank is continuously working on improving its information system. In this regard, it regularly updates the existing Information System Development Strategy and Information System Management Policy.

In order to ensure quality information system management, the Bank regularly holds meetings of the Information System Management Committee, which has the following roles and responsibilities:

- Analyses and monitors the application and adequate implementation of the adopted Information System Development Strategy, Information System Management Policy and Information System Security Policy, as well as implementation of related systems of internal controls;
- In terms of compliance with the achievement of Bank's business goals, it analyses and approves important information system projects / project initiatives based on the reasonableness of the investment;
- Monitors the progress of major IS projects;
- Defines the priorities of the IS project portfolio;
- Analyses and approves priorities of important IS activities;
- Supervises information system functionality and security as a whole;
- Coordinates, supervises and proposes for adoption a data classification in the information system;
- Considers and proposes for adoption reports on information system risks;
- Considers how to handle high level risks which are the result of incidents or changes in the information system;
- At least quarterly reports to the Bank's Executive Board on the state of the information system, identified irregularities and suggest methods for rectifying such irregularities, i.e. improving policies and procedures for information system management and implementation of internal controls.

Risk identification, measurement and assessment are regularly performed by the risk owner (owner of an affected business or technical process), the information system risk coordinator and the Information System Risk Management Forum, according to the Bank's information system risk management procedure. The IT Risk Management Forum is integrated into the Information System Management Committee, which has broader competencies, such that integrated meetings are held, as the members of both bodies are the same.

The information system management framework consists of the adopted Information System Development Strategy and Information System Management Policy as well as information system incident management processes, information system change management, portfolio management, information system development projects and programs defined by appropriate procedures and other corporate regulations of the Bank.

28 RISK MANAGEMENT (Continued)

28.7 Inadequate Information System Management Risk (Continued)

The following organizational units at the Bank are responsible for the information system management risk:

- The Board of Directors, which adopts the Information System Development Strategy, Information System Security Policy and Business Continuity Strategy;
- The Executive Board, which implements adopted strategies and policies and establishes procedures and guidelines;
- The Information System Management Committee that monitors the operation and development of the information system and makes appropriate decisions and proposes appropriate measures to the Executive Board of the Bank;
- IT Risk Management Forum that makes decisions on the management of further actions to mitigate the risks in question, monitors the implementation and effectiveness of measures and considers the risk quantification proposed by the Information Security Department. The Forum reports to the Information System Management Committee, which further reports to the Executive Board on a quarterly basis on its performance.
- Information Technology Division, which plans, proposes and executes all activities related to the Bank's information system and reports to the Information Technology Committee;
- The director of the Information Security Department conducts an assessment of the security risk of the information system in the Bank and submits a report to the IS Risk Management Forum.

28.8 Exposure Risk

The Bank manages the exposure risk in order to minimize negative effects that may arise from the concentration of the Bank’s exposure to a single entity or a group of related entities and Bank’s related parties and to maintain such exposures within prescribed limits.

The Bank’s large exposure to one or a group of related parties is exposure that exceeds 10% of the Bank’s regulatory capital.

- Related persons and persons associated with the Bank are all persons who meet the requirements of Article 2 of the Law on Banks, namely:
- that two or more legal or natural persons are related so that one of them has a significant or controlling interest in the other or other legal persons;
- that two or more legal or natural persons between whom there is no relationship from point 1) of this paragraph are connected in such a way that there is a possibility that due to the deterioration of the financial position of one person, the ability of the other or other persons to settle their obligations will deteriorate;
- that two or more legal and natural persons are related so that the natural person is a member of the Management or Executive Board or other management body of another or other legal persons;
- that two or more legal and natural persons are related so that family members of the natural person have a significant or controlling share in another or other legal persons, i.e. they are members of the Management or Executive Board or other management body of those legal persons;
- that members of the family of natural persons who are members of the Management or Executive Board or other management body or persons with special powers and responsibilities of one legal entity are simultaneously members of the Management or Executive Board or other management body or persons with special powers and responsibilities of another or other legal entities.

The Bank’s related parties are:

- members of the banking group to which the Bank belongs;
- members of the Management and Executive Boards of the Bank, members of the Board of the Bank, members of the management and governing body of a member of the banking group to which the Bank belongs, as well as family members of these persons;
- persons with investments in the Bank and in entities who are members of the banking group to which the Bank belongs, as well as family members of these persons;
- entities in which the persons referred to in item 2) and 3) of this paragraph have a controlling interest.

28 RISK MANAGEMENT (Continued)

28.8 Exposure Risk (Continued)

The following organizational units at the Bank are responsible for exposure risk management:

- The Board of Directors, which decides on the Bank's exposures to a single entity or a group of related entities in excess of 10% of the Bank's capital and on exposures to Bank's related parties;
- The Executive Board, which defines the Exposure Risk Management Procedure, decides on the Bank's exposures to a single entity or a group of related entities up to 10% of the Bank's capital and on exposures to Bank's related parties in accordance with the Board of Directors' Decision on Authorising the Bank's Executive Board to Execute Legal Transactions with a Related Party;
- The ALCO, which monitors the Bank's exposures to a single entity, a group of related entities and Bank's related parties and proposes adequate measures for exposure risk management;
- The Risk Management Department, which reports to the management on the Bank's exposures to a single entity, a group of related entities and Bank's related parties.

Exposure risks are measured by the Risk Management Department through the preparation of reports stipulated under relevant NBS' decisions and Bank's procedures.

Indicator of unaudited exposures to related parties of the Bank and large exposures after risk mitigation techniques are applied:

(In RSD thousand)

	2025		2024	
	Exposure amount	Equity interest	Exposure amount	Equity interest
Bank's related parties	4,524,693	17.58%	2,220,007	9.50%
Large exposures	25,190,655	97.90%	7,999,683	34.22%

In 2025, the Bank's exposures to a single entity/a group of related entities and the Bank's related parties were within prescribed limits. For all exposures within the medium to high exposure risk level range, above 10% of the Bank's capital, prior approval of the Board of Directors was obtained.

28.9 Risk of Investments in Entities Not Belonging to Financial Sector and in Fixed Assets

Investments in other entities are investments whereby the Bank acquires equity interests or share in entities that do not belong to the financial sector. Such investments are not associated with acquisition of shares for resale within six months from their acquisition date.

The following organizational units at the Bank are responsible for investment risk management:

- The Board of Directors, which makes decisions on individual investments in Bank's fixed assets in excess of EUR 250 thousand in the RSD equivalent;
- The Executive Board, which adopted the Investment Risk Procedure and makes decisions on investments in the Bank's fixed assets that do not exceed EUR 250 thousand in the RSD equivalent;
- The ALCO, which monitors the Bank's investment risks and proposes adequate measures for investment risk management; and
- IT Division, Technical and Administrative Operations Unit and Information Security Unit, which are in charge of acquisition of fixed assets.

The Bank's investment risks are measured by the Risk Management Department and Financial Management and Budgeting Department.

28 RISK MANAGEMENT (Continued)

Unaudited indicators for investments in entities not belonging to financial sector, fixed assets and investment property relative in relation to the Bank's capital

	31 December 2025	31 December 2024
Investments in non-FS entities	0.02%	0.02%
Total investments in non-FS entities, fixed assets and investment property	15.89%	8.84%

In 2025, the Bank's investments were within the low risk level range.

28.10 Country Risk

Country risk is the risk relating to the country of origin of entities/persons the Bank is exposed to, being the risk of negative effects on the Bank's financial performance and capital due to the Bank's inability to collect receivables due from non-residents for reasons resulting from political, economic and social circumstances prevailing in the country of origin of such entities/persons.

The following organizational units at the Bank are responsible for country risk management:

- The Board of Directors, which adopts and at least annually reviews the Country Risk Management Policy and assesses the need to amend it;
- The Audit Committee, which analyzes and approves the proposed Country Risk Management Policy that is submitted to the Bank's Board of Directors for consideration and approval and analyzes and supervises the implementation and adequacy of the implementation of the Policy;
- The Executive Board, which implements the adopted policy and defines the country risk management procedure and adopts limits for the Bank's exposure;
- Credit Committee and Asset and Liability Management Committee, which monitor the Bank's exposure to country risk and propose appropriate measures;
- The Risk Management Department, which is charged with operational implementation of the Country Risk Management Policy and reports to the Bank's management on country risk exposure.

The Bank has a system in place for classification of countries per country risk level based on the risk categories assigned to countries by the largest international credit rating agencies (Moody's. Standard & Poor's and Fitch).

In 2025, the Bank had exposure toward clients operating in countries, which, according to the rating of the international credit rating agencies and in line with the Bank's relevant procedure, were classified as low-risk and medium-risk countries.

29 RECONCILIATION OF OUTSTANDING BALANCES OF RECEIVABLES AND PAYABLES WITH COUNTERPARTIES

Pursuant to Article 22 of the Law on Accounting (Official Gazette of the RS, no. 79/2019 and 44/2021 – second law), the Bank reconciled its balances of receivables and payables with its counterparties as of 31 October 2025. The total balance of receivables for which confirmations were requested amounted to RSD 129,607,870 thousand, while payables amounted to RSD 63,730,710 thousand. Out of the total amount of receivables for which confirmations were requested, the amount of RSD 1,350,923 thousand, or 1.04%, remained unreconciled. Out of the total amount of payables for which confirmations were requested, the amount of RSD 1,935,922 thousand, or 3.04%, remained unreconciled.

30 SUBSEQUENT EVENTS

There were no significant subsequent events which would require adjustments and disclosures in the notes to the accompanying financial statements of the Bank as of and for the year ended 31 December 2025.

31 EXCHANGE RATES

The official middle exchange rates for certain major currencies determined in the Interbank Foreign Exchange Market, and used for translation of the statement of financial position components denominated in foreign currencies into RSD were as follows:

In RSD

	31 December 2025	**31 December 2024**
USD	99.9165	112.4386
EUR	117.2820	117.0149
CHF	126.0013	124.5237

In Belgrade
18 March 2026

Slađana Bobar	Hasan Cömert	Süleyman Bulut
Head of the Financial Management and Planning Division	Member of the Executive Board	Chairman of the Executive Board