KPMG d.o.o. Beograd
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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 3 BANK JSC NOVI SAD

Opinion

We have audited the financial statements of 3 BANK JSC NOVI SAD ("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

Nikola Đenić
Licensed Certified Auditor

Belgrade, 14 April 2026

TRANSLATION

Financial statements for 2025

BALANCE SHEET as at December 31, 2025

In thousands of RSD	Note	31.12.2025.	31.12.2024.
ASSETS			
Cash and balances with the Central Bank	41 (H), 19	5,213,518	6,040,509
Securities	41 (I), 20	963,442	474,572
Loans and receivables from banks and other financial organizations	41 (J), 21	806,494	315,484
Loans and receivables from clients	41 (J), 22	27,426,273	26,041,826
Intangible assets	41 (L), 24	163,258	180,460
Property, plant and equipment	41 (E, K), 23	722,935	690,383
Deferred tax assets	17 (B)	15,035	13,203
Other assets	25	82,846	87,377
TOTAL ASSETS		**35,393,801**	**33,843,814**
LIABILITIES			
Liabilities			
Derivative liabilities	41 (I), 26	-	1,932
Deposits and other financial liabilities to banks, other financial institutions and the Central Bank	41 (N), 27	4,732,693	5,554,489
Deposits and other financial liabilities to other clients	41 (N), 28	21,882,573	20,569,668
Subordinated liabilities	41 (N), 29	1,297,745	1,295,903
Provisions	41 (O), 30	120,919	65,107
Current tax liabilities		66,627	37,759
Deferred tax liabilities		9,278	9,278
Other liabilities	41 (P), 31	695,158	662,591
Total liabilities		**28,804,993**	**28,196,727**
Equity			
Share capital and share issuing premium	32	1,864,938	1,864,938
Retained earnings	32	1,061,901	713,523
Reserves	32	3,661,969	3,068,626
Total equity		**6,588,808**	**5,647,087**
TOTAL LIABILITIES		**35,393,801**	**33,843,814**

Novi Sad, April 14, 2026

For the management
3Bank J.S.C. Novi Sad

Vladimir Vukotić	Rajko Maljković
President of the Executive Board	*Member of the Executive Board*

INCOME STATEMENT for the period from January 01 to December 31, 2025

In thousands of RSD	Note	2025.	2024.
Interest income	41 (C), 8	5,356,125	5,209,765
Interest expenses	41 (C), 8	(1,229,710)	(1,294,373)
Net interest income		4,126,415	3,915,392
Fee and commission income	41 (D), 9	43,458	51,520
Fee and commission expenses	41 (D), 9	(65,745)	(57,227)
Net fee and commission income/expenses		(22,287)	(5,707)
Net profit/loss from the change in fair value of financial instruments	41 (I), 10	-	(1,932)
Net FX gains/losses and contracted currency clause effects	41 (B), 11	(8,481)	2,045
Net expenses from impairment of financial assets not measured at fair value through profit or loss	41 (G), 13	(300,485)	(447,022)
Other operating income	41 (B, G, K), 12	530	65
Total net operating income		**3,795,692**	**3,462,841**
Costs of salaries, fringe benefits and other personal expenses	14, 41 (Q)	(1,314,210)	(1,349,630)
Depreciation costs	41 (L), 41 (K), 23, 24	(156,486)	(147,926)
Other income	15, 41 (R)	24,522	81,413
Other expenses	16, 41 (R)	(1,091,045)	(1,207,679)
Profit before tax		**1,258,473**	**839,019**
Profit/(loss) from deferred taxes	41 (F, ii). 17	1,832	6,281
Income tax	41 (F, i). 17	(198,404)	(131,777)
PROFIT FOR THE PERIOD		**1,061,901**	**713,523**

Novi Sad, April 14, 2026

For the management
3Bank J.S.C. Novi Sad

Vladimir Vukotić
President of the Executive Board

Rajko Maljković
Member of the Executive Board

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from January 01 to December 31, 2025

In thousands of RSD	Note	2025	2024
Profit for the period		**1,061,901**	**713,523**
Components of other income that cannot be reclassified into gains or losses:			
Gains from revaluation of property, plant and equipment		59,329	(2,253)
Actuarial gains/losses		149	413
Effects of changes in the value of debt securities measured at fair value through other income		(1,278)	6,891
Total positive/(negative) other result for the period w/o tax		**58,200**	**5,051**
TOTAL POSITIVE RESULT FOR THE PERIOD		**1,120,101**	**718,574**

Novi Sad, April 14, 2026

For the management
3Bank J.S.C. Novi Sad

Vladimir Vukotić
President of the Executive Board

Rajko Maljković
Member of the Executive Board

STATEMENT OF CHANGES IN EQUITY for the period from January 01 to December 31, 2025

In thousands of RSD	Note	Share capital	Share issuing premiums	Reserves from profit and other reserves	Reevaluation reserves	Retained earnings	Total
Opening balance as at January 01, 2024		**1,783,080**	**81,858**	**2,517,792**	**158,936**	**515,796**	**5,057,462**
Current year profit	30	-	-	-	-	713,523	713,523
Total positive other result for the period	30	-	-	-	5,051	-	5,051
Profit distribution	30	-	-	386,847	-	(386,847)	-
Dividends paid	30					(128,949)	(128,949)
Closing balance as at December 31, 2024		**1,783,080**	**81,858**	**2,904,639**	**163,987**	**713,523**	**5,647,087**
Opening balance as at January 01, 2025		**1,783,080**	**81,858**	**2,904,639**	**163,987**	**713,523**	**5,647,087**
Current year profit	30	-	-	-	-	1,061,901	1,061,901
Total positive other result for the period	30	-	-	-	58,201	-	58,201
Profit distribution	30	-	-	535,142	-	(535,142)	-
Dividends paid						(178,381)	(178,381)
Closing balance as at December 31, 2025		**1,783,080**	**81,858**	**3,439,781**	**222,188**	**1,061,901**	**6,588,808**

Novi Sad, April 14, 2026

For the management
3Bank J.S.C. Novi Sad

Vladimir Vukotić
President of the Executive Board

Rajko Maljković
Member of the Executive Board

CASH FLOW STATEMENT for the period from January 01 to December 31, 2025

In thousands of RSD	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflows from operating activities	**5,619,999**	**5,486,337**
Interest inflows	5,349,179	5,221,734
Fee inflows	38,673	61,761
Inflows from other operating activities	232,147	202,842
Cash outflows from operating activities	**(3,737,605)**	**(3,728,931)**
Interest outflows	(1,289,344)	(1,173,548)
Fee outflows	(79,577)	(83,911)
Outflows from gross salaries, fringe benefits and other personal expenses	(1,408,278)	(1,445,315)
Outflows from taxes, contributions and other duties charged to income	(85,443)	(90,505)
Outflows from other operating costs	(874,963)	(935,652)
Net cash inflow/(outflow) from operating activities before increase or decrease of financial assets and financial liabilities	**1,882,394**	**1,757,406**
Inflow from financial assets and financial liabilities	**1,526,253**	**2,678,230**
Net infow from receivables from securities, derivates and other financial assets not intended for investment	31,611	**-**
Net outflows from deposits and other liabilities to banks, other financial organizations, Central Bank and clients	1,494,642	2,678,230
Outflows from financial assets and financial liabilities	**(1,082,742)**	(3,876,338)
Net inflow from loans to clients and other receivables from banks, other financial organizations, Central Bank and clients	(588,753)	(3,387,821)
Increase in claims on securities, derivatives and other financial assets that are not intended for investment	(493,989)	(488,517)
Net cash inflow/(outflow) from operating activities before income tax	**2,325,905**	**559,298**
Income tax paid	(177,371)	(101,507)
Dividends paid	(149,840)	(108,318)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**1,998,694**	**349,473**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash outflows from investing activities	**(86,446)**	**(67,448)**
Purchase of intangible assets. property, plant and equipment	(86,446)	(67,448)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**(86,446)**	**(67,448)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities	**1,113,549**	**1,990,144**
Loans taken	1,113,549	1,521,639
Subordinated loans	-	468,505
Cash outflows from financing activities	**(2,092,825)**	**(1,754,334)**
Loans taken	(2,089,465)	(1,489,595)
Subordinated loans	-	(234,111)
Other outflows from financing activities (Note 22)	(3,360)	(30,628)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(979,276)**	**235,810**
TOTAL CASH INFLOWS	**8,259,801**	**10,154,711**
TOTAL CASH OUTFLOWS	**(7,326,829)**	**(9,636,876)**
NET CASH INCREASE/(DECREASE)	**932,972**	**517,835**
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	**1,025,567**	**507,970**
Foreign exchange gains/(losses)	82	(238)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**1,958,621**	**1,025,567**

Novi Sad, April 14, 2026

For the management
3Bank J.S.C. Novi Sad

Vladimir Vukotić
President of the Executive Board

Rajko Maljković
Member of the Executive Board

1. BASIC INFORMATION ON THE BANK

3Bank J.S.C. Novi Sad (hereinafter: Bank) was founded on May 27, 2002, as Opportunity International štedionica a.d. Novi Sad, which received a business license from the National Bank of Yugoslavia on June 28, 2002, and was registered with the Commercial Court on July 02, 2002, headquarted in Novi Sad.In accordance with the Law on Banks, the Decision on Establishment and the Statute, the Bank is registered to perform the following activities:

- credit operations (giving and taking loans in the country and abroad);
- deposit operations (receiving and placing deposits);
- payment operations;
- foreign exchange, foreign currency and exchange operations;
- guarantee operations (issuance of guarantees and other forms of sureties) and
- other activities for which it is authorized by law.

As at December 31, 2025, the Bank had its registered office in Novi Sad, branches in Novi Sad, New Belgrade, Niš, Kragujevac, and Jagodina, and offices in Požarevac, Pančevo, Šabac, Valjevo, Loznica, Obrenovac, Stara Pazova, Zrenjanin, Sremska Mitrovica, Bačka Palanka, Sombor, Kraljevo, Užice, Prijepolje, Kruševac, Topola, Ivanjica, Leskovac, Pirot, Vranje, Subotica, Čačak, Zaječar, Aleksinac, Kikinda, Velika Plana, Novi Pazar, Smederevo, Paraćin, Mladenovac, Žabalj and Vršac.

As at December 31, 2025, the Bank had 478 employees (December 31, 2024: 520).

The Bank's company registration number is 08761132, and tax identification number is 101643574.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the going concern principle, which implies that the Bank will continue to operate in the foreseeable future.

The Bank's management believes that the level of liquidity buffers as well as the existing capital adequacy ensure the Bank's continued operations. In making the above assessment the Bank also considered reasonably possible downside economic scenarios and their potential impact on the profitability, capital and liquidity of the bank. More detail is presented in the Note 36.

The attached financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (hereinafter: IFRS). They are also harmonized with the regulations of the National Bank of Serbia, which govern the financial reporting of banks.

A. New and amended IFRS accounting standards, the entry into force and application of which is mandatory in the current year

In 2025, the Bank applied the following new standards as well as changes to existing standards that came into force for reporting periods on or after January 1, 2025:

- Amendments to IAS 21 "Effects of changes in exchange rates" - lack of substitutability. Amendments to IAS 21 introduce requirements for assessing when a currency is convertible into another currency and when it is not. The changes require the Bank to evaluate the current exchange rate when it concludes that a currency is not convertible into another currency. New data release requirements have been added. The amendment applies to reporting periods beginning on or after January 1, 2025. These amendments will not affect the Bank's reporting since it does not operate with non-convertible currencies.

B. Standards issued but not yet effective and not previously adopted

At the date of approval of these financial statements, the following standards were issued, amendments to existing standards and new interpretations that have not yet entered into force:

- IFRS 18 Presentation and Disclosure in Financial Statements (issued on April 9, 2024) will have an impact on presentation and disclosure in the Bank's financial statements. IFRS 18 replaces IAS 1, carries over many requirements from IAS 1 unchanged and supplements them with new requirements. In addition, some paragraphs of IAS 1 have been moved to IAS 8 and IFRS 7.

  IFRS 18 introduces new requirements:
  - display of certain categories and defined subtotals in the income statement: all income and expenses must be classified in five categories (operating, investment, financing, discontinued operations and profit tax) in the income statement;
  - publication of performance indicators defined by the management in a note in the financial statements;
  - improvement of aggregation and disaggregation (grouping of information in financial reports).

  The Bank is required to apply IFRS 18 and all subsequent amendments for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required. Amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when the Bank applies IFRS 18. IFRS 18 requires retroactive application with special transitional provisions. The Bank is still in the process of assessing the impact of the application of IFRS 18, especially on the income statement, statement of cash flows, disclosure of other indicators and grouping of financial information. The Bank's net profit will not change due to the adoption of IFRS 18.

  Amendments to IFRS 18 Presentation and Disclosure in Financial Statements introduce definitions for new subtotals: "operating profit" and "profit or loss before financing and income tax" and the requirement to allocate all income and expenses between three new distinct categories based on the company's main business activities: operating, investing and financing.

- Amendments to IFRS 19 Subsidiaries without public liability allow a qualified entity simplified reporting if IFRS standards are applied in financial reporting. An entity meets the requirements for simplified reporting if it has no public liability and its ultimate or intermediate parent group prepares a publicly available consolidated financial statement that complies with IFRS accounting standards. IFRS 19 applies to reporting periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 19 will not apply to the Bank.

  The disclosure allows eligible subsidiaries to apply IFRS accounting standards with reduced disclosure requirements from IFRS 19. A subsidiary may elect to apply the new standard in its consolidated, separate or separate financial statements provided that, at the reporting date, it has no public liability, its parent prepares consolidated financial statements in accordance with IFRS accounting standards and the subsidiary applying IFRS 19 in its explicit and unreserved statement of compliance with IFRS accounting standards clearly states that IFRS 19 has been adopted.

- Amendments to IAS 9 "Classification and measurement of financial instruments" - amendments to IFRS 9 clarify the classification of financial assets with a conditionality feature and introduce an additional SPPI test for financial assets with a conditionality feature that is not directly related to a change in the underlying risks or credit costs - e.g. when cash flows change depending on whether the client meets the ESG target specified in the credit agreement. Under the changes, certain financial assets, including those with ESG-related features, could now meet the SPPI criteria, provided their cash flows are not significantly different from identical financial assets without such a feature. IFRS 9 also provides additional guidance to clarify the characteristics of contractually related instruments as well as the definition of the core set used to assess that a transaction contains contractually related instruments. These changes are not expected to lead to any changes in the Bank's reporting, since the Bank does not provide financing conditional on ESG characteristics.

- Amendments to IFRS 7 provide new mandatory disclosures for all investments in equity instruments that are valued at fair value through other results and contractual provisions that could change the amount of the contracted cash flow based on unforeseen events that are not directly related to the underlying credit risk. These amendments are effective for reporting periods beginning on or after January 1, 2026. Earlier application is permitted. These changes are not expected to cause significant changes in the Bank's reporting, due to the limited volume of investments in equity instruments valued at fair value through other results in the existing portfolio. Furthermore, within the Bank's financial assets, no contractual conditions have been established that could change the timing or amount of contracted cash flows based on the occurrence or non-occurrence of a potential event that is not related to the basic risks and costs of lending.

- Annual Improvements to IFRS Accounting Standards, Volume 11, address several possible inconsistencies in wording and references between different IFRS accounting standards. Apart from minor changes, IFRS 9 has been amended to require banks to initially measure trade receivables without a significant financing component at an amount determined by applying IFRS 15 and to clarify that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognized in the income statement.

- Amendments to IFRS 10 and IAS 28: Sale or transfer of assets between an investor and its associate or joint venture clarify that in transactions with an associate or joint venture, the extent of recognition of gain or loss depends on whether the asset sold or invested constitutes a business. A total gain or loss is recognized when the transaction between the investor and its associate or joint venture involves the transfer of assets or assets that represent a business (regardless of whether those assets are located in the subsidiary company or not), while a partial gain or loss is recognized when the transaction between the investor and its associate company or joint venture involves assets that do not represent the business, even if those assets are located in the subsidiary company.

- Amendments to IFRS 9 and IFRS 7 clarify how to report the purchase of renewable energy (PPA: contracts related to "green" electricity in which the company is "exposed to variability in the basic amount of electricity because the source of electricity generation depends on uncontrollable natural conditions", eg meteorological). The amendments allow the Bank to apply the self-use exemption to public procurement contracts if the Bank has been and expects to be a net purchaser of electricity during the contract period. If the self-use exemption does not apply, PPAs are accounted for as derivatives that are measured at fair value through the income statement. Hedge accounting requirements in IFRS 9 that would allow the Bank to use a renewable electricity contract with specific characteristics as a hedging instrument:
  - it is necessary to determine the variable volume of the planned electricity transactions as a hedging item if specific criteria are met and
  - it is necessary to apply the same assumptions about the volume of transactions for measuring the hedged position as for the hedging instrument.

- Amendments to IAS 21 published in November 2025 require that when converting from a non-hyperinflationary functional currency to a hyperinflationary presentation currency, all amounts (assets, liabilities, equity, income and expenses, including comparative data) must be converted at the closing exchange rate on the latest balance sheet date.

The bank did not apply the mentioned new standards, amendments to existing standards and new interpretations before they come into force. Management anticipates that the application of these new standards, changes to existing standards and new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

C. Comparative data

The accounting policies and estimates regarding the recognition and valuation of assets and liabilities used in the preparation of these financial statements are consistent with the accounting policies and estimates applied in the preparation of the Bank's annual financial statements for 2024.

3. FUNCTIONAL AND REPORTING CURRENCY

The financial statements are presented in dinars (RSD), which are also the functional and reporting currency of the Bank. All the amounts quoted in RSD are rounded up in thousands, unless otherwise stated. All transactions in currencies other than the functional currency are treated as transactions in foreign currencies.

4. USE OF ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to evaluate and make assumptions that affect the application of policies and the presented value of assets and liabilities, income, and expenses. Actual amounts may differ from these estimates. Estimates and assumptions on the basis of which they were made are reviewed continuously.

Estimates and assumptions are based on the going concern principle, which implies that the Bank will continue operating in the foreseeable future. Changes in accounting estimates are recognized in the period in which they were made as well as in future periods.

A. Fair value estimate

The Bank in 2025 holds debt securities measured at fair value through other comprehensive income (FVOCI), while the currency swap is measured at fair value through profit or loss (FVTPL).

Initial recognition of securities is done at fair value, with transaction costs recognized in the profit and loss statement. Subsequent measurement of securities is performed in such a way that interest income, adjustments, and exchange rate differences are recognized in the profit and loss statement, while all other changes are recognized through other comprehensive income (FVOCI). The basis for measurement is the current market price of the respective security. Upon derecognition, the cumulative gain/loss from equity is transferred to the profit and loss statement.

B. Uncertainty in estimating

Information about assumptions and estimates of uncertainty where there is a significant level of risk that they may lead to materially significant adjustments in 2024 and 2025 is presented in the following parts of the text under:

- Note 5.A: impairment of financial assets: determination of input information for the expected credit loss measurement model, including forward looking information;
- Note 17: recognition of deferred tax assets (availability of future taxable profit);
- Note 30: provisions: key assumptions on the probability and magnitude of outflows;
- Note 38.G.: impairment of financial instruments: key assumptions used in the estimate of recoverable cash flows and
- Note 41. K and L: estimated useful life of property, plant and equipment and intangible assets.

5. SUMMARY OF FINANCIAL RISKS

This Note contains a summary of the Bank's exposure to financial risks and methods of capital management. Information related to the risk management framework applied by the Bank is given in Note 38.

A. Credit risk

Note 38. B provides a definition of credit risk and a detailed description of the Bank's credit risk management framework.

i. Analysis of loan portfolio quality

The following tables contain information on the quality of financial assets measured at amortized cost. The presented amounts are gross unless explicitly stated otherwise. Off-balance sheet items by guarantees shown in the tables represent assumed or guaranteed amounts for which payment may occur. Explanations of the terms Stage 1, Stage 2 and Stage 3 are presented in Part III of this note. The Bank manages exposure to credit risk by applying the following control measures: regular assessment, using internally defined credit criteria and diversification of sector risk in order to avoid concentration by any type of business. The Bank takes collateral in the form of mortgages on property, deposits, and pledges with the aim of reducing exposure to credit risk.

In thousands of RSD	12m PD	Stage 1	Stage 2	Stage 3	Total for 2025
Loans and receivables from clients					
Legal entities and sole proprietors					
Rating 1	0.4494%	72,363	36,756	-	109,119
Rating 2	0.5499%	563,887	271,139	-	835,026
Rating 3	0.8136%	963,929	428,079	-	1,392,008
Rating 4	1.1692%	1,541,257	619,153	-	2,160,410
Rating 5	1.7075%	1,822,840	676,644	-	2,499,484
Rating 6	2.6859%	752,226	358,880	-	1,111,106
Rating 7	4.6114%	765,258	414,561	-	1,179,819
Rating 8	9.4434%	635,335	719,551	-	1,354,886
Rating 9	24.1406%	87,655	394,768	-	482,423
Default		-	-	384,579	384,579
Gross carrying value		7,204,750	3,919,531	384,579	11,508,860
Value adjustment		(76,640)	(126,361)	(243,484)	(446,485)
Net carrying value		**7,128,110**	**3,793,170**	**141,095**	**11,062,375**
Natural persons – pensioners and employees					
Rating 1	0.9313%	138,017	22,840	-	160,857
Rating 2	1.7285%	161,455	25,452	-	186,907
Rating 3	2.8404%	135,243	16,308	-	151,551
Rating 4	3.7120%	235,970	14,942	-	250,912
Rating 5	5.4033%	562,452	48,544	-	610,996
Rating 6	8.1619%	1,147,446	134,810	-	1,282,256
Rating 7	12.2978%	1,739,511	226,275	-	1,965,786
Rating 8	18.2213%	504,421	104,317	-	608,738
Rating 9	22.7404%	915,866	167,898	-	1,083,764
Default		-	-	159,598	159,598
Gross carrying value		5,540,381	761,386	159,598	6,461,365
Value adjustment		(67,735)	(26,215)	(100,806)	(194,756)
Net carrying value		**5,472,646**	**735,171**	**58,792**	**6,266,609**

In thousands of RSD	12m PD	Stage 1	Stage 2	Stage 3	Total for 2025
Agricultural holdings					
Rating 1	0.6741%	936,162	75,039	-	1,011,201
Rating 2	1.0736%	2,781,385	420,574	-	3,201,959
Rating 3	1.5072%	1,938,713	274,041	-	2,212,754
Rating 4	2.4254%	1,429,996	292,673	-	1,722,669
Rating 5	2.6504%	575,948	101,582	-	677,530
Rating 6	3.4032%	199,337	60,483	-	259,820
Rating 7	6.3300%	148,363	131,296	-	279,659
Rating 8	13.7291%	118,010	330,569	-	448,579
Rating 9	21.7085%	24,634	236,653	-	261,287
Default		-	-	257,246	257,246
Gross carrying value		8,152,548	1,922,910	257,246	10,332,704
Value adjustment		(43,651)	(48,166)	(143,598)	(235,415)
Net carrying value		**8,108,897**	**1,874,744**	**113,648**	**10,097,289**
Total loans and receivables from clients					
Gross carrying value		20,897,679	6,603,827	801,423	28,302,929
Value adjustment		(188,026)	(200,742)	(487,888)	(876,656)
Net carrying value		**20,709,653**	**6,403,085**	**313,535**	**27,426,273**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2025
Loans and receivables from banks and other financial institutions				
Rating 1	776,559	-	-	776,559
Rating 2	1,014	-	-	1,014
Rating 3	748	-	-	748
Rating 4	243	1,610	-	1,853
Rating 5	4,669	-	-	4,669
Rating 6	-	-	-	-
Rating 7	-	-	-	-
Rating 8	-	-	-	-
Rating 9	-	-	-	-
Default	-	-	128,969	128,969
Gross carrying value	783,233	1,610	128,969	913,812
Value adjustment	(285)	(14)	(107,019)	(107,318)
Net carrying value	**782,948**	**1,596**	**21,950**	**806,494**
Other assets				
Rating 1	6,632	1	-	6,633
Rating 2	35	23	-	58
Rating 3	62	28	-	90
Rating 4	14,923	3,011	-	17,934
Rating 5	2,765	89	-	2,854
Rating 6	58	24	-	82
Rating 7	630	100	-	730
Rating 8	243	115	-	358
Rating 9	2,994	645	-	3,639
Default	-	-	48,426	48,426
Gross carrying value	28,342	4,036	48,426	80,804
Value adjustment	(581)	(98)	(47,603)	(48,282)
Net carrying value	**27,761**	**3,938**	**823**	**32,522**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2024
Off-balance sheet items				
Rating 1	-	-	-	-
Rating 2	500	-	-	500
Rating 3	500	-	-	500
Rating 4	-	-	-	-
Rating 5	-	-	-	-
Rating 6	-	-	-	-
Rating 7	-	-	-	-
Rating 8	-	-	-	-
Rating 9	-	-	-	-
Default	-	-	-	-
Gross carrying value	1,000	-	-	1,000
Value adjustment	(1)	-	-	(1)
Net carrying value	**999**	**-**	**-**	**999**
TOTAL GROSS CARRYING VALUE	**21,710,254**	**6,609,473**	**978,818**	**29,298,545**
Total value adjustment	(188,893)	(200,854)	(642,510)	(1,032,257)
TOTAL NET CARRYING VALUE	**21,521,361**	**6,408,619**	**336,308**	**28,266,288**

As at December 31, 2025, the Bank had no POCI assets.

In thousands of RSD	12m PD	Stage 1	Stage 2	Stage 3	Total for 2024
Loans and receivables from clients					
Legal entities and sole proprietors					
Rating 1	0.62%	928,361	36,712	-	965,073
Rating 2	0.91%	1,462,379	80,147	-	1,542,526
Rating 3	1.00%	1,354,095	94,216	-	1,448,311
Rating 4	1.57%	1,857,139	172,153	-	2,029,292
Rating 5	1.73%	1,378,710	131,077	-	1,509,787
Rating 6	2.49%	717,579	148,400	-	865,979
Rating 7	4.65%	404,710	297,991	-	702,701
Rating 8	14.57%	137,304	312,889	-	450,193
Rating 9	37.89%	33,739	108,977	-	142,716
Default		-	-	275,977	275,977
Gross carrying value		8,274,016	1,382,562	275,977	9,932,555
Value adjustment		(64,080)	(58,245)	(168,466)	(290,791)
Net carrying value		**8,209,936**	**1,324,317**	**107,511**	**9,641,764**
Natural persons – pensioners and employees					
Rating 1	0.98%	118,361	6,788	-	125,149
Rating 2	1.61%	289,705	20,579	-	310,284
Rating 3	1.91%	729,942	43,150	-	773,092
Rating 4	2.45%	858,746	58,475	-	917,221
Rating 5	3.67%	1,608,493	148,754	-	1,757,247
Rating 6	3.95%	1,111,357	160,391	-	1,271,748
Rating 7	7.33%	1,639,690	178,726	-	1,818,416
Rating 8	22.18%	462,827	99,391	-	562,218
Rating 9	55.98%	9,819	38,746	-	48,565
Default		-	-	137,814	137,814
Gross carrying value		6,828,940	755,000	137,814	7,721,754
Value adjustment		(68,487)	(32,895)	(98,351)	(199,733)
Net carrying value		**6,760,453**	**722,105**	**39,463**	**7,522,021**

In thousands of RSD	12m PD	Stage 1	Stage 2	Stage 3	Total for 2024
Agricultural holdings					
Rating 1	0.55%	430,740	8,021	-	438,761
Rating 2	1.01%	788,591	50,091	-	838,682
Rating 3	1.01%	1,527,941	128,050	-	1,655,991
Rating 4	1.29%	1,626,660	217,890	-	1,844,550
Rating 5	1.73%	1,260,786	151,236	-	1,412,022
Rating 6	2.64%	1,289,925	155,745	-	1,445,670
Rating 7	3.74%	366,242	90,904	-	457,146
Rating 8	11.89%	158,720	433,575	-	592,295
Rating 9	31.12%	6,741	202,146	-	208,887
Default		-	-	208,484	208,484
Gross carrying value		7,456,346	1,437,658	208,484	9,102,488
Value adjustment		(47,973)	(57,921)	(118,553)	(224,447)
Net carrying value		**7,408,373**	**1,379,737**	**89,931**	**8,878,041**
Total loans and receivables from clients					
Gross carrying value		22,559,302	3,575,220	622,275	26,756,797
Value adjustment		(180,540)	(149,061)	(385,370)	(714,971)
Net carrying value		**22,378,762**	**3,426,159**	**236,905**	**26,041,826**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2024
Loans and receivables from banks and other financial institutions				
Rating 1	201,014	-	-	201,014
Rating 2	2,036	-	-	2,036
Rating 3	1,951	-	-	1,951
Rating 4	-	-	-	-
Rating 5	2,540	-	-	2,540
Rating 6	797	-	-	797
Rating 7	-	-	-	-
Rating 8	-	-	-	-
Rating 9	-	-	-	-
Default	-	-	138,795	138,795
Gross carrying value	208,338	-	138,795	347,133
Value adjustment	(423)	-	(31,226)	(31,649)
Net carrying value	**207,915**	**-**	**107,569**	**315,484**
Other assets				
Rating 1	8,836	36	-	8,872
Rating 2	192	87	-	279
Rating 3	304	87	-	391
Rating 4	296	186	-	482
Rating 5	464	202	-	666
Rating 6	226	127	-	353
Rating 7	2,304	179	-	2,483
Rating 8	801	163	-	964
Rating 9	72,753	3,113	-	75,866
Default	-	-	-	25,191
Gross carrying value	86,176	4,180	25,191	115,547
Value adjustment	(13,953)	(609)	(25,014)	(39,576)
Net carrying value	**72,223**	**3,571**	**177**	**75,971**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2024
Off-balance sheet items				
Rating 1	500	-	-	500
Rating 2	800	56	-	856
Rating 3	171	500	-	671
Rating 4	-	200	-	200
Rating 5	-	-	-	-
Rating 6	-	-	-	-
Rating 7	-	-	-	-
Rating 8	-	-	-	-
Rating 9	-	-	-	-
Default	-	-	-	-
Gross carrying value	1,471	756	-	2,227
Value adjustment	(2)	(2)	-	(4)
Net carrying value	**1,469**	**754**	**-**	**2,223**
TOTAL GROSS CARRYING VALUE	**22,855,287**	**3,580,156**	**786,261**	**27,221,704**
Total value adjustment	(194,918)	(149,672)	(441,610)	(786,200)
TOTAL NET CARRYING VALUE	**22,660,369**	**3,430,484**	**344,651**	**26,435,504**

As at December 31, 2024, the Bank had no POCI assets.

Each client is classified into one of ten rating categories. There are 9 non-default and one default rating.

Further classification of rating categories hasn’t been made.

The following table shows the status of overdue loans and receivables from clients with a cut-off point for DPD 30, which is an indicator of increased credit risk:

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2025
Loans and receivables from clients				
Legal entities and sole proprietors				
No DPD	7,168,223	3,520,624	101,453	10,790,300
Up to DPD 30	36,526	336,156	18,353	391,035
DPD 30+	0	62,750	264,773	327,523
Gross carrying value	7,204,749	3,919,530	384,579	11,508,858
Value adjustment	(76,640)	(126,361)	(243,484)	(446,485)
Net carrying value	**7,128,109**	**3,793,169**	**141,095**	**11,062,373**
Natural persons – pensioners and employees				
No DPD	5,503,708	691,737	12,817	6,208,262
Up to DPD 30	36,673	46,276	1,439	84,388
DPD 30+	-	23,372	145,342	168,714
Gross carrying value	5,540,381	761,385	159,598	6,461,364
Value adjustment	(67,735)	(26,215)	(100,806)	(194,756)
Net carrying value	**5,472,646**	**735,170**	**58,792**	**6,266,608**
Agricultural holdings				
No DPD	8,079,300	1,548,808	40,364	9,668,472
Up to DPD 30	73,246	316,755	13,764	403,765
DPD 30+	-	57,351	203,119	260,470
Gross carrying value	8,152,546	1,922,914	257,247	10,332,707
Value adjustment	(43,651)	(48,166)	(143,598)	(235,415)
Net carrying value	**8,108,895**	**1,874,748**	**113,649**	**10,097,292**
Total loans and receivables from clients				
Gross carrying value	**20,897,676**	**6,603,829**	**801,424**	**28,302,929**
Value adjustment	(188,026)	(200,742)	(487,888)	(876,656)
Net carrying value	**20,709,650**	**6,403,087**	**313,536**	**27,426,273**
Loans and receivables from banks and financial organizations				
No DPD	783,233	1,611	128,706	913,550
Up to DPD 30	-	-	-	-
DPD 30+	-	-	262	262
Gross carrying value	783,233	1,611	128,968	913,812
Value adjustment	(285)	(14)	(107,019)	(107,318)
Net carrying value	**782,948**	**1,597**	**21,949**	**806,494**
Other assets				
No DPD	28,301	3,979	53	32,333
Up to DPD 30	41	40	5	86
DPD 30+	0	17	48,368	48,385
Gross carrying value	28,342	4,036	48,426	80,804
Value adjustment	(581)	(98)	(47,603)	(48,282)
Net carrying value	**27,761**	**3,938**	**823**	**32,522**
Off-balance sheet items				
No DPD	1,000	-	-	1,000
Up to DPD 30	-	-	-	-
DPD 30+	-	-	-	-
Gross carrying value	1,000	-	-	1,000
Value adjustment	(1)	-	-	(1)
Net carrying value	**999**	**-**	**-**	**999**
TOTAL GROSS CARRYING VALUE	**21,710,251**	**6,609,476**	**978,818**	**29,298,545**
Total value adjustment	(188,893)	(200,854)	(642,510)	(1,032,257)
TOTAL NET CARRYING VALUE	**21,521,358**	**6,408,622**	**336,308**	**28,266,288**

In thousands of RSD	Stage 1	Stage 2	Stage I 3	**Total for 2024**
Loans and receivables from clients				
Legal entities and sole proprietors				
No DPD	8,189,800	994,832	37,166	9,221,798
Up to DPD 30	84,216	321,789	18,938	424,943
DPD 30+	-	65,943	219,873	285,816
Gross carrying value	8,274,016	1,382,564	275,977	9,932,557
Value adjustment	(64,080)	(58,245)	(168,466)	(290,791)
Net carrying value	**8,209,936**	**1,324,319**	**107,511**	**9,641,766**
Natural persons – pensioners and employees				
No DPD	6,782,946	670,992	1,583	7,455,521
Up to DPD 30	45,995	51,638	-	97,633
DPD 30+	-	32,372	136,231	168,603
Gross carrying value	6,828,941	755,002	137,814	7,721,757
Value adjustment	(68,487)	(32,895)	(98,351)	(199,733)
Net carrying value	**6,760,454**	**722,107**	**39,463**	**7,522,024**
Agricultural holdings				
No DPD	7,386,447	1,132,274	32,977	8,551,698
Up to DPD 30	69,898	239,330	9,229	318,457
DPD 30+	-	66,051	166,277	232,328
Gross carrying value	7,456,345	1,437,655	208,483	9,102,483
Value adjustment	(47,973)	(57,921)	(118,553)	(224,447)
Net carrying value	**7,408,372**	**1,379,734**	**89,930**	**8,878,036**
Total loans and receivables from clients				
Gross carrying value	**22,559,302**	**3,575,221**	**622,274**	**26,756,797**
Value adjustment	(180,540)	(149,061)	(385,370)	(714,971)
Net carrying value	**22,378,762**	**3,426,160**	**236,904**	**26,041,826**
Loans and receivables from banks and financial organizations				
No DPD	208,338	-	138,002	346,340
Up to DPD 30	-	-	-	-
DPD 30+	-	-	793	793
Gross carrying value	208,338	-	138,795	347,133
Value adjustment	(423)	-	(31,226)	(31,649)
Net carrying value	**207,915**	**-**	**107,569**	**315,484**
Other assets				
No DPD	83,992	4,103	52	88,147
Up to DPD 30	2,182	40	4	2,226
DPD 30+	-	37	25,137	25,174
Gross carrying value	86,174	4,180	25,193	115,547
Value adjustment	(13,953)	(609)	(25,014)	(39,576)
Net carrying value	**72,221**	**3,571**	**179**	**75,971**
Off-balance sheet items				
No DPD	1,471	756	-	2,227
Up to DPD 30	-	-	-	-
DPD 30+	-	-	-	-
Gross carrying value	1,471	756	-	2,227
Value adjustment	(2)	(2)	-	(4)
Net carrying value	**1,469**	**754**	**-**	**2,223**
TOTAL GROSS CARRYING VALUE	**22,855,285**	**3,580,157**	**786,262**	**27,221,704**
Total value adjustment	(194,918)	(149,672)	(441,610)	(786,200)
TOTAL NET CARRYING VALUE	**22,660,367**	**3,430,485**	**344,652**	**26,435,504**

ii. Placement security

For certain exposures, the Bank obtains collateral and other types of security. Collateral is sold when the debtor does not settle its obligations to the Bank.

The Bank holds collateral from loans and receivables from clients. The types of collateral accepted by the Bank are as follows:

- one or more guarantors who sign a bill of exchange and submit garnishment on salary or pension;
- blank bills of exchange issued by the sole proprietor or legal entity that took the loan;
- pledge on movables;
- mortgage on property;
- non-purpose cash deposits and
- insurance policy in favor of the Bank.

The fair value assessment is based on the collateral value estimated at the time of borrowing. After the assessment at the time of borrowing, a certified appraiser evaluates the property at least once every three years, and if necessary, more often depending on the volatility of its value.

For non-performing loans (financial assets in Stage 3), collateral value assessment is carried out once a year.

The Bank does not take collateral for loans and receivables from banks, except for securities held as part of reverse repo transactions and securities that serve as collateral for receivables.

The assessment of the fair value of collateral after applied hair-cut adjustment used to reduce exposure at default before the calculation of impairment of financial assets as at December 31, 2025 and/or December 31, 2024 is shown in the table below:

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total for 2025**
Property	8,787	5,252	4,003	18,042
Cash deposits	-	-	-	-
Total	**8,787**	**5,252**	**4,003**	**18,042**

In thousands of RSD	Stage1	Stage2	Stage 3	**Total for 2024**
Property	9,659	5,819	10,049	25,527
Cash deposits	16	-	-	16
Total	**9,675**	**5,819**	**10,049**	**25,543**

The presented collateral value is limited to the gross exposure per financial instrument in the case when the value of the collateral is greater than the remaining financial obligation of the client to the Bank.

Improving the collection of loans secured by property mortgages is discussed at regular meetings of the Non-Performing Assets Committee.

The table below shows the broken-down credit exposure based on loans and receivables from customers secured by property mortgages according to the ratio of the gross approved loan and the estimated collateral value (LTV ratio). LTV is calculated as the ratio of the gross loan amount and the estimated collateral value.

2025	Gross exposure	Impairment allowance	Net exposure	Impairment allowance w/o using collateral	Net exposure w/o using collateral
<50%	17,827	(2,642)	15,185	(2,746)	15,081
71%-90%	-	-	-	-	-

2024	Gross exposure	Impairment allowance	Net exposure	Impairment allowance w/o using collateral	Net exposure w/o using collateral
<50%	24,436	(6,062)	18,374	(6,195)	18,241
71%-90%	1,350	(1,163)	187	(1,163)	187

iii. Value adjustment for expected credit losses (ECL)

Accounting policies for impairment assessment are also given in Note 40 (G)(*VII*).

Significant increase in credit risk

When determining whether there has been a significant increase in the credit risk of an individual financial instrument after the initial measurement, the Bank considers quantitative and qualitative information and performs analyzes based on historical data and expert assessments that include forward looking information.

The Bank periodically assesses whether there has been a significant increase in credit risk compared to the day of initial recognition and calculates an adequate amount of impairment based on expected credit losses.

A significant increase in the credit risk for the exposures to retail clients, entrepreneurs and corporate clients is determined based on the past-due status of 30 days and qualitative factors (days past due recorded by the Credit Bureau, status with the Serbian Business Registers Agency, balance of accounts under enforced collection, the "watch" list criteria that indicate a significant credit risk increases such as collateral foreclosure, bad history, loan rescheduling, transfer to the Collection Unit, etc.). In 2025, as part of enhancing its credit risk assessment framework in accordance with IFRS 9, the Bank introduced an additional qualitative indicator for corporate clients, related to industry classification codes associated with the transport sector, in light of the sanctions imposed on the NIS (Naftna industrija Srbije - Petroleum Industry of Serbia) . The detailed presentation of net changes through the income statement is provided in Note 13.

By developing the internal rating by customer segment model, the Bank has created the conditions for measuring a significant increase in credit risk by means of a relative worsening of the risk of debtor default per instrument for the entire lifetime (movements in lifetime PD). The relative change in lifetime probability of default (PD) is calculated by comparing the lifetime PD parameter assigned at the reporting date and the adjusted lifetime PD parameter assigned to the financial asset at initial recognition. If the ratio is greater than 200%, it is considered that there has been a significant increase in credit risk since initial recognition. Additionally, if on the reporting date the absolute value of the annual probability of occurrence of the status of default (PD parameter) has increased to a level above 20%, a significant increase in credit risk is also determined.

A significant increase in credit risk for the segment of exposure to state and financial institutions has been determined as a drop of two rating categories, observed in comparison to the rating scale of renowned external rating agencies.

Credi risk stages

The Bank determines the credit risk stage for each exposure based on various information that is predictive of the risk of default using the historical experience in credit risk assessment. The Bank uses the credit risk assessment to identify a significant credit risk increase in line with IFRS 9. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default.

Each exposure is allocated to a certain credit risk stage on initial recognition, based on the available information on the borrower. Exposures will thereafter be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk stage.

The Bank has defined parameters the identification of which will reflect an increase in the risk of default. In identifying a significant increase in credit risk at a financial instrument level, the Bank takes care that the moment of default risk increase is identified before the moment of default.

Credit risk assessment based on quantitative and qualitative criteria for identification for significant increase of credit risk is a primary input into the determination of the term structure of PD for exposures (applying 12M ECL or lifetime ECL).

The Bank has been conducting a statistical analysis of the impact of qualitative and quantitative factors on the default rate using the following segmentation of clients:

- segment of registered agricultural holdings (Agro);
- segment of legal entities and sole proprietors (Business) ;
- segment of pensioners within the natural persons group (Pensioners) ;
- segment of employees within the natural persons group (Employees).

In 2025, the bank further improved its internal rating model in accordance with the recommendations arising from the regular annual validation. A redevelopment of the internal rating model was carried out for all segments of clients. The segment of legal entities and entrepreneurs maintaining double-entry bookkeeping, as well as the segment of entrepreneurs subject to lump-sum taxation, have been consolidated into a single segment of legal entities and entrepreneurs, encompassing all the categories of clients (Business). The effects of the model change are disclosed in Note 13.

All financial assets for which the value adjustment is calculated are allocated to one of Stages 1, 2 or 3, depending on the quality of the instrument itself, as follows:

- Stage 1 – financial assets for which credit risk has not increased significantly from initial recognition,
- Stage 2 – financial assets with a significant increase in credit risk, and
- Stage 3 – financial assets where objective evidence of impairment has been identified.

At each reporting period, the Bank assesses whether there has been a significant increase in credit risk for all financial assets. If the value adjustment for financial assets is measured at an amount equal to the expected lifetime credit losses from the previous reporting period, but it is determined on the current reporting date that the conditions are no longer met, the Bank will measure the value adjustment at an amount equal to expected twelve-month credit losses on the current reporting date.

In each reporting period, *i.e.*, at the time of assessment of expected credit losses for the purposes of calculating the value adjustment, the Bank, in accordance with the internal Methodology, assesses for all financial assets individually (at individual account level) whether there has been a significant increase in credit risk.

In identifying a significant increase in credit risk at the level of an individual financial asset, the Bank takes care that this moment is identified before the moment of default itself.

For analysis purposes, the Bank has identified a number of criteria that it uses for assessment purposes and that it will use for comparison with the situation at the time of initial recognition of the financial asset in accordance with IFRS 9 and internal methodology. The identification of one or more of the above indicators may indicate that there has been a significant increase in credit risk.

Allocation according to risk stage (stages 1, 2 and 3) is made on the basis of available client information. Exposures are subject to continuous monitoring, which may result in a transition to another stage of risk. Usually, monitoring is carried out on the basis of the following data:

- Exposures to legal entities: information obtained on the basis of periodic analysis of financial statements, data obtained from the Credit Bureau, actual and expected significant changes in the client's political, business, regulatory and technological environment, information on the history of borrowing and performance of obligations that the Bank has in arrears status, utilization of approved limits, rescheduling of other obligations.
- Exposures to natural persons and agricultural households: information obtained from the Credit Bureau, information on the history of borrowing and performance of obligations to the Bank, statuses of arrears, refinancing and rescheduling, changes in the financial and economic environment.

Definition of default

The default status is identified based on the criteria prescribed by the Methodology for determining the default status harmonized with the Instructions for determining the default status of the National Bank of Serbia. As part of the mandatory criteria, the Bank takes into account whether the debtor is in arrears for more than 90 days in an amount that is higher than the relevant materiality threshold, whether it has stopped recording income from interest, commissions and fees in the income statement based on receivables from the debtor due to deterioration of the credit quality of the receivables, whether the receivables have already been restructured due to the debtor's financial difficulties, whether the restructuring of the receivables has led to a reduction in the amount of that receivable, whether bankruptcy or similar proceedings have been initiated against the debtor, while also considering other circumstances that may indicate a low probability of settlement of obligations.

Additionally, the Bank has identified a list of indicators that it will monitor in order to identify the default status, for materially significant placements:

- the debtor's financial situation indicates significant problems in its business (account blocking for more than 90 days continuously, observed in the last 6 months);
- significant decrease in operating income (decrease > 50% observed in the last two financial statements);
- significant decrease in the debtor’s capital (decrease > 50% observed in the last two financial statements);
- indicator of debt servicing capacity (negative indicator of the ratio of cash flow to total expenses, positions from the last financial statement);
- information on non-payment of interest and/or principal;
- the client’s deletion from the companies register;
- the Bank has significantly changed the terms of repayment of the placement due to the client's financial difficulties in the last two years;
- the client has not submitted the last financial statement to the companies register and
- information that indicates problems in business and may affect the impossibility of debt servicing, except for the abovementioned events.

Inclusion of forward-looking information

In accordance with IFRS 9, the Bank considers the inclusion of forward-looking information in its credit risk assessments.

The Bank has identified and documented the key drivers of credit risk and credit losses for each portfolio of financial instruments and, taking into account the analysis of historical data, has worked to determine the relationship between macroeconomic variables and credit risk and credit losses.

In 2024, the Bank expanded the base of potential macroeconomic variables and successfully constructed macroeconomic models for the segments of agricultural holdings, pensioners, legal entities and sole proprietors who keep double bookkeeping, entrepreneurs who make flat-rate tax payments, and employees. These models meet all the necessary statistical criteria and can thus be used in calculating the PD parameter for the purpose of determining the impairment value adjustment in accordance with IFRS 9.

In 2025, the Bank developed new macroeconomic models in line with the recommendations arising from the validation, for all of the segments.

Scenario probability weighting applied in measuring ECL are as follows:

	2024.			2025.		
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic
Business	20%	60%	20%	10%	60%	30%
Agricultural holdings	20%	60%	20%	10%	60%	30%
Employees	20%	60%	20%	10%	60%	30%
Pensioners	20%	60%	20%	10%	60%	30%

In 2024 and 2025, equal expected weights were applied to all client segments by years.

The macroeconomic variables used in the models in 2024 and their scenario-based forecasts at the end of the observed year are presented in the table below:

	2024.			
	Macroeconomic variable	Optimistic	Baseline	Pessimistic
Business - SEB	Base index of industrial production, by activity - Total	0.08	0.01	(0.06)
	Foreign exchange reserves of banks, million EUR	0.67	0.28	(0.15)
Business - DEB	Base index of industrial production, by activity – Total t-2	0.09	0.02	(0.06)
	Total primary money, million RSD t-1	0.27	0.18	0.02
	GDP per capita (USD per capita)	0.18	0.10	0.03
Agricultural holdings	Base index of industrial production, by activity - Total	0.08	0.01	(0.06)
	Total primary money, million RSD t-1	0.27	0.18	0.02
	Gross national savings as a percentage of GDP	2.30	0.64	(1.15)
Employees	Imports by month, million EUR	0.39	0.12	(0.06)
	Foreign exchange reserves of banks, million EUR t-3	0.66	0.10	(0.25)
Pensioners	Consumer price indices - Annual indices, same month of the previous year = 100 (m/m-12) t-3	(0.03)	0.02	0.08
	Term dinar deposits, million RSD t-3	0.39	0.17	0.01
	Foreign direct investment net inflows as a percentage of GDP t-4	1.27	(0.58)	(1.22)

The macroeconomic variables used in the models in 2025 and their scenario-based forecasts at the end of the observed year are presented in the table below:

	2025.			
	Macroeconomic variable	Optimistic	Baseline	Pessimistic
Business	Base index of industrial production, by activity - Total	0.06	0.03	(0.03)
	Foreign exchange reserves of banks, million EUR	0.87	0.16	(0.23)
	Gross national savings as % of GDP	2.31	0.68	(2.00)
Agricultural holdings	Base index of industrial production, by activity - Total	0.06	0.03	(0.03)
	Total primary money, million RSD	0.29	0.10	0.01
	Gross national savings as a percentage of GDP	2.31	0.68	(2.00)
	Consumer Price Indices – Annual indices, same month of the previous year = 100 (m/m-12) t-4	(0.09)	0.01	0.08
Employees	Imports by month, million EUR t-3	0.43	0.09	(0.08)
	Foreign exchange reserves of banks, million EUR t-2	(0.01)	(0.01)	(0.01)
	New construction – Building permits, number t-2	0.33	0.09	(0.10)
Pensioners	Consumer price indices - Annual indices, same month of the previous year = 100 (m/m-12)	(0.07)	0.01	0.06
	Total primary money, million RSD t-1	0.31	0.08	0.00
	Real GDP growth rate t-3	3.80	3.80	3.80

The total Impairment that was recorded, calculated based on weighted parametars, as well as the effects in each scenario, with the 100% weight assigned, are given in the following tables:

In thousands of RSD	2024.			
	Optimistic	Baseline	Pessimistic	Impairment based on Weighted parametars
Business – SEB	72,373	83,913	99,274	84,397
Business – DEB	215,449	251,680	296,516	252,605
Agricultural holdings	186,293	222,182	274,610	224,485
Employees	115,392	130,215	147,512	130,090
Pensioners	64,041	90,587	138,672	94,190

In thousands of RSD	2025.			
	Optimistic	Baseline	Pessimistic	Impairment based on Weighted parametars
Business	446,353	532,737	655,578	554,622
Agricultural holdings	179,873	219,704	291,444	234,973
Employees	98,149	104,779	114,040	106,408
Pensioners	94,654	128,547	167,246	136,723

Modified financial assets

Re-contracting or modifying the contractual cash flows of a financial asset may result in the derecognition of an existing financial asset in accordance with IFRS 9. When the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset will be considered a “new” financial asset for the purposes of this standard in accordance with the accounting policy in Note 39. G (IV).

In such situations, the Bank performs a quantitative and qualitative assessment and assesses whether there is a significant difference between the cash flows of the original financial asset and the cash flows of the modified or replaced financial asset. If there is a significant difference in the cash flows, the contractual rights from the original financial asset are considered expired and it is necessary to recognize the new asset issued.

In 2024, the estimated gain based on the modification of financial assets from regular restructuring amounted to RSD 1,106 thousand, while in 2025, the loss realized on the same basis amounted to RSD 434 thousand.

Also, in 2025 as well as in 2024, there were no credit-impaired financial assets, where the contractual conditions were significantly changed so that the recognition of the original asset and recognition of the new financial asset (POCI) ceased. For the purposes of calculating the value adjustment, these assets would remain at stage 3 for the entire duration, *i.e.,* calculation of lifetime expected credit losses.

Measurement of expected credit losses (ECL)

The Bank's general approach to calculating expected credit losses for the entire duration of the financial instrument can be expressed by the following formula:

$$\boldsymbol{ECL = \sum_{t=1}^{T} (EAD_t * MPD_t * LGD_t * DF_t)}$$

- ECL Expected credit loss
- EAD Exposure at default
- MPD Marginal Probability of default
- LGD Loss given default
- DF EIR based discount factor

Expected credit losses calculated in this manner for the entire duration of the financial instrument represent losses that the Bank recognizes for the purposes of calculating the value adjustment in stage 2, while the maximum one-year portion of credit losses calculated in this manner represents the expected credit loss recognized for financial instruments in stage 1.

The key parameters for calculating expected losses are the following variables:

- probability of default (PD);
- loss given default (LGD) and
- exposure at default (EAD).

These parameters are derived based on internally developed statistical methods and models and other historical data using regulatory models and are adjusted to reflect forward-looking information.

The Bank calculates average PDs separately for all five previously defined segments for the observed historical periods.

Migration matrices have been calculated based on available data, based on them and the corresponding TTC matrices, which are further adjusted depending on future expectations.

The Bank applies the concept of separate calculation of LGDsecured and LGDunsecured depending on whether there is collateral for the given placement.

For the purposes of calculating unsecured LGD, the Bank monitors the collection of cases in default and identifies the sources from which it occurred. For these purposes, each entry of receivables into default status is observed separately, together with chronological identification of all collections on that basis, from 2025 including the collection after write-off.

For the purposes of calculating LGD secured, that is, the expected rate of loss after collateral implementation, the Bank takes into account all internally available property under mortgage with assessed possible collectability.

In 2024, the Bank significantly improved the methodology for calculating the LGD parameter compared to previous periods. The data scope was adjusted to best practices, and the collection database was regularly updated in accordance with the passage of time, while the most significant methodological change in 2024 relates to the LGD for clients classified in Stage 3. The increasing LGD was calculated individually for each client group, depending on how long the client had been continuously classified in Stage 3.

EAD - Represents exposures at the time of default, *i.e.*, the current gross carrying value of the financial asset in accordance with IFRS 9 at the time of default, taking into account the profile of contracted cash flows as well as possible additional withdrawals from approved lines before the time of default. In the case of instruments with contracted cash flows, as well as where the maturity date is clearly agreed, the Bank takes into account the contracted cash flows according to the repayment plan as relevant. In the case of financial assets where there are no defined cash flows and no agreed maturity dates, the same are determined based on empirical experience.

Impairment allowance calculation for Stage 3 exposures is performed for all exposures with identified default.

For these financial instruments, the value adjustment is calculated as the difference between the gross carrying value of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset.

In accordance with IFRS 9, expected credit losses represent the probability of a weighted assessment of credit losses, and the Bank accordingly recognizes the existence of several possible collection scenarios when individually assessing expected future cash flows.

On this occasion, the applied scenarios take the following into account:

- collateral implementation (and then separately judicially and extrajudicially);
- restructuring and rescheduling;
- bankruptcy;
- sale of receivables;
- settlement and
- anything else deemed relevant.

When determining the percentages of the probability of certain scenarios, the Bank is guided by the history of implementation and collection of non-performing cases, but also by the specifics of individual financial assets, and in accordance with this, appropriate weights are assigned, which in the sum of all scenarios must amount to 100%.

In its internal methodology the Bank has defined the materiality thresholds (in accordance with segments – lines of business), based on which it will determine which exposures will be estimated through the expected cash flows assessment.

For exposures below the materiality threshold the Bank uses collective assessment approach, which implies grouping of the remaining financial assets in Stage 3 by segment.

Receivables write-off policy

The Bank writes off financial assets (and performs their value adjustment) when it determines that the financial assets are uncollectible and fully impaired in accordance with the Decision on Accounting Write-Off (Official Gazette of the Republic of Serbia, No. 77/2017) and the Credit Portfolio Risk Management Policy, after considering the information such as occurrences of significant changes in the debtor's financial condition, so that the debtor is no longer able to settle its obligations or if the proceeds from the sale of collateral will not be sufficient to cover the entire exposure.

The Bank writes off financial assets at the end of each month, and at the latest at the end of the quarter, and each write-off proposal is evaluated individually at the meetings of the Risk Management Committee. Written off financial assets may still be subject to collection.

Changes in adjustment during 2025 and 2024 are shown in the following tables:

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total for 2025**
Movement of value adjustment based on loans and receivables from clients - Agricultural holdings				
Balance as at January 01	**47,973**	**57,921**	**118,553**	**224,447**
Transfer to Stage 1	34,650	(34,650)	-	-
Transfer to Stage 2	(28,715)	57,008	(28,293)	-
Transfer to Stage 3	(33)	(24,414)	24,447	-
Net change in the current period's value adjustment	(41,354)	8,762	81,631	49,039
New financial assets recognized or taken over	42,231	-	-	42,231
Derecognition of financial assets	(11,162)	(16,504)	(12,008)	(39,674)
Write-offs	-	(46)	(47,902)	(47,948)
Interest on impaired assets	-	-	7,022	7,022
FX gains/losses	61	88	149	298
Balance as at December 31	**43,651**	**48,165**	**143,599**	**235,415**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total for 2024**
Movement of value adjustment based on loans and receivables from clients - Agricultural holdings				
Balance as at January 01	**25,171**	**58,804**	**114,958**	**198,933**
Transfer to Stage 1	49,632	(49,056)	(576)	-
Transfer to Stage 2	(16,827)	48,460	(31,633)	-
Transfer to Stage 3	(1)	(19,274)	19,275	-
Net change in the current period's value adjustment	(37,455)	31,906	171,805	166,256
New financial assets recognized or taken over	32,401	-	-	32,401
Derecognition of financial assets	(4,931)	(12,848)	(8,296)	(26,075)
Write-offs	-	(20)	(155,402)	(155,422)
Income from interest on impaired assets	-	-	8,482	8,482
FX gains/losses	(17)	(51)	(60)	(128)
Balance as at December 31	**47,973**	**57,921**	**118,553**	**224,447**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total for 2025**
Movement of value adjustment based on loans and receivables from clients - pensioners and employees				
Balance as at January 01	**68,487**	**32,895**	**98,351**	**199,733**
Transfer to Stage 1	16,909	(16,909)	-	-
Transfer to Stage 2	(24,943)	30,110	(5,167)	-
Transfer to Stage 3	(55)	(29,391)	29,446	-
Net change in the current period's value adjustment	(10,602)	29,186	50,668	69,252
New financial assets recognized or taken over	41,364	-	-	41,364
Derecognition of financial assets	(23,421)	(18,231)	(12,735)	(54,387)
Write-offs	(4)	(1,445)	(61,797)	(63,246)
Income from interest on impaired assets	-	-	2,040	2,040
FX gains/losses	-	-	-	-
Balance as at December 31	**67,735**	**26,215**	**100,806**	**194,756**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total for 2024**
Movement of value adjustment based on loans and receivables from clients - pensioners and employees				
Balance as at January 01	**82,551**	**41,189**	**64,509**	**188,249**
Transfer to Stage 1	21,138	(20,959)	(179)	-
Transfer to Stage 2	(27,669)	34,721	(7,052)	-
Transfer to Stage 3	(15)	(22,214)	22,229	-
Net change in the current period's value adjustment	(109,309)	22,463	121,012	34,166
New financial assets recognized or taken over	161,668	-	-	161,669
Derecognition of financial assets	(59,876)	(22,085)	(6,886)	(88,847)
Write-offs	(1)	(220)	(96,946)	(97,167)
Income from interest on impaired assets	-		1,664	1,664
FX gains/losses	-	-	-	-
Balance as at December 31	**68,487**	**32,895**	**98,351**	**199,733**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total for 2025**
Movement of value adjustment based on loans and receivables from clients - legal entities and sole proprietors				
Balance as at January 01	**64,080**	**58,245**	**168,466**	**290,791**
Transfer to Stage 1	22,750	(18,241)	(4,509)	-
Transfer to Stage 2	(47,146)	78,216	(31,070)	-
Transfer to Stage 3	(428)	(35,185)	35,613	-
Net change in the current period's value adjustment	(41,400)	52,044	167,571	178,215
New financial assets recognized or taken over	90,618	-	-	90,618
Derecognition of financial assets	(11,924)	(8,822)	(12,801)	(33,547)
Write-offs	-	(11)	(82,149)	(82,160)
Income from interest on impaired assets	-	-	2,040	2,040
FX gains/losses	90	115	323	528
Balance as at December 31	**76,640**	**126,361**	**243,484**	**446,485**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2024
Movement of value adjustment based on loans and receivables from clients – legal entities and sole proprietors				
Balance as at January 01	**49,304**	**75,206**	**148,387**	**272,897**
Transfer to Stage 1	52,560	(48,777)	(3,783)	-
Transfer to Stage 2	(28,930)	51,079	(22,149)	-
Transfer to Stage 3	(99)	(21,199)	21,298	-
Net change in the current period's value adjustment	(60,123)	9,394	233,430	182,701
New financial assets recognized or taken over	63,366	-	-	63,366
Derecognition of financial assets	(11,946)	(7,380)	(6,313)	(25,639)
Write-offs	-	(13)	(207,834)	(207,847)
Income from interest on impaired assets			5,567	5,567
FX gains/losses	(52)	(65)	(137)	(254)
Balance as at December 31	**64,080**	**58,245**	**168,466**	**290,791**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2025
Movement of value adjustment based on loans and receivables from banks and other financial organizations				
Balance as at January 01	**423**	**-**	**31,226**	**31,649**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(13)	12	1	-
Transfer to Stage 3	(1)	1	-	-
Net change in the current period's value adjustment	(260)	1	75,677	75,418
New financial assets recognized or taken over	2,140	-	-	2,140
Derecognition of financial assets	(2,005)	-	-	(2,005)
Write-offs	-	-	-	-
Income from interest on impaired assets	-	-	-	-
FX gains/losses	1	-	115	116
Balance as at December 31	**285**	**14**	**107,019**	**107,318**

In thousands of RSD	Stage 1	Stage 2	Stage 3	Total for 2024
Movement of value adjustment based on loans and receivables from banks and other financial organizations				
Balance as at January 01	**215**	**6,898**	**-**	**7,113**
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(10)	10	-	-
Transfer to Stage 3	0	(4,202)	4,202	-
Net change in the current period's value adjustment	(40)	(2,696)	27,024	24,288
New financial assets recognized or taken over	1,044	0	-	1,044
Derecognition of financial assets	(787)	(3)	-	(790)
Write-offs	-	-	-	-
FX gains/losses	-	-	-	-
Balance as at December 31	**423**	**-**	**31,226**	**31,649**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total 2025**
Movement of value adjustment based on other assets				
Balance as at January 01	**13,953**	**609**	**25,014**	**39,576**
Transfer to Stage 1	87	(14)	(73)	-
Transfer to Stage 2	(314)	354	(40)	-
Transfer to Stage 3	(5)	(141)	146	-
Net change in the current period's value adjustment	(20,513)	(506)	22,718	1,699
New financial assets recognized or taken over	16,837	-	-	16,837
Derecognition of financial assets	(8,728)	(131)	(149)	(9,008)
Write-offs	(737)	(73)	(43)	(853)
FX gains/losses	1	-	30	31
Balance as at December 31	**581**	**98**	**47,603**	**48,282**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total 2024**
Movement of value adjustment based on other assets				
Balance as at January 01	**3,557**	**186**	**24,905**	**28,648**
Transfer to Stage 1	144	(35)	(109)	-
Transfer to Stage 2	(67)	232	(165)	-
Transfer to Stage 3	-	(42)	42	-
Net change in the current period's value adjustment	9,631	358	888	10,877
New financial assets recognized or taken over	2,454	-	-	2,454
Derecognition of financial assets	(1,335)	(38)	(109)	(1,482)
Write-offs	(431)	(52)	(415)	(898)
FX gains/losses	-	-	(23)	(23)
Balance as at December 31	**13,953**	**609**	**25,014**	**39,576**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total 2025**
Movement of provisions based on off-balance sheet items				
Balance as at January 01	**2**	**2**	**-**	**4**
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(1)	-	1	-
Transfer to Stage 3	(1)	1	-	-
Net change in the current period's value adjustment	(4)	(2)	(1)	(7)
New financial assets recognized or taken over	5	-	-	5
Derecognition of financial assets	(1)	-	-	(1)
Balance as at December 31	**1**	**-**	**-**	**1**

In thousands of RSD	Stage 1	Stage 2	Stage 3	**Total 2024**
Movement of provisions based on off-balance sheet items				
Balance as at January 01	**7**	**3**	**66**	**76**
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Net change in the current period's value adjustment	(25)	-	-	(25)
New financial assets recognized or taken over	21	-	-	21
Derecognition of financial assets	(1)	(1)	(66)	(68)
Balance as at December 31	**2**	**2**	**0**	**4**

iv. Credit risk concentration

The bank monitors credit risk concentrations by industrial sector. An overview of the Bank's exposure to credit risk by industrial sector is given in the following tables:

In thousands of RSD	Loans and receivables from clients	Loans and receivables from banks and other financial organizations	Other assets	Off-balance sheet items	**Total 2025**
Corporate					
Trade	383,883	-	225	-	384,108
Production	309,293	-	154	-	309,447
Agriculture	11,205	-	8	-	11,213
Construction	78,665	-	47	-	78,712
Transport and storage, accommodation and food, information and communication	454,889	-	589	-	455,478
Other	353,443	-	4,415	-	357,858
Total	**1,591,378**	**-**	**5,438**	**-**	**1,596,816**
Retail					
Natural persons	6,461,364	-	49,756	-	6,511,120
Agricultural holdings	10,332,706	-	115	-	10,332,821
Sole proprietors					
Trade	2,165,880	-	406	-	2,166,286
Production	1,790,895	-	312	500	1,791,707
Agriculture	98,326	-	17	-	98,343
Construction	997,632	-	186	-	997,818
Transport and storage, accommodation and food, information and communication	2,900,951	-	503	-	2,901,454
Other	1,963,675	-	10,115	500	1,974,290
Total	**26,711,429**	**-**	**61,410**	**1,000**	**26,773,839**
State sector	-	-	10,352	-	10,352
Foreign legal entities	-	128,706	-	-	128,706
Foreign banks	-	70,478	-	-	70,478
Financial sector	122	714,628	12,169	-	718,354
Value adjustment	**(876,656)**	**(107,318)**	**(48,282)**	**(1)**	**(1,032,257)**
Balance as at December 31	**27,426,273**	**806,494**	**32,522**	**999**	**28,266,288**

In thousands of RSD	Loans and receivables from clients	Loans and receivables from banks and other financial organizations	Other assets	Off-balance sheet items	**Total 2024**
Corporate					
Trade	289,913	-	6,200	56	296,169
Production	235,724	-	3,943	-	239,667
Agriculture	6,156	-	9	-	6,165
Construction	68,289	-	51	200	68,540
Transport and storage, accommodation and food, information and communication	401,192	-	29,619	-	430,811
Other	274,723	-	5,483	-	280,206
Total	**1,275,997**	**-**	**45,305**	**256**	**1,321,558**
Retail					
Natural persons	7,721,757	-	27,709	-	7,749,466
Agricultural holdings	9,102,485	-	114	-	9,102,599
Sole proprietors					
Trade	1,931,617	-	618	-	1,932,235
Production	1,583,236	-	418	971	1,584,625
Agriculture	86,846	-	25	-	86,871
Construction	831,136	-	190	-	831,326
Transport and storage, accommodation and food, information and communication	2,583,278	-	744	500	2,584,522
Other	1,630,941	-	12,553	500	1,643,994
Total	**25,471,296**	**-**	**42,371**	**1,971**	**25,515,638**
State sector	9,344	-	14,113	-	23,457
Foreign legal entities	-	138,002	77	-	138,079
Foreign banks	-	145,834	-	-	145,834
Financial sector	160	63,297	13,681	-	77,138
Value adjustment	(714,971)	(31,649)	(39,57)	(4)	(786,200)
Balance as at December 31	**26,041,826**	**315,484**	**75,971**	**2,223**	**26,435,504**

The Bank did not disburse funds to clients outside of Serbia in 2025 and 2024. As part of receivables from financial organizations, the amount of RSD 129 million as at December 31, 2025 (December 31, 2024: RSD 138 million) referred to lending to a foreign legal entity based in the Netherlands, whose activity is investing in the capital of small- and medium-sized enterprises in Serbia (SEAF SERBIA IMPACT FUND B.V.).

v. Netting of financial assets and liabilities

Financial assets and liabilities are netted and the net amount is shown in the balance sheet only when the Bank has the legal right to net the amounts or when it intends to settle them on a net basis or to realize the asset and the liability at the same time. Income and expenses are shown on a net basis only when IFRS allows so, together with gains and losses from a group of similar transactions.

As at December 31, 2025, the Bank had no applicable netting framework agreements or financial assets and liabilities to which netting provisions could be applied.

B. Liquidity risk

The definition of liquidity risk and information on how the Bank manages liquidity risk are given in Note 38.C.

i. Exposure to liquidity risk

Exposure to liquidity risk is monitored by the Bank at the level of externally and internally prescribed limits. The Bank calculates liquidity ratios every day and within prescribed deadlines and submits them to the National Bank of Serbia in the prescribed manner. The Bank monitors internal liquidity ratios through internal reports on dinar and foreign currency liquidity, which are submitted to the Bank's management daily.

The National Bank of Serbia has prescribed the minimum value of the liquidity ratio, which represents the ratio of the sum of liquid assets of the first and second rank and the sum of demand obligations without an agreed maturity date and obligations with an agreed maturity date in the next month. First-rank liquid assets consist of cash in hand, funds in the current account, funds in accounts with investment grade banks, and deposits with the National Bank of Serbia. Second-rank liquid receivables consist of other Bank receivables due within the next month from the day of liquidity ratio calculation.

The prescribed minimum values of liquidity ratios are:

- 1.0 for the average of liquidity ratios for all days of the month;
- 0.9 longer than three consecutive working days and
- 0.8 when calculated for one working day.

Ratio of liquid assets to short-term liabilities on the reporting date and during the reporting period:

In %	**2025**	**2024**
As at December 31	3.20	3.61
Average for period	3.26	3.67
Maximum for period	5.55	5.57
Minimum for period	2.23	2.71

The National Bank of Serbia has prescribed the minimum value of the narrow liquidity ratio, which represents the ratio of the sum of liquid assets of the first rank and the sum of demand obligations without an agreed maturity date and obligations with an agreed maturity date in the next month. The definition of first-rank liquid assets is the same as for the liquidity ratio. The prescribed minimum values of the narrow liquidity ratio are:

- 0.7 for the average of liquidity ratios for all days of the month;
- 0.6 longer than three consecutive working days and
- 0.5 when calculated for one working day.

Narrow liquidity ratio on the reporting date and during the reporting period:

In %	**2025**	**2024**
As at December 31	2.52	3.18
Average for period	2.24	2.85
Maximum for period	3.82	4.17
Minimum for period	1.41	1.80

The Bank pays special attention to liquidity measures defined by the regulations of the National Bank of Serbia. The liquidity coverage ratio (LCR) is monitored on a monthly basis as the ratio of the Bank's liquidity buffer and the net outflow of liquidity during a period of 30 calendar days. The Bank's goal is to maintain a sufficiently high level of quality liquid assets to withstand a stress scenario for a period of 30 days, that is, that it can cover net outflows of liquid assets. The internal limit of the liquidity coverage ratio level is included in the internal limit system for risk management and is 785.97%, which is above the level prescribed by the regulator.

The Net Stable Funding Ratio (NSFR) is a long-term liquidity indicator that ensures the bank secures and maintains stable funding sources in relation to the structure of its assets and liabilities. Its implementation enables the bank to maintain an adequate level of long-term financing, reduce reliance on short-term market sources, and enhance resilience to potential stress scenarios. In accordance with regulatory requirements, the bank continuously monitors and optimizes the NSFR by aligning its liabilities and assets, with a particular focus on compliance with the RSD net stable funding ratio. The implementation of this indicator contributes to a sustainable growth strategy, reduces liquidity risks, and strengthens the confidence of clients and financial institutions. The NSFR stands at 144.46%, which is above the regulatory requirement.

ii. Analysis of maturity of financial assets and liabilities

In order to manage liquidity risk, liquidity gaps are calculated, whereby the data used to analyze the structure of the Bank's balance sheet also provide the basis for establishing structure indicators and concentration indicators that are used to determine the level of liquidity risk. The following table shows the remaining contractual maturities of the Bank's financial assets and financial liabilities.

The following table shows the analysis of the Bank's financial assets and liabilities by respective maturity groups, by the remaining maturity on December 31, 2025, calculated on the basis of undiscounted cash flows that also include expected interest. Contractual cash flows are modified for expected prepayments of loans and early withdrawals of term deposits. For items without a contractual maturity, assumptions obtained on the basis of internal models about when they will generate cash flow have been applied. Potential outflows based on issued guarantees and other assumed obligations are presented below.

In thousands of RSD	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Total cash flow	Carrying value
December 31, 2025							
Assets							
Cash and balances with the Central Bank	5,213,037	-	-	-	-	5,213,037	5,213,518
Securities	963,442	-	-	-	-	963,442	963,442
Loans and receivables from banks and other financial organizations	776,839	23,773	4,040	3,817	-	808,469	806,494
Loans and receivables from clients	1,925,353	3,595,584	13,678,443	12,859,175	371,059	32,429,614	27,426,273
Other assets	56,467	21,455	2,865	12	5	80,804	32,522
Total assets	**8.935.138**	**3.640.812**	**13.685.348**	**12.863.004**	**371.064**	**39.495.366**	**34,442,249**
Liabilities							
Deposits and other liabilities to banks. other financial organizations and the Central Bank	87,143	307,562	1,661,369	2,826,412	98,273	4,980,759	4,732,693
Deposits and other liabilities to other clients	2,073,319	3,620,555	4,700,368	7,670,549	4,608,989	22,673,780	21,882,573
Subordinated liabilities	-	18,693	60,723	765,073	879,278	1,723,767	1,297,745
Provisions	1	11,280	33,840	56,624	19,175	120,920	120,919
Current tax assets	-	-	66,627	-	-	66,627	66,627
Other liabilities	163,053	-	19,476	-	-	182,529	360,634
OFF-BS Liabilities	100	-	-	-	-	100	
Total liabilities	**2,323,516**	**3,958,090**	**6,542,403**	**11,318,658**	**5,605,715**	**29,748,382**	**28,461,191**
Net liquidity gap as at December 31, 2025	**6.563.969**	**(329.878)**	**7.164.722**	**1.550.310**	**(5.232.317)**	**9.716.806**	
Cumulative liquidity gap	**6.563.969**	**6.234.091**	**13.398.813**	**14.949.123**	**9.716.806**		

The following table shows the analysis of the Bank's financial assets and liabilities by respective maturity groups, by the remaining maturity on December 31, 2024.

In thousands of RSD	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Total cash flow	Carrying value
December 31, 2024							
Assets							
Cash and balances with the Central Bank	6,544,599	-	-	-	-	6,544,599	6,040,509
Securities	-	-	-	474,572	-	474,572	474,572
Loans and receivables from banks and other financial organizations	201,092	917	3,253	118,388	-	323,650	315,484
Loans and receivables from clients	1,752,082	3,368,763	12,706,163	13,800,785	238,016	31,865,809	26,041,826
Other assets	7,707	16,450	37,127	5,481	2,145	68,910	87,377
Total assets	**8,505,480**	**3,386,130**	**12,746,543**	**14,399,226**	**240,161**	**39,277,540**	**32,959,768**
Liabilities							
Deposits and other liabilities to banks. other financial organizations and the Central Bank	77,429	344,579	1,508,363	2,106,892	100,530	4,137,793	5,554,489
Deposits and other liabilities to other clients	1,976,990	2,027,291	5,022,672	7,703,059	4,632,238	21,362,250	20,569,668
Subordinated liabilities	-	218,815	588,200	1,811,043	935,448	3,553,506	1,295,903
Provisions	4	5,965	17,896	30,379	10,863	65,107	65,107
Current tax assets	-	-	37,759	-	-	37,759	37,759
Other liabilities	147.507	-	17.102	-	-	164.609	662.590
OFF-BS Liabilities	222	-	-	-	-	222	
Total liabilities	**2.201.930**	**2.596.650**	**7.191.992**	**11.651.373**	**5.679.079**	**29.321.024**	**28.185.516**
Net liquidity gap as at December 31, 2024	**6.303.328**	**789.480**	**5.554.551**	**2.747.853**	**(5.438.918)**	**9.956.294**	
Cumulative liquidity gap	**6.303.328**	**7.092.808**	**12.647.359**	**15.395.212**	**9.956.294**		

A significant negative gap in the maturity bucket of over 5 years as of December 31. 2025 and as of December 31. 2024 was mostly due to expected maturities of long-term deposits and long-term borrowings obtained from international financial institutionsn. In its financing plan the Bank seeks to expand its deposit potential and renew long-term borrowings before the existing liabilities fall due. At the same time, the amount of inflows from loan repayment by the borrowers has increased in this bucket, so that the gap has been decreasing from year to year.

The following table shows the nominal values of non-derivative financial assets and liabilities that are expected to be assumed or settled after more than 12 months from the reporting date.

In thousands of RSD	**2025**	**2024**
Loans and receivables from banks and other financial organizations	804,651	205,262
Loans and receivables from clients	19,199,380	17,758,946
Financial assets	**20,004,031**	**17,964,208**
Deposits and other liabilities to banks, other financial organizations and Central Bank	2,056,074	1,930,371
Deposits and other liabilities to other clients	9,147,693	9,022,213
Subordinated liabilities	1,325,965	807,014
Provisions	45,120	23,865
Financial liabilities	**12,574,852**	**11,783,463**

iii. Bank's liquidity reserves

The following table shows the elements of the Bank's liquidity reserves:

	2025		**2024**	
In thousands of RSD	Carrying value	Fair value	Carrying value	Fair Value
Balances with the Central Bank	5,007,230	5,007,230	5,859,828	5,859,828
Balances with other banks	776,310	776,310	200,634	200,634
Other cash and cash equivalents	205,807	205,807	180,256	180,256
Securities	963,442	963,442	474,572	474,572
Total liquid assets	**6,952,789**	**6,952,789**	**6,715,290**	**6,715,290**

iv. Funds available to secure future financing

The following table shows the funds the Bank has available to support future financing.

	2025		**2024**	
In thousands of RSD	Available funds	Limited availability	Available funds	Limited availability
Balances with the Central Bank	1,000,000	-	3,700,000	-
Reserve requirement	-	4,007,230	-	2,159,828
Balances with other banks	776,310	-	200,634	-
Other cash and cash equivalents	205,807	-	180,256	-
Securities	963,442	-	474,572	-
Loans and receivables from clients	18,042	20,759,374	25,543	22,363,231
Total	**2,963,601**	**24,766,605**	**4,581,005**	**24,523,059**

By funds that are limited available for securing future financing, the Bank means the required reserve that is kept with the National Bank of Serbia and which can be used only in compliance with the restrictions prescribed by domestic legislation and the rules of the National Bank of Serbia. The Bank also believes that it cannot be expected that loans are immediately available and, as available assets, it states the value of received collaterals (except for received deposits), and as the value of limited available funds for loans, gross loans without arrears in repayment of Stage 1.

v. Pledged funds

The funds reported by the Bank as at December 31, 2025 were not subject to any encumbrances (mortgages, lien, easements, encumbrances, annotations, lease rights, prohibition of alienation, *etc.*) nor were they subject to a writ of enforcement.

C. Market risks

The definition of market risks and information on how the Bank manages the market risks of the bank book are given in Note 36.D.

i. Exposure to market risks - trading book

The Bank analyzes the financial assets at its disposal from the aspect of classification in the trading book or bank book based on the following criteria:

Financial assets are included in the trading book if they meet the following criteria:

- regularly traded securities;
- the instrument is managed through the Trading Desk organizational unit;
- the purpose of holding the instrument is:
  - sale in the short term;
  - making a profit due to short-term price changes;
  - fixing the profit realized by arbitration and
  - hedging risks arising from instruments classified in the trading book.

As at December 31, 2025, the Bank had no financial assets classified in the trading book.

ii. Exposure to interest rate risk - bank book

The following table contains an analysis of the Bank's exposure to the risk of interest rate changes with balance as at December 31, 2025, based on the bank book. Gap analysis of interest rate risk includes balance sheet positions that the Bank intends to hold until maturity and which are classified according to the time remaining until the next determination of the interest rate (re-pricing), that is, according to the remaining maturity (positions with a fixed interest rate). As at December 31, 2025, the Bank had no interest-sensitive off-balance sheet positions.

The Bank is most exposed to the influence of variable EUR rates - 1M EURIBOR, 3M EURIBOR, and 6M EURIBOR.

iii. Structure of financial instrument interest rates

2025	EURIBOR	BELIBOR	ESTER	RKS
Financial assets				
Cash and balances with the Central Bank	-	-	-	1,000,000
Loans and receivables from banks and other financial organizations			994	
Loans and receivables from clients	128,488	-	-	-
Financial liabilities				
Deposits and other financial liabilities to other clients	-	-	-	489,261
Deposits and other financial liabilities to banks, other financial institutions and the Central Bank and Subordinated liabilities	4,040,537	-	-	-

2024	EURIBOR	BELIBOR	ESTER	RKS
Financial assets				
Cash and balances with the Central Bank	-	-	-	3,700,000
Loans and receivables from banks and other financial organizations			767	
Loans and receivables from clients	137,679	-	-	-
Financial liabilities				
Deposits and other financial liabilities to other clients	-	-	-	342,597
Deposits and other financial liabilities to banks, other financial institutions and the Central Bank and Subordinated liabilities	4,153,836	266,667	-	-

The following table contains an analysis of the Bank's exposure to the risk of interest rate changes with balance as at December 31, 2025.

In thousands of RSD	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Total interest-sensitive	Carrying value
December 31, 2025							
Assets							
Cash and balances with the Central Bank	2,504,217	2,708,820	-	-	-	5,213,037	5,213,518
Securities	963,442	-	-	-	-	963,442	963,442
Loans and receivables from banks and other financial organizations	776,839	1,057	26,756	3,817	-	808,469	806,494
Loans and receivables from clients	1,925,353	3,618,301	13,655,726	12,859,175	370,283	32,428,838	27,426,273
Other assets	-	-	-	-	-	-	32,522
Total financial assets	**6,169,851**	**6,328,178**	**13,682,482**	**12,862,992**	**370,283**	**39,413,786**	**34,442,249**
Liabilities and equity							
Deposits and other liabilities to banks, other financial organizations and Central Bank	95,731	1,071,116	2,236,141	1,574,889	98,273	5,076,150	4,732,693
Deposits and other liabilities to other clients	2,911,601	5,212,091	8,976,518	5,297,647	13,016	22,410,873	21,882,573
Subordinated liabilities	-	956,949	364,799	-	-	1,321,748	1,297,745
Other Liabilities	-	-	-	-	-	-	360,634
Total financial liabilities	**3,007,332**	**7,240,156**	**11,577,458**	**6,872,536**	**111,289**	**28,808,771**	**28,273,645**
Interest rate gap	**3,162,519**	**(911,978)**	**2,105,024**	**5,990,456**	**258,994**	**10,605,015**	

The following table contains an analysis of the Bank's exposure to the risk of interest rate changes with balance as at December 31, 2024.

In thousands of RSD	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	Total interest-sensitive	Carrying value
December 31, 2024							
Assets							
Cash and balances with the Central Bank	3,476,076	2,564,009	-	-	-	6,040,085	6,040,509
Securities	474,572	-	-	-	-	474,572	474,572
Loans and receivables from banks and other financial organizations	201,092	917	117,797	3,844	-	323,650	315,484
Loans and receivables from clients	1,750,868	3,481,177	12,580,255	13,816,706	238,023	31,867,029	26,041,826
Other assets	-	-	-	-	-	-	87,377
Total financial assets	**5,902,608**	**6,046,103**	**12,698,052**	**13,820,550**	**238,023**	**38,705,336**	**32,959,768**
Liabilities and equity							
Deposits and other liabilities to banks, other financial organizations and Central Bank	432,214	1,339,803	1,773,059	958,305	100,530	4,603,911	5,554,489
Deposits and other liabilities to other clients	2,650,991	3,307,410	9,285,035	5,397,833	-	20,641,269	20,569,668
Subordinated liabilities	-	1,467,552	891,574	371,739	-	2,730,865	1,295,903
Other liabilities	-	-	-	-	-	-	662,590
Total financial liabilities	**3,083,205**	**6,114,765**	**11,949,668**	**6,727,877**	**100,530**	**27,976,045**	**28,082,650**
Interest rate gap	**2,819,403**	**(68,662)**	**748,384**	**7,092,673**	**137,493**	**10,729,291**	

Interest rate risk management is supplemented by controlling the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard scenarios of interest rate movements. A standard scenario is created on a monthly basis and includes 200 (bps) of parallel decrease or increase on all yield curves in Serbia, while the non-standard ones imply a change in the shape and slope of the yield curve.

Analysis of the Bank's sensitivity to the increase or decrease of the market interest rate with the assumption of a parallel shift of the yield curve on December 31. 2025 and December 31. 2024 is shown in the following table:

Effects of changes in the market interest rate on equity	100 bp parallel increase	100 bp parallel decrease	200 bp parallel increase	200 bp parallel decrease	300 bp parallel increase	300 bp parallel decrease
As at December 31. 2025						
Interest rate change						
Assets	5.11%	-5.21%	10.12%	-10.52%	15.03%	-15.93%
Liabilities	3.33%	-3.40%	6.60%	-6.87%	9.80%	-10.41%
Gap	1.78%	-1.81%	3.52%	-3.65%	5.23%	-5.52%
Limit	10.00%	-10.00%	10.00%	-10.00%	10.00%	-10.00%
As at December 31. 2024						
Interest rate change						
Assets	5.73%	-5.84%	11.35%	-11.79%	16.87%	-17.86%
Liabilities	3.48%	-3.55%	6.90%	-7.17%	10.26%	-10.86%
Gap	2.24%	-2.29%	4.44%	-4.62%	6.61%	-6.99%
Limit	10.00%	-10.00%	10.00%	-10.00%	10.00%	-10.00%

Effects of changes in the market interest rate on the income statement	100 bp parallel increase	100 bp parallel decrease	200 bp parallel increase	200 bp parallel decrease	300 bp parallel increase	300 bp parallel decrease
As at December 31, 2025						
Interest rate change						
Assets	8.06%	-8.22%	15.98%	-16.61%	23.74%	-25.16%
Liabilities	5.26%	-5.37%	10.42%	-10.85%	15.48%	-16.44%
Cumulative	2.80%	-2.85%	5.56%	-5.76%	8.26%	-8.72%
As at December 31, 2024						
Interest rate change						
Assets	8.78%	-8.95%	17.39%	-18.06%	25.84%	-27.36%
Liabilities	5.34%	-5.44%	10.58%	-10.99%	15.72%	-16.65%
Cumulative	3.44%	-3.50%	6.81%	-7.07%	10.12%	-10.71%

Changes in the yield curve affect equity through an increase/decrease in net interest income. Measurement, monitoring and reporting on interest rate risk is carried out by the Portfolio Management and Risk Control Department, The Executive Board, on the proposal of ALCO, makes decisions on the management of aggregated positions that affect interest rate risk: investments in securities, amount and maturity of interbank loans, maintenance of balances on accounts with the central and other banks.

iv. Exposure to foreign exchange risk - bank book

The maximum ratio of foreign exchange risk (net open position) at the end of each working day is determined in accordance with the regulations of the National Bank of Serbia. In order to reduce the potential adverse impact of exchange rate fluctuations on the structure of foreign exchange assets and liabilities, the Bank monitors, measures and reconciles the foreign exchange position on a daily basis, The Bank operates in two currencies: RSD and EUR.

Exposure to foreign exchange risk

In thousands of RSD	EUR and currency clause	RSD	Total
Assets			
Cash and balances with the Central Bank	2,454,721	2,758,798	5,213,518
Securities	481,039	482,403	963,442
Loans and receivables from banks and other financial organizations	802,583	3,912	806,494
Loans and receivables from clients	9,126,855	18,299,419	27,426,273
Intangible assets and property. plant and equipment	-	886,193	886,193
Current tax assets	-	-	-
Deferred tax assets	-	15,035	15,035
Other assets	17,075	15,447	32,522
Total assets	**12,882,273**	**22,461,207**	**35,343,477**
Liabilities			
Liabilities from derivatives	-	-	-
Deposits and other liabilities to banks, other financial organizations and Central Bank	3,861,682	871,011	4,732,693
Deposits and other liabilities to other clients	7,477,914	14,404,659	21,882,573
Subordinated liabilities	1,297,745	-	1,297,745
Provisions	-	120,919	120,919
Current tax liabilities	-	66,627	66,627
Deferred tax liabilities	-	9,278	9,278
Other liabilities	175,834	184,801	360,634
Total liabilities	**12,813,175**	**15,657,295**	**28,470,469**
Net currency mismatch as at Dec 31. 2025	**69,098**	**6,803,912**	**6,873,008**
Net currency mismatch as at Dec 31. 2024	**(38,223)**	**5,685,310**	**5,647,088**

The foreign exchange sub-balance sheet, apart from assets and liabilities denominated in foreign currency, also includes assets and liabilities in dinars with a currency clause. As of December 31, 2025, the bank doesn't have off-balance sheet derivatives that impact foreign exchange risk.

As of December 31, 2024, the Bank had off-balance sheet derivatives that affected foreign exchange risk.

The following table shows the sensitivity of regulatory capital and profit to changes in exchange rates by 20%:

	EUR	**Total**
December 31, 2025		
Effects of a 20% currency increase	11,516	11,516
Effects on regulatory capital	0.18%	0.18%
Effects on profit	1.08%	1.08%
December 31, 2024		
Effects of a 20% currency increase	-6,371	-6,371
Effects on regulatory capital	-0.11%	-0.11%
Effects on profit	-0.89%	-0.89%

D. Capital management

i. *Regulatory capital*

The Bank's regulator, the National Bank of Serbia (NBS), sets and monitors the Bank's capital requirements based on Basel III principles. In order to achieve the existing capital requirements, the NBS requires the Bank to maintain a minimum ratio of share capital adequacy of 6.15%, which represents the ratio expressed as a percentage of the share capital and the Bank's risk assets. The minimum capital adequacy ratio of 8.21%, which represents the percentage of the Bank's core capital and risk assets, and the minimum prescribed capital adequacy ratio of 10.95%, which represents the percentage of the Bank's capital and risk assets.

Risk assets represent the sum of the following amounts:

- the total amount of risk-weighted exposures for credit risk, counterparty risk, risk of impairment of purchased receivables for all business activities of the bank, except for activities from the trading book and settlement risk and
- capital requirement for operational risk, multiplied by the reciprocal value of the adequacy ratio.

The Bank's regulatory capital is the sum of its core capital and supplementary capital, whereby the Bank's core capital is the sum of its share capital and additional core capital.

The Bank's share capital consists of the sum of the following elements less deductible items:

- shares and other instruments of share capital;
- associated issuing premiums with instruments of share capital, *i.e.*, the amount paid above the nominal value of those instruments;
- revaluation reserves and other unrealized gains and
- reserves from profit and other reserves of the Bank.

Deductible items from the share capital are:

- intangible assets less the amount of deferred tax liabilities that would cease to exist in the event of impairment or derecognition of intangible assets in accordance with IFRS/IAS;
- gross amount of receivables from debtors - natural persons (except farmers and sole proprietors) on the basis of approved consumer loans, cash loans, or other loans in which the degree of credit indebtedness of that debtor before loan approval was higher than the percentage established in accordance with the decision regulating the classification of balance sheet assets and off-balance sheet items of the bank or that percentage will be higher due to loan approval, whereby this deductible item applies regardless of whether, after the loan was approved, the degree of credit indebtedness of the debtor became lower than that percentage; and
- gross amount of receivables from debtors - natural persons (except farmers and sole proprietors) on the basis of approved consumer loans, cash loans, or other loans, and which, based on the criteria of the agreed maturity, meet the condition for the application of the deductible item from the share capital prescribed by the decision regulating the adequacy of the bank's capital.

Supplementary capital of the Bank consists of instruments of supplementary capital and obligations under subordinated loans.

The amount in which supplementary capital instruments, *i.e.*, subordinated liabilities, are included in the calculation of the Bank's supplementary capital during the last five years before their maturity date is obtained by multiplying their nominal value or the principal on the first day of the last five-year period before the maturity date and the number of calendar days in that period multiplied by the number of remaining calendar days until the maturity of the instruments or subordinated obligations on the calculation date.

In the course of its operations, the Bank must ensure that the amount of Common Equity Tier 1 capital never falls below EUR 10 million in RSD counter value at the middle exchange rate.

ii. Capital allocation

The following table shows the Bank's capital position as at December 31:

In thousands of RSD (unaudited)	Note	31-Dec-25	31-Dec-24
CORE CAPITAL			
SHARE CAPITAL		5,346,547	4,738,862
Share capital instruments and the associated share issuing premium		1,864,938	1,864,938
Paid-up amount of share capital instruments	31	1,783,080	1,783,080
Share issuing premiums	31	81,858	81,858
(-) Losses from previous years		-	-
Revaluation reserves and other unrealized gains	31	222,188	163,987
Reserves from profit	31	3,439,781	2,904,639
(-) Other intangible assets less related deferred tax liabilities		(153,472)	(170,674)
(-) Other intangible assets before deduction of related deferred tax liabilities		(163,258)	(180,460)
Deferred tax liabilities for other intangible assets that would cease to exist in the event of impairment or derecognition of such intangible assets in accordance with IFRS/IAS		9,786	9,786
(-) Gross amount of receivables from debtors - natural persons (except farmers and sole proprietors) on the basis of approved consumer loans, cash loans, or other loans reported on accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and the content of accounts in the Chart of Accounts for banks, in which the degree of credit indebtedness of that debtor before loan approval was higher than the percentage established in accordance with the decision regulating the classification of balance sheet assets and off-balance sheet items of the bank or that percentage will be higher due to loan approval, whereby this deductible item applies regardless of whether, after the loan was approved, the degree of credit indebtedness of the debtor became lower than that percentage		(22,334)	(16,924)
(-) Gross amount of receivables from debtors - natural persons (except farmers and sole proprietors) on the basis of approved consumer loans, cash loans, or other loans, except loans shown under position 1.1.1.27 of this form, which are reported on accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and the content of accounts in the Chart of Accounts for banks, and which, based on the criteria of the agreed maturity, meet the condition for the application of the deductible item from the share capital prescribed by the decision regulating the adequacy of the bank's capital*		(4,554)	(7,104)
ADDITIONAL CORE CAPITAL		-	-
CORE CAPITAL		**5,346,547**	**4,738,862**
SUPPLEMENTARY CAPITAL			
Paid-up amount of subordinated liabilities	28	1,169,609	1,260,506
Note: Subordinated liabilities that no longer meet the requirements for inclusion in supplementary capital	28	120,493	26,658
TOTAL SUPPLEMENTARY CAPITAL		**1,169,609**	**1,260,506**
TOTAL CAPITAL		**6,516,156**	**5,999,368**

In thousands of RSD	Note	31-Dec-25	31-Dec-24
RISK ASSETS			
Risk-weighted exposure for credit risk, counterparty risk, impairment risk of purchased receivables and settlement/delivery risk		18,984,662	19,002,840
Risk assets based on operational risk exposure		6,502,319	5,572,548
TOTAL RISK ASSETS		25,486,981	24,575,388
Share capital adequacy ratio		20.98%	19.28%
Core capital adequacy ratio		20.98%	19.28%
Capital adequacy ratio		25.57%	24.41%
CAPITAL BUFFERS			
Requirement for a combined capital buffer		919,248	1,002,054
Capital buffer		637,174	614,384
Countercyclical capital bufer		880	2,796
Capital buffer for structural systemic risk		281,194	384,874

As at December 31, 2025, the Bank's Common Equity Tier 1 capital amounted to EUR 45,587 thousand (December 31, 2024: EUR 40,498 thousand), thereby fulfilling the requirement that the minimum amount be EUR 10 million.

The Bank estimated that the impact of the Ukrainian crisis and global political and economic uncertainty on capital adequacy in 2025 was not materially significant. The planned regulatory capital growth based on the allocation of profits from 2025 to the position of Reserves from profits will be implemented in accordance with the established deadlines.

As part of the internal assessment of capital adequacy, the Bank conducted tests of the impact of stressful circumstances on capital and capital adequacy, which could reflect the Bank's ability to withstand the effects of global economic and political uncertainity. For the purposes of credit risk stress testing, increasing in the level of non-performing loans by 100% and reducing the loan repayment arrears threshold for stage 2 from 30 to 15 days and for stage 3 from 90 to 45 days of arrears was considered. Increasing the exchange rate of the euro by 22.75%, as well as the effect of the inadequacy of mortgages on commercial and residential property, were also taken into account. The possible underestimation of the capital requirement for foreign exchange risk calculated on the basis of the standardized approach was assessed using the VaR model, while the shock and stress test for interest rate risk were based on 6 scenarios of changes in the yield curve (parallel shift of the yield curve by +/- 200 bp, additional 60 bp in conditions of stress, steepening, flattening, short-term rate shocks). Withdrawal of 10% deposits in dinars and euros, as well as reduced inflow due to the doubled stage of non-performing loans were assumptions for the stress testing of liquidity risk, and additional capital expenditure of obtaining the missing liquidity was estimated.

The Bank reviewed the possible underestimation of the internal capital requirement for operational risk calculated using the basic indicator approach (BIA) by comparing it with the requirement based on the Basel IV standardized approach and the losses that would arise in stressful circumstances.The Bank has separately conducted stress tests for legal risk within operational risk losses, as a result of the continued receipt of a new number of lawsuits against banks in connection with loan approval fees during 2024/2025. The worst possible scenario, assuming the most unfavorable - unexpected loss, uses the sum of potential losses under all initiated lawsuits, increased by the amount of new potential losses and reduced by the total amount of provisions for all lawsuits. The possible difference in the capital requirement between the new standardized approach according to the Basel IV regulation at the end of 2025 and the capital requirement for operational risk calculated using BIA in 2025 is addressed by the Bank to the increase in the capital requirement for operational risk.

The results of the internal assessment of capital adequacy showed that the assumed stressful circumstances would not endanger the Bank's capital and capital adequacy.

The Bank is in compliance with the regulatory requirements as at December 31, 2025 given in the following table:

Unaudited	Regulatory requirements	Realized unaudited ratios of the Bank	
		2025	**2024**
Regulatory capital (in millions of EUR)	min 10.00	55.10	51.27
Common Equity Tier 1 capital (in millions of EUR)	min 10.00	45.33	40.50
Share capital adequacy ratio	min 6.02%	20.98%	19.28%
Core capital adequacy ratio	min 8.03%	20.98%	19.28%
Capital adequacy ratio	min 10.71%	25.57%	24.41%
Leverage ratio	min 3%	15.18%	-
The sum of the Bank's investments	max 60%	11.09%	11.51%
Exposure to one or a group of related parties	max 25%	-	-
Sum of Bank’s large exposures	max 400%	-	-
Liquidity ratio	min 1.00	3.20	3.61
Narrow liquidity ratio	min 0.70	2.52	3.18
LCR	min 100%	786%	531%
NSFR	min 100%	144.46%	143.39%
Foreign exchange risk ratio	max 20%	1.06%	0.64%
Concentration risk ratio	max 30%	0.39%	0.84%

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Valuation models

The Bank measures fair values using a fair value hierarchy that reflects the significance of the factors used in the assessment:

- Stage 1: quoted market prices (unadjusted) of identical instruments in an active market.
- Stage 2: valuation techniques that are not quoted market prices of identical instruments, but are based on observable inputs, either directly (*e.g.*, as prices) or indirectly (*e.g.*, derived from prices). This category includes instruments valued using: quoted prices of similar instruments in active markets, quoted market prices of identical instruments or instruments with similar characteristics in markets considered less active, or other valuation techniques where all significant inputs are directly or indirectly observable in the market.
- Stage 3: valuation techniques using unobservable inputs. This category includes all instruments where valuation techniques include inputs that are not based on observable and available information and as such have a significant impact on the value of the instrument. This category includes instruments that are valued based on quoted market prices for instruments with similar characteristics, and where significant adjustments or assumptions are required for the difference between those instruments to be reflected in their value.

Valuation techniques include a model for discounting future cash flows compared to similar instruments for which there is a market price and the Nelson-Siegel-Svensson (NSS) model for projecting yield curves. Assumptions and data used in the valuation are collected by the Bank from active markets in the Republic of Serbia (interbank, OTC, bank offers, *etc*.).

The objective of valuation techniques is to determine the fair value that will best reflect the value of the financial instrument at the reporting date and that would be determined by participants in a market which is at arm’s length. Fair value is the price that would be received to sell the asset or the price that would be paid to transfer the liability in regular transactions between market participants on the valuation date.

The Bank uses valuation models that are widely used to determine the fair value of simple financial instruments, such as interbank market interest rates, interest rate swaps that are based on observable inputs and require little valuation. Observable prices or inputs to the models are commonly available from the primary and secondary securities markets of the interbank market and as interest rate swaps. The existence of these rates reduces the need for valuations and reduces the uncertainty associated with determining fair value.

For instruments for which there are no sufficiently wide and deep markets, the Bank uses valuation models based on market-observable inputs. Valuations are also used when determining future cash flows of the probability of default, collection or future prepayments and withdrawals.

Fair values obtained based on the model are adjusted for liquidity risk, the impact of reserve requirements and the expected yield of the average investor in the market to the extent applicable for the specific financial instrument being valued. Fair value also reflects the credit risk of the instrument and includes adjustments based on the Bank's credit risk if applicable for the specific financial instrument being valued.

Valuation of financial instruments

I. Cash, balances with the central bank, deposits and other liabilities to banks, other financial organizations, and the central bank

The fair value of cash, balances with the central bank, deposits and other liabilities to banks, other financial organizations and the central bank is equal to the carrying value of the mentioned financial assets, considering that these are highly liquid, short-term financial instruments.

II. Loans and receivables from clients and Loans and receivables from banks and other financial organizations

The fair value of loans and receivables from clients is calculated using expected and modeled cash flows, *i.e.* contractual cash flows adjusted for expected losses based on credit and other risks and adjusted for expected effects based on incorporated explicit and implicit options and discount rates. Since the cash flow already included adjustments for risks, for the purposes of determining the fair value, the Bank uses a discount rate that includes the time value of money, *i.e.* the risk-free rate, the liquidity premium, the reserve requirement cost and the average investor's required margin that reflects the given investment horizon.

To determine risk-free rates, the Bank starts from publicly available prices from the interbank market and the primary and secondary securities market for dinars, and projects missing maturities using the Nelsson-Siegel-Svensson model. To determine risk-free rates for euros, the Bank starts from publicly available zero-swap rates. The liquidity premium is determined using quotations on the active interbank market, while the average investor's required margin rate is determined based on the average ROE (return on equity) of the banking sector of Serbia determined based on the latest publicly available data of the National Bank of Serbia. Investors in Serbia are more interested in stability and return on equity than in other parameters.

III. Deposits and other liabilities to other clients

For financial obligations without an agreed maturity date, *i.e.*, payable on the specific date, the Bank considers that, since payment can be demanded at any time, the fair value is equal to the carrying value of the given liability.

The fair value of deposits and other liabilities to other clients is calculated using expected and modeled cash flows, *i.e.*, contractual cash flows adjusted for expected effects based on incorporated explicit and implicit options and discount rates. When measuring the fair value of liabilities, it is assumed that the given liability is transferred to the market participant on the measurement date, in the nominal amount of the liability increased by the contracted interest, which will be paid on the liability due date.

The Bank determines the rates for discounting to the present value by starting from the rates for similar deposits offered by banks in the market of the Republic of Serbia available on their websites, weighted by the deposit potential of a particular bank on the market, determined on the basis of the latest available data of the National Bank of Serbia on the balance sheets of banks. For maturities for which there is not enough valid data from the market, an approximation is made using the NSS model.

IV. Subordinated liabilities

Subordinated liabilities are measured at amortized cost. The fair value of subordinated liabilities is calculated using the contracted cash flows. The yield curve required for discounting to the present value is calculated by calculating the bank's idiosyncratic risk as the difference between the last valid offer for a subordinated loan in euros received by the Bank from a banking institution based in the European Union with a rating of AAA and the value of the zero-swap curve for the corresponding maturity. This risk premium is added to all values of the zero-swap curve.

Due to the fact that this curve contains the assessment of the Bank's credit risk by a banking institution based in the European Union and with a rating of AAA, it is considered that it best reflects the Bank's risk profile.

B. Process organization

The processes and methodologies for calculating the fair value of financial assets and liabilities are the responsibility of the Portfolio Management and Risk Control Department. First, it is determined whether a specific financial instrument is subject to fair value measurement and the appropriate approach and techniques for measurement at fair value are selected. This is followed by defining measurement inputs, performing calculations and disclosing fair value measurement information.

In the process of determining the classification of a financial instrument to levels 1-3 of the fair value hierarchy, the Bank considers whether there are quoted prices for an identical instrument that is actively traded. If they exist and do not need to be corrected, the Bank classifies the instrument as Level 1. If there are quoted prices, but they need to be corrected, significant unobservable inputs are not applied, and the instrument is classified as Level 2. In the event that a significant unobservable input is used in the measurement, the financial asset and liability are treated as Level 3 in the value hierarchy.

C. Financial instruments measured at fair value - fair value hierarchy

As of December 31, 2025, the bank had securities on the balance sheet valued at fair value, Government securities of the Republic of Serbia measured at fair value through other comprehensive income (FVOCI).

In thousands of RSD	Level 1	Level 2	Level 3	Total fair value
2025				
Securities	481,039	482,403	-	963,442
Total	**481,039**	**482,403**	**-**	**963,442**

In thousands of RSD	Level 1	Level 2	Level 3	Total fair value
2024				
Securities	474,572	-	-	474,572
Total	**474,572**	**-**	**-**	**474,572**

D. Financial assets and liabilities not carried at fair value

The following table shows the fair value of financial instruments not carried at fair value and their analysis according to the fair value hierarchy in which each fair value is categorized:

In thousands of RSD	Level 1	Level 2	Level 3	Total fair value	Carrying value
2024					
Cash and balances with the Central Bank	-	5,213,518	-	5,213,518	5,213,518
Loans and receivables from banks and other financial organizations	-	-	811,604	811,604	806,494
Loans and receivables from clients	-	-	29,946,945	29,946,945	27,426,273
Total	-	**5,213,518**	**30,758,549**	**35,972,067**	**33,446,285**
Deposits and other liabilities to banks, other financial organizations and Central Bank	-	-	4,575,620	4,575,620	4,732,693
Deposits and other liabilities to other clients	-	-	20,456,220	20,456,220	21,882,573
Subordinated liabilities	-	-	1,399,075	1,399,075	1,297,745
Total	-	**-**	**26,430,914**	**26,430,914**	**27,913,011**

In thousands of RSD	Level 1	Level 2	Level 3	Total fair value	Carrying value
2024					
Cash and balances with the Central Bank	-	6,040,509	-	6,040,509	6,040,509
Loans and receivables from banks and other financial organizations	-	321,668	-	321,668	315,484
Loans and receivables from clients	-	-	29,617,984	29,617,984	26,041,826
Total	-	**6,362,177**	**29,617,984**	**35,980,161**	**32,397,819**
Deposits and other liabilities to banks. other financial organizations and Central Bank	-	5,200,195	-	5,200,195	5,554,489
Deposits and other liabilities to other clients	-	-	18,668,423	18,668,423	20,569,668
Subordinated liabilities	-	-	1,236,645	1,236,645	1,295,903
Total	-	**5,200,195**	**19,905,068**	**25,105,263**	**27,420,060**

7. FUNCTIONAL SEGMENTS OF THE BANK

Reporting in accordance with IFRS 8 Operating Segments does not apply to the Bank,

8. NET INTEREST INCOME

Net interest income includes:

In thousands of RSD	2025	2024
Interest income		
Cash and balances with the Central Bank	115,944	160,948
Loans and receivables from banks and other financial organizations	36,647	30,571
Securities	32,927	24,086
Loans and receivables from clients	5,170,607	4,994,160
Total interest income	**5,356,125**	**5,209,765**
Interest expenses		
Deposits of financial organizations	(252,336)	(361,622)
Client deposits	(968,324)	(923,420)
Lease	(9,044)	(9,328)
Provisions for severance pay	(6)	(3)
Total interest expenses	**(1,229,710)**	**(1,294,373)**
Net interest income	**4,126,415**	**3,915,392**

The amounts stated above represent exclusively interest income and expenses calculated using the effective interest rate method.

9. NET FEE AND COMMISSION INCOME

The following table shows the distribution of income from fees arising from contracts with clients based on the most important types of services provided by the Bank, Net fee and commission income consists of:

In thousands of RSD	2025	2024
Fee and commission income		
Fees for payment services	12,673	14,436
Early deposit termination fee	1,587	1,588
Foreign currency operations	651	620
Other banking services	1,142	1,428
Total fee and commission income under contracts with clients	**16,053**	**18,072**
Loan fees	27,405	33,448
Total fee and commission income	**43,458**	**51,520**
Fee and commission expenses		
Fees for payment services	(4,953)	(3,952)
Loan fees	(17,005)	(15,670)
Foreign Currency activities	(9,433)	(2,558)
Securities	(35)	(12)
Other banking services	(34,319)	(35,035)
Total fee and commission expenses	**(65,745)**	**(57,227)**
Net fee and commission income/expenses	**(22,287)**	**(5,707)**

Within the scope of other banking services, the Bank realized expenses based on contracts with PIO on the basis of loans to pensioners in the amount of RSD 28,768 thousand (2024: RSD 26,255 thousand), expenses based on fees on received guarantees in the amount of RSD 3,657 thousand (2024: RSD 7,672 thousand), expenses based on exchange operations in the amount of RSD 907 thousand (2024: 670 RSD thousand) and other expenses in the amount of RSD 987 thousand (2024: 438 RSD thousand).

The loan fee in the amount of RSD 27,405 thousand (2024: RSD 33,448 thousand) refers to the fee for credit bureau services in the amount of RSD 16,202 thousand (2024: RSD 26,740 thousand), the fee for early repayment of loans in the amount of RSD 4,402 thousand (2024: RSD 4,402 thousand), the fee based on client reminders in the amount of RSD 4,687 thousand (2024: 1,965 RSD thousand), and a loan rescheduling fee in the amount of 182 RSD thousand (2024: 342 RSD thousand).

The following table shows information about the nature and timing of obligations in contracts with clients, as well as revenue recognition policies depending on the time/period of service provision.

Product/service	Type of income	Time of recognition
Payment operation services	Account maintenance Commissions for cash transactions and non-cash transfer of funds (CLEARING orders, RTGS, Instant payments), sending SMS notifications on account inflow	Monthly after the end of the month After execution
Deposit administration	Fee for early deposit withdrawal	After execution
Other banking services	Commission sale of bills of exchange, registration of bills of exchange and bill of exchange authorizations	After execution

The Bank earns income from fees and commissions from the various financial services it provides to its clients. Fee and commission income is recognized in the amount that represents the fee to which the Bank is entitled in exchange for the provision of services. The moment of recognition is determined by nature of the service indicated in a contract. When the Bank provides a service to clients, the fee is invoiced and is usually due immediately upon completion of the service provided at a certain time or at the end of the period for the service provided during the period.

Fee and commission income for services recognized over a period of time

Performance obligations that are settled over time include maintenance of current accounts and other services. Income is recognized evenly over the period, based on elapsed time.

Fee and commission income for services recognized at a specific time

Performance obligations realized over time are recognized when control over the services is transferred to the client. This typically occurs upon completion of the underlying transaction or, for performance-related components of the fees, upon meeting the appropriate performance criteria. This includes fees for cash transactions and non-cash fund transfer services, sending SMS notifications on account inflow. The Bank has a unique performance obligation in connection with these services, which is to successfully complete the transaction provided for in the contract.

The Bank did not disclose information on the allocation of the transaction price to the remaining performance obligations in the contracts. This is because contracted periods are usually less than one year.

10. NET GAIN/LOSS ON CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The net gain/loss from changes in the fair value of the currency swap is calculated based on the discounting of estimated future cash flows and presented through the income statement (FVTPL).

In thousands of RSD	2025	2024
Net gain/loss from changes in the fair value of the currency swap	-	(1,932)
Total	**-**	**(1,932)**

11. NET INCOME FROM FX DIFFERENCES AND CONTRACTED CURRENCY CLAUSE EFFECTS

Net income from exchange rate differences and contracted currency clause effects includes:

In thousands of RSD	2025	2024
FX gains	**83,710**	**58,949**
Cash and balances with the Central Bank	3,978	1,404
Loans and receivables from banks and other financial organizations	12,403	2,605
Loans and receivables from clients	43,639	17,601
Securities	1,770	478
Other assets	539	212
Deposits and other financial liabilities to banks, other financial institutions and the Central Bank	5,336	9,394
Deposits and other financial liabilities to other clients	12,953	21,664
Subordinated liabilities	1,769	3,300
Derivative liabilities	1,088	1,654
Other liabilities	235	637
FX losses	**(92,191)**	**(56,904)**
Cash and balances with the Central Bank	(1,704)	(2,628)
Loans and receivables from banks and other financial organizations	(9,241)	(3,271)
Loans and receivables from clients	(17,599)	(32,564)
Securities	(657)	(1,158)
Other assets	(394)	(346)
Deposits and other financial liabilities to banks, other financial institutions and the Central Bank	(14,922)	(4,529)
Deposits and other financial liabilities to other clients	(33,789)	(10,505)
Subordinated liabilities	(4,707)	(1,503)
Derivative liabilities	(8,515)	(135)
Other liabilities	(663)	(265)
Total	**(8,481)**	**2,045**

12. OTHER OPERATING INCOME

In thousands of RSD	2025	2024
Donations	429	
Income from property lease	-	65
Gains from the sale of assets acquired through collection of receivables	101	-
Total	**530**	**65**

13. NET EXPENSES FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

In thousands of RSD	2025	2024
Expenses from impairment of loans and receivables from banks and other financial organizations	(90,233)	(34,133)
Expenses from impairment of loans and receivables from clients	(1,624,851)	(1,716,948)
Expenses from impairment of other assets	(50,254)	(17,825)
Expenses from impairment of off-balance sheet items	(7)	(25)
Income from cancellation of impairment based on loans and receivables from banks and other financial organizations	16,896	9,282
Income from cancellation of impairment based on loans and receivables from clients	1,288,161	1,216,893
Income from cancellation of impairment based on other assets	38,789	6,332
Income from cancellation of impairment based on off-balance sheet items	10	98
Loss from modification of financial assets	(2,340)	(438)
Gain from modification of financial assets	1,906	1,544
Write-offs	(8,496)	(13,267)
Income from collection from write-offs	129,934	101,465
Total	**(300,485)**	**(447,022)**

Changes in the accounts of balance sheet position value adjustments and provisions in 2025 and 2024 are shown in the following table:

In thousands of RSD	2025	2024
Opening balance - January 01	**786,200**	**695,916**
Increase in provisions during the year	1,765,345	1,768,931
Cancellation of provisions during the year	(1,343,856)	(1,232,605)
Write-offs	(193,301)	(461,336)
Income from interest on impaired loans	19,840	15,713
Exchange rate effect	(971)	(419)
Balance as at December 31	**1,033,257**	**786,200**

The decrease in net expenses related to the impairment of financial assets that are not valued at fair value through the income statement during 2025 and 2024, as described in note 5 v III, is the result of the net effect of methodological changes:

- introduction of a new internal rating model;
- changes in client segmentation (clients maintaining double-entry bookkeeping DEB and those paying lump-sum taxes SEB have been merged into a single segment);
- inclusion in the calculation of LGD parameters of loan recoveries after the write-off date and
- the distribution of scenario weights for the macro model has been adjusted in line with the macroeconomic situation (10:60:30).

The net effect of implementing the new model and methodological improvements for calculation of LGD parameters, recognized on the income statement at the moment of initial application, amounts to 818 thousand dinars.

14. COSTS OF SALARIES. FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

In thousands of RSD	2025	2024
Salaries and fringe benefits	822,029	828,675
Taxes and contributions on salaries	310,501	314,924
Other personal expenses	20,618	41,998
Contributions on salaries charged to employer	161,062	164,033
Total	**1,314,210**	**1,349,630**

15. OTHER INCOME

In thousands of RSD	2025	2024
Income from abolishing of provisions and liabilities	2,156	47,919
Collected compensation for insurance damage	3	6
Collected court costs	11,834	4,001
Income from previous years	4,021	21,533
Participation in the positive technical result of the insurance company	4	-
Other income	6,504	7,954
Total	**24,522**	**81,413**

Revenues from the cancellation of provisions for litigation in the amount of RSD 1,965 thousand, incurred at the end of first quarter, because the provisions as at March 31, 2025 for the said amount were higher than the amount required by the provisioning methodology to cover expected losses .

Revenues from the reduction of other liabilities in the amount of RSD 191 thousand, related to the cancellation of leasing obligations, increased in 2025 because there were significantly fewer closures of the Bank's branches and the termination of lease agreements on other grounds (2024: RSD 47,576).

16. OTHER EXPENSES

In thousands of RSD	2025	2024
Lease costs	11,559	10,734
Short-term lease costs	13	-
Passenger vehicle lease costs	4,000	2,720
Other lease costs - tax costs	7,546	8,014
Maintenance and security of premises	49,580	52,982
Marketing and representation costs	20,608	19,147
Costs of professional services	211,211	196,788
Costs of services - management fees	1,096	826
Procurement of office equipment	8,135	11,006
Telephone costs	34,773	32,403
Other taxes and contributions	111,060	122,493
Insurance costs	362,418	335,586
Fuel costs	88,946	112,939
Employee training costs	5,809	6,200
Other provisions (Note 28)	51,201	73,052
Court fees	26,157	23,805
Loan collection costs	69,365	64,778
Litigation costs	-	28,598
Depreciation and write-off of fixed assets	592	50,915
Other	38,535	65,427
Total	**1,091,045**	**1,207,679**

Expenditures and write-offs of fixed assets decreased in 2025 because there were significantly fewer closures of the Bank's branches:

- property with the right of use in the amount of RSD 0 thousand (2024: RSD 49,127 thousand);
- investments in third-party fixed assets in the amount of RSD 361 thousand (2024: RSD 1,590 thousand);
- other fixed assets in the amount of RSD 0 thousand (2024: RSD 52 thousand);
- expenditure of fixed assets according to the census RSD 231 thousand (2024: RSD 146 thousand).

17. INCOME TAX

A. Current income tax

The main components of income tax are:

In thousands of RSD	**2025**	**2024**
Current tax expense	(198,404)	(131,777)
Deferred tax (expense) / income	1,832	6,281
Total	**(196,572)**	**(125,496)**

B. Tax balance sheet and effective tax rate

In order to determine the legal obligation for income tax for the period from January 01 to December 31, 2025, the Bank harmonized the expenses and income shown in the income statement, in accordance with the legal provisions. Accordingly, the tax base was increased reduced by RSD 64,221 thousand (2024: it was reduced by RSD 39,496 thousand).

The components of alignment are:

In thousands of RSD	**2025**	**2024**
Profit for the year	**1,258,473**	**839,019**
Capital losses	-	3,728
Adjustment of expenses		
Expenses that are not recognized for tax purposes	6,425	10,479
Expenses that are recognized in the following period	(1,146)	(1,082)
Depreciation difference calculated for tax purposes and in financial statements	16,453	9,617
Provisions for receivables not previously included in revenues and write-offs not supported with prescribed evidence	9,400	14,295
Long term reservations	59,086	40,086
Adjustments of revenues		
Revenue from collected bad debt	(5,015)	(14,618)
Financial income from securities	(19,864)	(24,086)
Income from unused long term provisions	(1,965)	(343)
Adjustment of interest income and expense based on the "arm's length" rule		
Total adjustments of transactions with related parties	847	1,419
Taxable profit	**1,322,694**	**878,515**
Increase/decrease in accounting profit	64,221	39,496

In thousands of RSD	Effective tax rate	2025	Effective tax rate	2024
Profit before tax		**1,258,473**		**839,019**
Income tax at 15% rate	**15.0%**	**188,771**	**15.0%**	**125,853**
Tax effect of:				
Non-deductible expenses	0.2%	2,501	0.5%	3,929
Temporary differences - depreciation	0.2%	2,468	0.2%	1,442
Recognition of previously unrecognized ceductible temporary differences	0.7%	8,691	0.8%	6,410
Tax effects of income not recognized in the tax balance sheet	(0.3%)	(4,027)	(0.7%)	(5,857)
Income tax reported in the income statement	**15,77%**	**198,404**	**15,74%**	**131,777**

* *The Bank's expectation is presented, given that June 29, 2026 is the deadline for submitting the tax balance sheet for 2025.*

In 2025, the Bank had no tax credit based on investments in fixed assets.

Below is a presentation of the creation of deferred tax assets and liabilities and the result of their offsetting:

	2025			2024		
In thousands of RSD	Liabilities	Assets	Net assets	Liabilities	Assets	Net assets
Temporary differences	(9,278)	15,035	5,757	(9,278)	13,203	3,925
Net deferred tax asset/(liability)	**(9,278)**	**15,035**	**5,757**	**(9,278)**	**13,203**	**3,925**

Temporary differences on the basis of which a tax asset was recognized in the amount of RSD 15,035 thousand as at December 31, 2025 (December 31, 2024: RSD 13,203 thousand) refer to:

- provisions based on IAS 19 in the amount of RSD 1,302 thousand (2024: RSD 807 thousand);
- expenses for public revenues and employee benefits from Article 9, paragraph 2 of the Law on Corporate Income Tax that were not paid in the tax period in the amount of RSD 1,141 thousand (2024: RSD 1,314 thousand);
- for provisions for litigation and operational risk events RSD 16,836 thousand (2024: RSD 8,958 thousand);
- for depreciation of non-current assets in the amount of RSD 4,655 thousand (2024: RSD 2,124 thousand);
- netting of the deferred tax liability based on the change in revaluation reserves in the amount of 8,899 thousand dinars, with a larger deferred tax asset and
- The temporary difference on the basis of which the deferred tax liability was recognized in the amount of RSD 9,278 thousand (2024: RSD 9,278 thousand) refers to revaluation reserves of property, plant and equipment.

C. Changes in deferred tax assets and liabilities

In thousands of RSD	2025	2024
Balance as at January 01	**3,925**	**(2,512)**
Resulting temporary differences	1,832	6,438
Balance as at December 31	**5,757**	**3,925**

18. FINANCIAL ASSETS AND LIABILITIES

A. Classification of financial assets and liabilities

The following table contains an overview of existing positions in financial statements and categories of financial instruments:

In thousands of RSD	Note	Mandatory at FVTPL	Classified at FVOCI	At amortized cost	Carrying value
As at December 31, 2025					
Cash and balances with the Central Bank	19	-	-	5,213,518	5,213,518
Securities	20	-	963,442	-	963,442
Loans and receivables from banks and other financial organizations	21	-	-	806,494	806,494
Loans and receivables from clients	22	-	-	27,426,273	27,426,273
Other financial assets	25	-	-	32,522	32,522
Total financial assets		**-**	**963,442**	**33,478,807**	**34,442,249**
Deposits and other liabilities to banks, other financial organizations and Central Bank	27	-	-	4,732,693	4,732,693
Deposits and other liabilities to other clients	28	-	-	21,882,573	21,882,573
Subordinated liabilities	29	-	-	1,297,745	1,297,745
Other financial liabilities	31			360,634	360,634
Total financial liabilities		**-**	**-**	**28,273,645**	**28,273,645**

The Bank has classified financial instruments into classes appropriate to the nature and characteristics of those instruments.

In thousands of RSD	Note	Mandatory at FVTPL	Classified at FVOCI	At amortized cost	Carrying value
As at December 31, 2024					
Cash and balances with the Central Bank	19	-	-	6,040,509	6,040,509
Securities	20	-	474,572	-	474,572
Loans and receivables from banks and other financial organizations	21	-	-	315,484	315,484
Loans and receivables from clients	22	-	-	26,041,826	26,041,826
Other financial assets	25	-	-	87,377	87,377
Total financial assets		**-**	**474,572**	**32,485,196**	**32,959,768**
Derivative liabilities	27	1,932	-	-	1,932
Deposits and other liabilities to banks, other financial organizations and Central Bank	28	-	-	5,554,489	5,554,489
Deposits and other liabilities to other clients	29	-	-	20,569,668	20,569,668
Subordinated liabilities	30	-	-	1,295,903	1,295,903
Other financial liabilities	32			662,590	662,590
Total financial liabilities		**1,932**	**-**	**28,082,650**	**28,084,582**

19. CASH AND BALANCES WITH THE CENTRAL BANK

Cash and balances with the Central Bank (details are provided in Note 42, H):

In thousands of RSD	2025	2024
Cash	205,807	180,256
Giro account	1,681,589	645,935
Deposits of surplus liquid funds	1,000,000	3,700,000
Required reserves in foreign currency with the NBS	2,326,122	1,514,318
Balance as at December 31	**5,213,518**	**6,040,509**

Overview of the differences between cash in the Cash Flow Statement and the position of Cash and balances with the Central Bank in the balance sheet as at December 31, 2024:

In thousands of RSD	Balance sheet	Cash flows	Difference
Cash	205,807	205,807	-
Giro account	1,681,589	1,681,589	-
Deposits of surplus liquid funds (a)	1,000,000	-	1,000,000
Required reserves in foreign currency with the NBS (b)	2,326,122	-	2,326,122
Current account with other banks	-	71,225	(71,225)
Total	**5,213,518**	**1,958,621**	**3,254,897**

Cash flows do not include movements between items that make up cash or cash equivalents because these components are part of the entity's cash management and not part of its business investing and financing activities, Cash management involves investing excess cash in cash equivalents.

20. SECURITIES

As of December 31, 2025, the Bank holds Long-Term Government Bonds of the Republic of Serbia issued on the international market with a coupon interest rate of 3.125% (level 1), as well as Long-Term Government Bonds of the Republic of Serbia issued on the domestic market with a coupon interest rate of 7.000% (level 2).

In thousands of RSD	2025	2024
Securities that are measured at fair value through other income in local currency	482,403	-
Securities that are measured at fair value through other income in foreign currency	481,039	474,572
Balance as at December 31	**963,442**	**474,572**

21. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

Loans and receivables from banks and other financial organizations include (Note 42 J):

In thousands of RSD	2025	2024
FX accounts		
Domestic banks	748	53,542
Foreign banks	70,478	145,834
Value adjustment	(135)	(377)
Guarantee deposits with domestic banks	1,642	1,638
Value adjustment	(3)	(3)
Other deposits with banks (Note 19)	703,692	-
Value adjustment	(111)	-
Loans given to financial sector	30,183	114,850
Gross loan amount	137,252	146,119
Value adjustment	(107,069)	(31,269)
Balance as at December 31	**806,494**	**315,484**

22. LOANS AND RECEIVABLES FROM CLIENTS

Loans to clients represent approved loans to natural persons, sole proprietors, micro, small and medium sized enterprises and farmers, which are measured at amortized cost.

	2025			2024		
In thousands of RSD	Gross amount	Value adjustment	Carrying value	Gross amount	Value adjustment	Carrying value
Micro, small and medium enterprises	1,591,500	(80,216)	1,511,284	1,285,500	(47,600)	1,237,900
Sole proprietors	9,917,359	(366,268)	9,551,091	8,647,055	(243,190)	8,403,865
Retail	6,461,364	(194,756)	6,266,608	7,721,757	(199,732)	7,522,025
Agricultural holdings	10,332,706	(235,416)	10,097,290	9,102,485	(224,449)	8,878,036
Balance as at December 31	**28,302,929**	**(876,656)**	**27,426,273**	**26,756,797**	**(714,971)**	**26,041,826**

Loans to natural persons are granted in RSD up to 1,2 million, with a maturity of 12 to 71 months and an annual interest rate of 10.50% to 14.70%.

Loans to sole proprietors, micro, small and medium sized enterprises are granted mostly in RSD with a currency clause in the amount of up to EUR 50,000 with a maturity of 12 to 84 months with an annual interest rate ranging from 12.95% to 18.95%. Loans approved in RSD, up to RSD 5,8 million, have a maturity of 12 to 84 months and an annual interest rate of 13.95% to 26.95% (12.95% for VIP Gold clients).

Agricultural loans approved in RSD with a currency clause of up to EUR 50,000 have a maturity of 12 to 84 months and an annual interest rate of 12.95% to 17.95%. Agricultural loans approved up to the amount of RSD 5,8 million have a maturity of 12 to 84 months and an annual interest rate of 14.95% (12.95% VIP Gold) to 28.95%.

The Bank has no loans and receivables that are measured at fair value.

23. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include:

In thousands of RSD	2025	2024
Land and buildings	348,724	297,218
IT equipment	150,576	155,242
Investments in third-party fixed assets and other equipment	36,429	50,076
Equipment under construction	22,512	8,714
Right-of-use assets	164,694	179,133
Balance as at December 31	**722,935**	**690,383**

The structure of fixed assets under construction in the total amount of RSD 22,512 thousand consists of: purchased computer equipment in the amount of RSD 10,617 thousand, purchased equipment for the new branch in Belgrade in the amount of RSD 3,853 thousand, and completed construction and craft work in the office space of the new branch in the amount of RSD 8,042 thousand. The activation of the mentioned fixed assets will take place during 2026, starting from February 1, when the new Voždovac branch is planned to open. According to management's assessment, there was no potential impairment of fixed assets under construction as at December 31, 2025.

Movements in property, plant and equipment during 2025 and 2024:

In thousands of RSD	Land and buildings	IT equipment	Investments in third-party fixed assets and other equipment	Fixed assets under construction	Right-of-use assets	Total
REVALUED / PURCHASE VALUE						
Balance as at January 01, 2025	**312,862**	**336,382**	**156,083**	**8,714**	**271,244**	**1,085,285**
Procurement	-	-	-	54,529	32,324	86,853
Activation	-	40,274	457	(40,731)	-	-
Write-off	-	(20,640)	(1,903)	-	(7,578)	(30,121)
Revaluation (gain)	35,862					35,862
Balance as at December 31, 2025	**348,724**	**356,016**	**154,637**	**22,512**	**295,990**	**1,177,879**
VALUE ADJUSTMENT						
Balance as at January 01, 2025	**15,644**	**181,140**	**106,007**	**-**	**92,111**	**394,902**
Depreciation for period	-	44,934	13,428	-	41,140	99,502
Write-off	(15,644)	(20,634)	(1,227)	-	(1,955)	(39,460)
Balance as at December 31, 2025	**-**	**205,440**	**118,208**	**-**	**131,296**	**454,944**
PRESENT VALUE						
As at January 31, 2025	**348,724**	**150,576**	**36,429**	**22,512**	**164,694**	**722,935**

In thousands of RSD	Land and buildings	IT equipment	Investments in third-party fixed assets and other equipment	Fixed assets under construction	Right-of-use assets	Total
REVALUED / PURCHASE VALUE						
Balance as at January 01, 2024	**326,412**	**259,004**	**158,131**	**55,048**	**320,636**	**1,119,231**
Procurement		3,505	1,186	50,373	986	56,050
Activation	-	84,051	7,965	(96,707)	47,872	43,181
Write-off	(13,550)	(10,178)	(11,199)	-	(82,296)	(117,223)
Net effect of the new leasing module	-	-	-	-	(15,954)	(15,954)
Revaluation (gain)	-					
Balance as at December 31, 2024	**312,862**	**336,382**	**156,083**	**8,714**	**271,244**	**1,085,285**
VALUE ADJUSTMENT						
Balance as at January 01, 2024	**8,161**	**157,237**	**98,577**	**-**	**98,654**	**362,629**
Depreciation for period	7,935	34,030	15,806	-	27,582	85,353
Write-off	(452)	(10,127)	(8,376)	-	(34,125)	(53,080)
Balance as at December 31, 2024	**15,644**	**181,140**	**106,007**	**-**	**92,111**	**394,902**
PRESENT VALUE						
As at January 31, 2024	**297,218**	**155,242**	**50,076**	**8,714**	**179,133**	**690,383**

If the Bank did not apply the method of revaluation of property shown in the table above as land and buildings, their present value as at December 31, 2025 would amount to RSD 129,825 thousand (2024: RSD 135,386 thousand).

Management has determined that the office building constitute a separate category of property, plant and equipment based on the nature, characteristics and risks of the property.

Three methods were used to determine the fair value of assets: cost replacement method, direct comparison of market values and income method. The adopted fair value was obtained using the comparative method. Appraisals were made by an authorized appraiser, and were based on databases of transaction prices for properties of similar nature, location and condition. On the revaluation date, December 31, 2025. the fair value of property was based on appraisals made by AT Projekt, an accredited independent appraiser with experience in appraising similar commercial property in the country. The real estate market value assessment report was issued on February 5, 2026.
Valuation Highlights:

Price range per square meter EUR 1,745.97 - EUR 2,873.70.

Basic assumptions:

- Facility built in compliance with all applicable laws, regulations and standards, including environmental, planning, construction and health and safety regulations;
- There is no pollution of the terrain and no risk of pollution;
- There are no landfills nearby;
- There is no risk of flooding / the risk of seismic activity is not greater compared to the area of the city of Belgrade;
- No harmful materials were used during construction (eg unbound asbestos, formaldehyde and radon);
- There are no other health and safety hazards (eg faulty electrical installations, release of toxic gases from gas cookers or heaters);
- There is no environmental risk.

In relation to the fair value hierarchy, property is classified as Level 2.

The net gain based on the revaluation of construction objects, in the amount of RSD 59,329 thousand, is shown in the Report on other results.The revaluation reserve is not distributed to shareholders.

The Bank leases office space for branches and offices. The average lease term is 8 years. The maturity analysis of lease liabilities is presented in Note 31.

In thousands of RSD	2025	2024
Interest based on lease liabilities (Note 9)	(9,044)	(9,328)
Short-term lease costs (excluded from IFRS 16, Note 16)	(13)	-
Tax costs - IFRS 16 (Note 16)	(7,546)	(8,014)
Passenger vehicle leasing costs (Note 16)	(4,000)	(2,720)
Net effects (income/expenses) based on variable payments and disposal of right-of-use assets	(401)	(3,338)

Amount recognized in cash flows

In thousands of RSD	2025	2024
Total cash outflows from lease IFRS 16	(3,360)	(30,628)

24. INTANGIBLE ASSETS

Intangible assets include (Note 42,L):

In thousands of RSD	2025	2024
Licenses	17,599	12,143
Software	135,920	168,317
Intangible assets under construction	9,739	-
Balance as at December 31	**163,258**	**180,460**

The structure of intangible assets under preparation in the total amount of RSD 9,739 thousand consists of: finishing the Android application for advisors for clients in the amount of RSD 3,823 thousand, which is planned to be put into use in March 2026 and 70% of the fee for the delivery of the IRRBB tool in the amount of RSD 5,917 thousand, which is planned to be put into use in April 2026.

In thousands of RSD	Licenses	Software	Intangible assets under construction	Total
REVALUED/PURCHASE VALUE				
Balance as at January 01, 2025	**79,896**	**452,777**	**-**	**532,673**
Procurement	1,147	11,704	31,916	44,767
Activation	9,327	-	(22,177)	(12,850)
Balance as at December 31, 2025	**90,370**	**464,481**	**9,739**	**564,590**
VALUE ADJUSTMENT				
Balance as at January 01, 2025	**67,753**	**284,460**	**-**	**352,213**
Depreciation for period	5,018	44,101	-	49,119
Balance as at December 31, 2025	**72,771**	**328,561**	**-**	**401,332**
PRESENT VALUE as at December 31, 2025	**17,599**	**135,920**	**9,739**	**163,258**

In thousands of RSD	Licenses	Software	Intangible assets under construction	Total
REVALUED/PURCHASE VALUE				
Balance as at January 01, 2024	**76,226**	**435,702**	**3,670**	**515,598**
Procurement	-	-	17,075	17,075
Activation	3,670	17,075	(20,745)	-
Balance as at December 31, 2024	**79,896**	**452,777**	**-**	**532,673**
VALUE ADJUSTMENT				
Balance as at January 01, 2024	**63,301**	**241,547**	**-**	**304,848**
Depreciation for period	4,452	42,913	-	47,365
Balance as at December 31, 2024	**67,753**	**284,460**	**-**	**352,213**
PRESENT VALUE as at December 31, 2024	**12,143**	**168,317**	**-**	**180,460**

There were no indications of impairment of intangible assets with a limited useful life as at December 31, 2025 in accordance with IAS 36 - Impairment of Assets.

25. OTHER ASSETS

Other assets refer to:

In thousands of RSD	**2025**	**2024**
Receivables from employees based on operational risk events	43,504	19,576
Other accruals	58,369	65,132
Assets acquired through the collection of receivables	995	995
Prepaid costs	14,821	17,048
Receivables from business operations	8,588	15,023
Receivables from payment operations	2,098	3,163
Other assets	3,392	6,016
Value adjustment	(48,921)	(39,576)
Balance as at December 31	**82,846**	**87,377**

Assets acquired through the collection of receivables based on loans in the amount of RSD 995 thousand (2024: RSD 995 thousand) are property in the form of buildings and land that were deposited as collateral for the Bank's receivables from clients based on loans given, The Bank is registered as the owner of all properties that it acquired through the collection of receivables.

Value adjustments mainly refer to value adjustments of receivables from previous years (calculated in accordance with IFRS 9).

26. DERIVATIVE LIABILITIES

As of December 31, 2025, there were no outstanding swap transactions. During 2025, the Bank executed bilateral swap sales with the National Bank of Serbia (NBS) in a total amount of EUR 12,000 thousand, thereby further strengthening its dinars liquidity.

In thousands of RSD	**2025**	**2024**
Derivative liabilities	-	1,932
Balance as at December 31	**-**	**1,932**

27. DEPOSITS AND OTHER FINANCIAL LIABILITIES TO BANKS, OTHER FINANCIAL ORGANIZATIONS AND THE CENTRAL BANK

The structure of deposits and other financial liabilities to banks, other financial organizations and the central bank is as follows:

In thousands of RSD	**2025**	**2024**
Short-term deposits	198,646	123,830
Long-term deposits	1,011,621	925,135
Loans received	3,454,127	4,420,503
Deferred interest payments	91,628	116,759
Accrued fee based on received loans	(23,329)	(31,738)
Balance as at December 31	**4,732,693**	**5,554,489**

Structure of loans received:

In thousands of RSD	**2025**	**2024**
GLS ALTERNATIVE INVESTMENTS	351,846	936,119
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	516,492	1,194,235
EUROPEAN FUND FOR SOUTHEAST EUROPE S.A., SICAV-SIF	670,183	1,002,985
EUROPEAN INVESTMENT FUND	195,470	585,075
COUNCIL OF EUROPE DEVELOPMENT BANK	703,692	702,089
PROPARCO, GROUPE AGENCE FRANCQAISE DE DEVELOPPEMENT	781,880	-
BANCA POPOLARE ETICA S.C.P.A.	234,564	-
Balance as at December 31	**3,454,127**	**4,420,503**

28. DEPOSITS AND OTHER FINANCIAL LIABILITIES TO OTHER CLIENTS

The structure of deposits and other financial liabilities to other clients given in Note 42,N is the following:

In thousands of RSD	**2025**	**2024**
Transaction deposits		
Corporate	86,907	107,375
Retail	671,588	445,369
Short-term deposits		
Demand deposits		
Corporate	428,866	271,895
Retail	2,957,194	2,888,820
Other short-term deposits		
Corporate	1,578,321	1,378,632
Retail	6,902,642	4,771,930
Total transaction and short-term deposits	**12,625,518**	**9,864,021**
Long-term deposits		
Corporate	696,634	556,857
Retail	7,981,627	9,529,234
Total long-term deposits	**8,678,261**	**10,086,091**
Accrued undue interest	578,794	619,556
based on deposits - corporate	73,212	52,731
based on deposits - retail	505,582	566,825
Balance as at December 31	**21,882,573**	**20,569,668**

Summary of interest rates at which the Bank collected deposits from clients in 2025:

- per current accounts of legal entities in foreign currency at an annual interest rate of EUR 0.00%;
- per current accounts of natural persons in foreign currency at an annual interest rate of EUR 0.00%;
- per demand savings deposits of natural persons in foreign currency at an annual interest rate for EUR 2.00%;
- per term deposits of natural persons in foreign currency at an annual interest rate for EUR from 1.00% to 3.80%;
- per term deposits of legal entities in foreign currency at an annual interest rate for EUR from 2.50% to 4.50%;
- per current accounts of legal entities in local currency at an annual interest rate 0.00%;
- per current accounts of natural persons in local currency at an annual interest rate 0.00%;
- per overnight deposits of legal entities in local currency at an annual interest rate from RIR-0.75% to RIR-0.25%;
- per demand savings deposits of natural persons in local currency at an annual interest rate for RSD 4.00%;
- per term deposits of legal entities in local currency at an annual interest rate from 4.00% to 7.00%;
- per term deposits of natural persons in local currency at an annual interest rate from 2.50% to 6.00%.

29. SUBORDINATED LIABILITIES

As at December 31, 2025, the Bank's subordinated liabilities consisted of:

In thousands of RSD	2025	2024
GLS ALTERNATIVE INVESTMENTS	**351,414**	**350,180**
Principal	351,846	351,045
Accrued fee	(2,566)	(2,999)
Accrued undue interest	2,134	2,134
9EUROPEAN INVESTMENT FUND	**946,331**	**945,723**
Principal	938,255	936,119
Accrued fee	(2,664)	(3,201)
Accrued undue interest	10,740	12,805
Balance as at December 31	**1,297,745**	**1,295,903**

Principal in thousands of RSD	First call date	Maturity date	IR Rate	2025	2024
Floating subordinated liabilities	2019	2031	6M Euribor + margin	820,974	819,105
Floating subordinated liabilities	2024	2031	3M Euribor + margin	469,128	468,060
Total				**1,290,102**	**1,287,165**

30. PROVISIONING

As at December 31, 2025, the Bank's provisioning consisted of:

In thousands of RSD	2025	2024
Provisions based on employee benefits	8,680	5,380
Provisions for losses under guarantees	-	4
Provisions for litigation against the Bank	90,239	47,723
Provisions for operational risk events	22,000	12,000
Balance as at December 31	**120,919**	**65,107**

Provisions based on employee benefits include long-term provisions for severance pay upon retirement and long-term provisions for the payment plan in order to encourage and retain employees. Provisions for severance pay are formed based on the legal obligation to pay severance pay in the amount of two average monthly gross salaries in the Republic of Serbia and the following applied assumptions: by interpolation of the discount rate of the yield of dinar government securities of the Republic of Serbia, using the NSS model, an estimated discount rate of 4.31% (in the calculation of 2024, a discount rate of 6%) was used and salary growth at an annual rate of 11% (in the calculation of 2024 10% rate was used. The benefits are discounted to determine the present value.

The reservation based on Decision of the Board of Directors No. II 23/2026 (incentive and retention of the director of the Internal Audit Department) is essentially a reservation for a bonus, which will be paid after 3 years if the conditions defined by the Decision are met. The provision expense recognized in the income statement for 2025 represents the present value of the future payment. The calculation of the present value is based on the assumption that the interest rate (yield rate of long-term government bonds) is 4.4%, the cancellation rate is 3%.

In the case of termination of employment, the Bank is obliged to pay the employee who has not used the annual vacation to the end compensation in the amount of the average salary in the previous 12 months, in proportion to the number of days unused.

Below is a table of movements in provisioning:

In thousands of RSD	2025	2024
Balance as at January 01	**65,107**	**25,436**
New provisions according to IAS 19 - incurred during the year	50,121	42,313
Provisions based on IAS 19 - uses and releases during the year	(46,822)	(41,292)
New provisions for liabilities - incurred during the year (Note 16)	51,729	73,264
Provisions for liabilities - uses and releases during the year	787	(34,542)
Decrease/increase in provisions for credit risk off-balance sheet items	(3)	(72)
Balance as at December 31	**120,919**	**65,107**

Movements in provisions for employee benefits were as follows:

In thousands of RSD	2025	2024
Balance as at January 01	**5,380**	**4,360**
Provisioning fee for the year	(46,822)	(224)
Releases during the year	49,973	831
Actuarial losses	149	413
Balance as at December 31	**8,680**	**5,380**

Movements in provisions for losses on off-balance sheet items were as follows:

In thousands of RSD	2025	2024
Balance as at January 01	**4**	**76**
Provisioning fee for the year	7	26
Releases during the year	(10)	(98)
Balance as at December 31	**1**	**4**

Movements in provisions for litigation and operational risks were as follows:

In thousands of RSD	2025	2024
Balance as at January 01	**59,722**	**21,000**
Provisioning fee for the year	52,516	73,264
Releases through payments	-	(34,542)
Balance as at December 31	**112,238**	**59,722**

31. OTHER LIABILITIES

Other liabilities include:

In thousands of RSD	2025	2024
Liabilities for taxes and contributions	21,630	19,976
Trade payables	78,539	57,302
Deferred income	15,927	10,376
Liabilities for payments received	317,965	308,792
Liabilities to employees	64,654	61,666
Lease	168,726	180,640
Other liabilities	27,717	23,839
Balance as at December 31	**695,158**	**662,591**

Liabilities based on received payments in the amount of RSD 317,965 thousand (2024: RSD 308.792 thousand) consist of client payments based on loan installments due after December 31, 2025.

Liabilities from property and car leases disclosed in accordance with IFRS 16 are shown as follows:

	December 31, 2025		**December 31, 2024**	
In thousands of RSD	Present value	Contractual undiscounted cash flows	Present value	Contractual undiscounted cash flows
Minimum lease payments				
Up to 1 year	40,904	45,474	38,253	44,074
1 to 5 years	101,910	150,595	108,830	127,665
Over 5 years	25,912	45,564	33,557	41,505
Balance as at December 31	**168,726**	**241,633**	**180,640**	**213,244**

32. CAPITAL

A. Capital structure

The Bank's capital as at December 31, 2025 includes share capital, share issuing premium, revaluation reserves, reserves from, current year profit and profit from previous years.

In thousands of RSD	**2025**	**2024**
Share capital	1,783,080	1,783,080
Share issuing premiums	81,858	81,858
Reserves	3,661,969	3,068,626
Reserves from profit	3,439,781	2,904,639
Reevaluation reserves	222,188	163,988
Current year profit	1,061,901	713,523
Balance as at December 31	**6,588,808**	**5,647,087**

i. Share capital

The Bank's share capital was formed by issuing ordinary shares in five issues in the period from the Bank's establishment in 2007 to December 31, 2019.

On June 14, 2012, the Bank's Assembly passed the Decision on the third issue of ordinary shares. According to the decision, 1,950 ordinary shares with a nominal value of RSD 60 thousand and a total nominal value of RSD 117,000 thousand were issued. The entire third issue of ordinary shares was purchased by OTI Illinois, USA, which registered itself as the owner thereof.

The first part of the value of the issue in the amount of RSD 114,000 thousand was paid on June 27, 2012, while the second part in the amount of RSD 3,000 thousand was paid on November 02, 2012.

On November 13, 2012, the Bank's Assembly passed the Decision on the fourth issue of ordinary shares. According to the decision, 900 ordinary shares with a nominal value of RSD 60 thousand and a total nominal value of RSD 54,000 thousand were issued. On December 07, 2012, the entire fourth issue of ordinary shares was purchased by OTI Illinois, USA, which registered itself as the owner thereof, OTI Illinois, USA paid one part in the amount of RSD 24,600 thousand, which represented 410 shares, while the rest of 490 shares worth RSD 29,400 thousand was registered in the Serbian Business Registers Agency as subscribed capital, unpaid. The shares were paid on December 30, 2014.

In February 2015, the fifth issue of 4,200 shares was announced, which was fully subscribed and partially paid (4,081 shares) by OTI Illinois, USA by converting a subordinated loan (EUR 2,000 thousand) into share capital in the amount of RSD 244,860 thousand, while 119 shares in value of RSD 7,140 thousand were subscribed and unpaid as at December 31, 2019.

In January 2020, OTI Illinois, USA made a payment for the remaining 119 subscribed and unpaid shares in the amount of RSD 7,140 thousand at a nominal value per share of RSD 60 thousand.

On November 19, 2020, a transaction was carried out by which OTI Illinois, USA sold 78% of the shares of the Bank to a consortium of investors. All investors, as well as new shareholders such as the Bank, are members of GABV - Global Alliance for Banking on Values. The shareholder structure as at December 31, 2020 is listed in item C of this Note 31.

On February 17, 2021, a transaction was carried out by which OTI Illinois, USA sold 2% of the shares of the Bank to the Bank's management.

On July 22, 2024, the Bank's management (9 managers) acquired 2.4% of the shares from OTI Illinois, USA, based on the framework Share Purchase Agreement for the acquisition of the Bank's shares by management, concluded in April of the same year.

During December 2025, OTI Illinois, USA sold its remaining shares in the Bank. The shares were acquired by several smaller investors, namely the legal entities ImpaktEU from Belgium (4.03%) and Mali Kolektiv ANSTALT from Liechtenstein (3.00%), as well as private investors Dragan Nikolić (3.01%) and Vladimir Vujović (2.53%). The remaining 7.42% was acquired by the Bank's management.

ii. Share issuing premiums

Share issuing premium is the result of the difference between the share issue price of RSD 733,758 thousand and the nominal share value of the 1st and 2nd issue of RSD 651,900 thousand, and amounts to 81,858 thousand. Share issuing premium is distributed to shareholders in accordance with the proportional participation in the ownership structure specified in item C of this Note.

B. Nature and purpose of reserves

i. Revaluation reserves

Revaluation reserves and other unrealized gains amount to RSD 222,188 thousand. Reserves are not distributed to shareholders.

ii. Reserves from profit

At the regular session held on April 25, 2025, the Bank's Assembly passed the Decision on the distribution of profits and the payment of dividends. The profit after tax from 2024 amounting to RSD 713,523 thousand was distributed as follows: 75% or RSD 535,142 thousand to reserves from profit, and 25% or RSD 178,381 to dividends. Total reserves from profit, together with the amount from the previous period of RSD 2,904,639 thousand, amounted to RSD 3,439,781 thousand.

C. Ownership structure

	2025			2024		
In thousands of RSD	Number of shares*	Share capital	%	Number of shares*	Share capital	%
Shareholders						
UMWELTBANK, Germany	8,871	532,260	29.85%	8,871	532,260	29.85%
OTI Illinois,, USA	-	-	0%	5,941	356,460	19.99%
GLS, Germany	5,911	354,660	19.89%	5,911	354,660	19.89%
Triodos SICAV II. Luxembourg	4,140	248,400	13.93%	4,140	248,400	13.93%
TRIODOS FUNDS B.V. Netherlands	4,141	248,460	13.93%	4,141	248,460	13.93%
IMPAKT EU, Belgium	1,198	71,880	4.03%	-	-	0%
Dragan Nikolić	893	53,580	3.00%	-	-	0%
MALI KOLEKTIV ANSTALT, Liechenstein	892	53,520	3.00%	-	-	0%
Vladimir Vujović	753	45,180	2.53%	-	-	0%
Management of the Bank	2,919	157,140	9.82%	714	42,840	2.40%
Balance as at December 31	**29,718**	**1,783,080**	**100%**	**29,718**	**1,783,080**	**100%**

* *The number of shares represents paid-up shares.*

As at December 31, 2025, the number of issued bank shares was 29,718 (2024: 29,718) in the amount of RSD 1,783,080 thousand. All shares were ordinary, with nominal value per share of RSD 60,000.

Owners of ordinary shares are entitled to a dividend and have the right to vote in the Bank's Assembly according to the one-share-one-vote principle.

33. TRANSFERS OF FINANCIAL ASSETS

As at December 31, 2025, the Bank had no transferred assets, except as part of regular operations, Financial assets are fully recognized as loans and receivables from banks and other financial organizations and loans and receivables from clients. During 2025, the Bank had no repo transactions, loans secured by securities, issuance of securities, or securitization operations.

34. CONTINGENT LIABILITIES

A. Litigation

As of December 31, 2025, there were 5,176 litigations (5,165 disputes related to loan processing fees, while the remaining 11 disputes relate to other regular disputes) against the Bank with a total value of RSD 296,916 thousand (December 31, 2024: RSD 287,215 thousand). The increase in total value compared to last year was caused by an increase in the estimated potential loss per litigation, based on data from the last quarter. Provisions for the necessary losses from litigation against the Bank (fines and lawsuits against the Bank) are made on the basis of an expert assessment (legal department) which evaluates the outcomes, If the probability of loss is estimated to be more than 50%, a provision is formed in the amount of the expected loss (including court costs and default interest). When it comes to mass litigations, the reserve is formed by considering the portfolio of these litigations as a whole, and based on statistical data on the outcome of cases in the last quarter, the expected loss is calculated for the remaining active litigations.

The management expects cash outflows based on litigations, so that the amount of provisions formed on December 31, 2025 based on these cases was equal to RSD 90,239 thousand (2024: RSD 47,723 thousand).

B. Off-balance sheet items

In thousands of RSD	2025	2024
Risk off-balance sheet items		
Irrevocable liabilities	1,000	2,224
Total risk off-balance sheet items. gross	**1,000**	**2,224**
Value adjustment for off-balance sheet items	(1)	(4)
Total risk off-balance sheet items	**999**	**2,220**

35. RELATED PARTY TRANSACTIONS

A. Entities with significant influence on the Bank

Balance sheet exposure to related parties at the end of the year together with all income and expenses during the year:

In thousands of RSD	**2025**	**2024**
BALANCE SHEET		
Liabilities		
GLS GEMEINSCHAFTSBANK E.G		
Foreign currency accounts of foreign banks	22,240	468
Term deposits	83,653	65,841
UMWELTBANK AKTIENGESELLSCHAFT		
Foreign currency accounts of foreign banks	8	-
INCOME STATEMENT		
LEGAL OWNER TRIODOS FUNDS BV		
Interest expenses based on subordinated loans	-	(5,687)
Expenses from fees based on received loans	-	(94)
TRIODOS SICAV II		
Interest expenses based on subordinated loans	-	(5,687)
Expenses from fees based on received loans	-	(94)
GLS GEMEINSCHAFTSBANK E.G.		
Interest expense on the basis of deposits	(3,183)	(2,247)

B. Transactions with management (other related parties)

In 2025, the Bank paid gross compensation (in the form of short-term employee benefits) to members of the Board of Directors and the Executive Board in the amount of RSD 101,069 thousand (2024: RSD 95,808 thousand), and gross dividends based on shares owned by the bank's management in the amount of RSD 3,686 thousand (2024: RSD 2,603 thousand). In 2025, the provisions for severance pay for members of the Executive Board during retirement amount to RSD 198 thousand (2024: RSD 198 thousand).

36. RECONCILIATION OF MUTUAL RECEIVABLES AND LIABILITIES

On October 31, 2025, the Bank carried out the process of reconciling receivables and liabilities with its debtors and creditors, The total number of OISs sent based on receivables was 18,726.

Of which: returned due to incomplete or unknown address – 1,484 OISs or 7.92%, signed - reconciled 73 or 0.39% and 17,132 OISs or 91.49% were considered tacit consent, since the IOSs stated that, if the client did not respond within 8 days, the balance would be considered as reconciled. The number of returned unreconciled OISs was 37 or 0,20%. The amount of unreconciled receivables, RSD 935 thousand, referred to receivables from loan placements and RSD 394 thousand to claims for advances given to suppliers.

Based on liabilities, 121 OISs were received. 103 were reconciled, 18 were disputed and the amount of disputed liabilities was RSD 2,430 thousand.

37. POST-BALANCE SHEET EVENTS

There were no material events after the reporting period date that would require disclosure in the notes accompanying the Bank's financial statements for 2025.

38. FINANCIAL RISK MANAGEMENT

A. Introduction and summary

The key risks the Bank is exposed to are:

- credit risk;
- liquidity risk;
- market risks;
- operational risks and
- country risk.

This Note provides information about the Bank's exposure to each of these risks, the Bank's objectives, policies and processes for measuring and managing risks and managing the Bank's capital.

i. Risk management framework

The Board of Directors has overall responsibility for establishing and controlling the Bank's risk management framework, reflecting the risk appetite of the shareholders as set-out in approved Business Strategies and Business Plans. The Board of Directors has appointed a Risk Management Committee that will perform risk assessment, report to management and propose to the Executive Board activities that would strengthen risk management.

The Risk Management Committee is responsible for the implementation and effectiveness of risk management. Responsibility for risk identification and daily risk management rests with department managers. In addition to the Risk Management Committee, individual risk indicators are considered by the Asset-Liability Committee (ALCO) as well as the Credit Committee.

When necessary, the president of each committee reports data and issues to the Risk Management Committee.

Risk management policies are established in such a way as to identify and analyze the risks to which the Bank is exposed, define limits and controls, monitor and adhere to limits, Changes to existing or adoption of new policies are approved by the Board of Directors prior to their implementation, Risk management policies and systems are regularly updated to keep up with changes in the products and services that the Bank provides to its clients, as well as changes in business conditions on the market, The Executive Board adopts and revises procedures for identifying, measuring and assessing risks, follows the goals and principles on the basis of which individual risks are managed, identifies factors of importance for risk management, and undertakes measures and activities for the purpose of adherence to the specified limits established for certain risks.

Through regular training, following the procedures and standards it has set, the Bank strives to establish such an environment in which every employee understands the responsibility and job description of their position.

The Internal Audit Department monitors the compliance of the Bank's operations with policies and procedures and undertakes and performs regular and ad hoc audits of processes and procedures for risk management, and presents the results of audits to the Operations Monitoring Committee.

B. Credit risk

Credit risk is the risk of financial loss due to default of the debtor's obligations towards the Bank and arises mainly due to default under approved loans and placements.

The Board of Directors is responsible for approving the credit risk strategy and policy and oversight of Management's implementation of the credit risk strategy and policy.

The responsibility for the implementation of the Bank's credit risk policy and the adoption of credit risk procedures rests with the Executive Board and the President of the Executive Board, All employees involved in credit operations are familiar with the content of policies and procedures that cover their area of responsibility.

The Credit Risk Department and the Portfolio Management and Risk Control Department are responsible for regularly updating the credit risk policy and procedures. The director in charge of the business network, with the support of branch directors, is responsible for the implementation of adopted policies and procedures. Independent controls are performed by the Internal Audit Department, which evaluates the level of established internal controls in credit operations, as well as compliance with standards and procedures.

The Bank manages credit risk through monthly reports on risk management, which contain data on:

- regularity in repayment of loans at the level of the branch and the entire Bank;
- loan portfolio balance at the end of the month by product,, sector, repayment by loan size;
- regularity in repayment per product and
- trend of regularity in repayment.

The Bank has developed specific models for assessing credit risk and monitoring approved loans. The models known as “roll rates” and “vintage-analysis” enable the Bank to monitor loans in terms of:

- relative repayment behavior of specific generations, groups or classes of loans, immediately after the first installment is due and other selected intervals. Based on the collected information, the Bank may decide to modify its lending criteria or practices and
- client behavior during the repayment period (in terms of identifying clients who are constantly in arrears, clients who have improved and clients whose condition has deteriorated compared to the previous month).

The Bank's exposure to credit risk arises from given loans and receivables. The amount of credit exposure in this sense is shown through the carrying value of assets in the balance sheet and off-balance sheet receivables.

In order to manage credit risk, the Bank:

- assesses the creditworthiness of clients who apply for a loan, guarantee, or other credit product;
- establishes credit limits based on risk assessment;
- negotiates with a counterparty that has good creditworthiness and takes appropriate collateral.

Clients are monitored continuously and limits are adjusted when necessary, Risk limits also take into account different types of collateral.

The Bank's exposure to credit risk stems from exposure to sole proprietors, small- and medium-sized enterprises, agricultural holdings, and natural persons, The amount of credit exposure in this sense is shown through the carrying value of assets in the balance sheet and off-balance sheet receivables.

In order to identify, monitor and measure and above all to mitigate and prevent the occurrence of risks, the Bank has adopted the following policies and standards:

- the policies and procedures for assessing debtor's credit risk;
- non-performing assets management procedure;
- the methodology for calculating the value adjustment in accordance with IFRS 9 and
- the procedure for the classification of balance sheet assets and off-balance sheet items of the Bank in accordance with the current NBS Decision.

All these documents have been adopted in terms of preventive activities related to credit risk by defining the following:

- credit approval, including client risk assessment;
- monitoring;
- loan portfolio analysis;
- loss prevention and collection procedures and
- classification of given loans and formation of value adjustment for estimated losses.

The essence of risk management and credit risk mitigation activities is a detailed analysis of the creditworthiness of the client applying for a loan and an assessment of collateral.

Credit analysis includes quantitative and qualitative analysis, ownership structure, company history, market position, management quality, competitors, cooperation with major customers and suppliers. The business perspective and regularity in settling client liabilities are the main factors that make up the qualitative analysis. It also implies a comparison in the industrial sector. Quantitative analysis is based on the client's solvency and profitability, which is obtained by analyzing its financial statements.

The Bank's policy is to mitigate risks by diversifying its portfolio through various business sectors.

The Risk Management Committee assesses the risk when approving placements to certain sectors. In order to control credit risk exposure to various business sectors and diversify risk, through the monthly and quarterly risk management report, credit exposure is monitored for the following sub-sectors: arable farming, dairy farming, pig farming, cattle fattening, poultry farming, fruit growing, vegetable growing, other agricultural production (agro sector), production, construction, trade, transport, services (corporate sector), pensioners and employees (retail sector).

The bank also monitors exposure to credit risk based on certain types of loans through a monthly report on arrears by product. Exposure is monitored for all types of loans approved by the Bank and shows arrears by product individually for loans in dinars and loans in euros.

In addition to the above, the National Bank of Serbia has introduced restrictions regarding the total amount of loans and receivables to one client or a group of related parties:

- the total amount of loans and receivables, including off-balance sheet items, related to one client or a group of related persons should not exceed 25% of the Bank's capital;
- exposure to one client or a group of related parties exceeding 10% of the core capital is considered a large exposure. The National Bank of Serbia has stipulated that the sum of large exposures and exposures to related parties cannot exceed 400% of the Bank's capital and
- investment in one person that is not a person in the financial sector should not exceed 10% of the capital, and the Bank's total investment in persons that are not in the financial sector should not exceed 60% of the Bank's capital.

There are six graduated decision-making levels for credit approval in the regular process (based on the total exposure, product and various loan criteria):

1. Decision-making level 1 – responsible person: branch manager
2. Decision-making level 2 – responsible person: employee in the Credit Approval Department
3. Decision-making level 3 – responsible persons: one person from the Business Network Sector and one person from the Credit Approval Department
4. Decision-making level 4 – responsible persons: one person from the Business Network Sector and one person from the Credit Approval Department
5. Credit Committee
6. Board of Directors

In addition to the regular credit approval process, there is also an automated process for all business lines.

The limit for decision-making depends on the decision-making level, while the maximum amount is defined for the automated process is 10,000 EUR for all business lines.

The remaining impact of COVID-19 on credit risk

The National Bank of Serbia estimated that the need for third relief (moratorium 3) was especially felt by unemployed persons, debtors whose average net monthly income in the last three months was below the average salary in the Republic of Serbia, as well as debtors with average net monthly income in the last three months up to RSD 120,000 and whose net monthly income was lower by 10% or more compared to the income before March 15, 2020 and whose degree of credit indebtedness, *i.e.*, the encumbrance of monthly income with loan and other liabilities was above 40% of such income.

For farmers, sole proprietors and companies, it was assessed that it was necessary to offer relief in the repayment of liabilities, especially to debtors who in 2020 suffered a drop in operating income and/or turnover of at least 15% compared to 2019, or an interruption of the debtor's business for a continuous duration of at least 30 days due to the COVID-19 pandemic.

Also, debtors who were in arrears for more than 30 days in a materially significant amount on the basis of any liability to which the decision applied acquired the right to the aforementioned reliefs. In addition to the above, banks were left with the option to grant relief to debtors upon their reasoned request, if, due to other facts and circumstances, they assessed that there had been a deterioration of the debtor's financial position and the impossibility of settling the debtor's liabilities.

The relief provided by the decisions referred to the rescheduling and refinancing of loans with the approval of a six-month grace period and the corresponding extension of the repayment term, so that the debtors' monthly obligations did not exceed those of the repayment plan before granting the relief. During the grace period, the bank accrued interest, and the debtor decided in the request whether he would pay the interest during the grace period or after its expiration.

Other credit products - credit card and authorized overdraft - could be included in the reliefs in accordance with this decision, in such a way as to grant a loan for the refinancing of liabilities under those products, with a grace period of six months and an agreed monthly repayment, whereby the repayment period was extended in such a way that the monthly obligations did not exceed the monthly obligations that the debtor would normally pay for that product.

Receivables against debtors who have been granted relief and for which, at the time the regulator's decision came into force, those debtors were not in arrears for more than 90 days, are not considered restructured, nor non-performing receivables, nor non-performing loans in the sense of the regulations of the National Bank of Serbia, that is, the Bank does not consider them as default.

The following table shows the structure of the Bank's portfolio to which the measures defined by the aforementioned decision of the National Bank of Serbia have been applied in the form of halt of repayment for Moratorium 3, with balance of exposure as at December 31, 2024 and December 31, 2025:

	2025			2024		
In thousands of RSD	Gross exposure	Value adjustment	Net exposure	Gross exposure	Value adjustment	Net exposure
Gross placements with contracted halt of repayment						
Natural persons						
Stage 2	8,398	271	8,127	14,434	674	13,760
Stage 3	1,513	1,169	344	2,191	1,862	329
Sole proprietors						
Stage 2	5,198	124	5,074	18,517	937	17,580
Stage 3	11,144	8,850	2,294	16,586	13,142	3,444
Farmers						
Stage 2	34,690	659	34,031	77,783	1,954	75,829
Stage 3	22,132	15,425	6,707	36,351	24,477	11,874
Companies						
Stage 2	758	19	739	1,999	81	1,918
Stage 3	1,766	1,604	162	3,103	2,663	440
Total	**85,599**	**28,121**	**57,478**	**170,964**	**45,790**	**125,174**

Reliefs in repayments of agricultural loans

On October 06, 2022, the National Bank of Serbia issued a Decision on Temporary Measures for Banks Aimed at Adequate Management of Credit Risk in Agricultural Loans Portfolio in Conditions of Aggravated Agricultural Production (Official Gazette of the Republic of Serbia, No, 111/2022). This decision prescribes the measures and activities that the bank is obliged to apply in order to adequately manage credit risk in the portfolio of agricultural loans in conditions of aggravated agricultural production, by enabling its debtors to reschedule their loans.

Debtors not in arrears for more than 90 days on any obligation to which the rescheduling is applied, not in default to the bank in terms of the regulations of the National Bank of Serbia, and under the condition that the bank's receivables against the debtor are not considered non-performing in terms of regulations of the National Bank of Serbia, have acquired the right to the mentioned reliefs.

Debtors mean persons who are registered in the register of agricultural holdings in terms of the law governing agriculture and rural development. Rescheduling is a change in the conditions of a given loan so that the debtor is provided with a grace period in the repayment of all liabilities to the bank for that loan lasting six to twelve months, during which the bank does not collect receivables based on the principal, while charging the agreed interest, and the tenor of that loan is extended so that the amount of the annuity determined at the time of rescheduling approval is not greater than that amount in the period before the application of rescheduling.

The following table shows the structure of the Bank's portfolio to which the measures defined by the decision of the National Bank of Serbia have been applied in the form of loan reliefs for clients who have been granted agricultural loans, with balance of exposure as at December 31, 2024 and December 31, 2025:

	2025			2024		
In thousands of RSD	Gross exposure	Impairment allowance	Net exposure	Gross exposure	Impairment allowance	Net exposure
Gross placements with agreed terms of postponed repayment						
Agricultural holdings						
Stage 1						
Stage 2	108,302	2,487	105,815	170,327	5,000	165,327
Stage 3	64,451	33,111	31,340	43,478	22,710	20,768
Total	**172,753**	**35,598**	**137,155**	**213,805**	**27,710**	**186,095**

Additionally, in March 2024, the National Bank of Serbia sent a letter regarding the expectations of the National Bank of Serbia concerning the approval of relief measures for loan repayment to individuals registered in the agricultural holdings register and individuals engaged in the purchase and storage of fruit in cold storage facilities, in accordance with regulations. The Bank conducted an analysis of the financial position of the debtors and assessed their ability to meet their obligations to the Bank in accordance with the agreed repayment plan, offering them concessions in loan repayment, such as grace periods and extensions of the loan repayment term.

The Bank reported to the National Bank of Serbia on the actions taken on a monthly basis, starting from April 20, 2024, through January 20, 2025.

C. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to settle its due liabilities. It arises from the mismatch of cash inflows and outflows (structural liquidity risk), that is, the impossibility of selling/converting financial instruments into cash within an acceptable period and at an adequate price (financial instrument liquidity risk). The Bank manages its assets and liabilities in such a way as to ensure that it is able to settle all due liabilities at all times and that its clients can use their funds in accordance with the agreed deadlines without restrictions.

The Asset-Liability Committee (ALCO) is responsible for monitoring liquidity risk, managing liquidity risk and proposing to the Executive Board measures and activities for maintaining liquidity, harmonizing the maturity structure, business plan in case of a liquidity crisis, and other measures of significance to the Bank's financial stability. The President of the Risk Management Committee is also a member of ALCO.

The Bank performs liquidity management with the intention of ensuring, to the greatest extent possible, an appropriate balance of liquid assets that is sufficient to always settle due liabilities under normal conditions, and in conditions of a liquidity crisis without causing unacceptably high losses or an adverse impact on the Bank's reputation. Accordingly, the Bank strives to constantly maintain a diversified base of financing sources, which consists of deposits of natural persons and legal entities, short-term loans on the interbank market and long-term loans from international banks and other financial institutions. The Bank also monitors the currency and term compliance of expected cash flows and the behavior of clients under certain market circumstances.

Testing for a potential liquidity crisis that may be caused by macroeconomic, market or internal disturbances is continuously carried out. Regular liquidity stress testing is conducted under different scenarios covering normal and more severe market conditions. Scenarios are developed taking into account events specific to the Bank (*e.g.* extraordinary deposit outflows) and market-related events (*e.g.* illiquidity of the interbank market, downgrade of the country's rating, *etc*,).

D. Market risks

Market risk is the risk of a change in the value of the Bank's balance sheet positions due to the adverse impact of changed market rates or values such as interest rates, foreign exchange differences, securities prices, resulting in a loss of earnings and capital.

The goal of market risk management is to manage and control exposure to market risks within limits that are considered acceptable from the perspective of risk appetite and the Bank's business strategy.

i. Interest rate risk

Interest rate risk occurs due to the possibility that changes in interest rates may affect future cash flows or the fair value of financial instruments. The Bank is exposed to changes in the level of market interest rates, which may result in a significant impact on its financial position and cash flows through an increase or decrease in interest margins.

The purpose of interest rate risk management as a segment of asset and liability management is to optimize the amount of net interest income, maintain asset and liability rates at a level that is consistent and harmonized with the Bank's business strategy and market interest rate movements.

In addition, the Bank is focused on interest rate spreads. The Bank is aware that the volatility of the difference between active and passive interest rates is the so-called “interest spread”, a potential indicator of interest rate risk. This spread is regulated by the price of loans, the price of deposits and activities on the money market. The Bank strives to have neither the lowest nor the highest interest rates on the market for loans and deposits. Loan prices are determined to achieve a fair return on the owner's investment: Deposit prices ensure fair treatment for the Bank's clients and are reasonably competitive without increasing costs for the Bank.

The Board of Directors has established the limits of exposure to interest rate risk based on the current regulations of the National Bank of Serbia and internal methodologies that monitor the degree of exposure of the Bank's balance sheet positions to possible adverse market rate movements.

The Asset-Liability Committee, based on macroeconomic analysis and forecasting, the adopted business plan, forecasting conditions for achieving liquidity and analysis and forecasting of interest rate trends on the market, undertakes activities aimed at:

- adequate determination of the level of spread from the aspect of impact on the Bank's current financial position and the adequacy of the Bank's capital level;
- harmonization of the characteristics of interest-sensitive assets and liabilities in terms of the level of interest rates with the same maturity and time interval within which the level of the interest rate is re-determined;
- ensuring the maturity compliance of interest-sensitive assets and liabilities for which a fixed interest rate has been established and
- ensuring compliance with the timelines for the re-determination of interest rates in the case of variable interest rates.

Maturity mismatch risk and price re-establishment or gap analysis is monitored by the Portfolio Management and Risk Control Department on a monthly basis and reported to the Asset-Liability Committee (ALCO). Quarterly reports are presented to members of the Board of Directors through the Risk Management Committee.

In interest rate risk management, the Bank uses simulations of possible changes in yield curves through scenarios of parallel movement of curves, scenarios of changes in their slope and shape.

When preparing the report for measuring interest rate risk, the Bank takes into account all positions in assets, liabilities and off-balance sheet items, as well as all other compensations and expenses that are exposed to interest rate risk. Instruments with a fixed interest rate are allocated to time buckets according to the remaining maturity. Instruments with a variable interest rate are allocated to time buckets according to the remaining time until the interest rate changes. Positions with embedded options are allocated according to the contractual maturity modeled by the impact of premature loan repayments and early deposit withdrawals in various scenarios of rising or falling interest rates. Positions without contractual maturity are included in time buckets according to the Bank's internal models for converting balance sheet positions into cash flows based on the analysis of historical series and projecting their results to periods in the future that are likely to retain certain types of products in the Bank.

Gap analysis is used to measure the risk of net interest income arising from repricing of assets and liabilities over time. This analysis includes the effects of time mismatches in base rates as well as potential risks arising from options embedded in contract. Risk is measured based on the size and duration of potential changes in interest rates. The Bank is aware that maintaining a balanced position throughout the entire period in gap reports does not ensure resistance to interest rate risk.

The Bank is aware of the following limitations in gap reporting:

- risk can be masked within the framework of price re-establishment;
- interest rates on assets and liabilities do not always change together and
- exposure is generated through new operations.

In order to avoid this type of limitation, the Bank uses assumptions for the purpose of projecting the future structure of the balance sheet and applying different interest rate scenarios.

The Bank has no contracts related to interest rates that stopped being published on January 01, 2022, and therefore there has been no need to undertake actions related to the transition to new interest rates.

In the Bank's placement structure, loans with a variable interest rate make up a very low 0.46%, while in the structure of collected deposits as a source of financing, that percentage is 2.17%. Since the Bank's strategic commitment is to continue offering fixed-rate loans to clients, the Bank's management assumes that there is no significant exposure to risks from possible disturbances in key interest rates.

Stress tests of interest rate risk, which are based on a hypothetical disruption of interest rates by 200 bps in conditions of holding high liquidity positions, which is one of the protection measures against the possible effects of the consequences of the pandemic and the Ukrainian crisis, have shown that such a disruption would not lead to a significant threat to the Bank’s capital and profit (Note 5.C.III).

ii. Foreign exchange risk

The Bank is exposed to foreign exchange risk when performing transactions in foreign currencies. Foreign exchange risk arises in cases of unequal amounts of assets and liabilities expressed in different foreign currencies. The Bank is potentially exposed to this type of risk by approving loans with a currency clause and taking loans in foreign currency, maintaining foreign currency accounts with correspondent banks, conducting payment transactions with foreign countries and managing foreign currency cash in hand.

The Bank's foreign exchange risk management strategy does not allow holding significant open positions in different currencies. The Asset-Liability Committee is the governing body that monitors compliance with this requirement.

Considering the forms and extent of disturbances that can be expected on the foreign exchange market due to the consequences of the global crisis caused by the war in Ukraine, the Bank's management expects that the relatively small amount of open foreign exchange positions and the Bank's policy to maintain it at a level below 3% of the regulatory of capital ensure the Bank's safe continuation of operations. Stress tests of foreign exchange risk, which are based on a hypothetical exchange rate disturbance of 20%, have shown that even in those extreme conditions, there would be no significant threat to the Bank's capital and profits (Note 5.C.IV).

E. Operational risks

Operational risk is the risk of occurrence of adverse effects on the financial result and capital of the Bank due to omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems, errors in development, and inappropriate implementation or use of internal models. and due to unpredictable external events. Operational risk includes legal risk, as well as information system risk, risk based on activities outsourced by the Bank to third parties, as well as risk from the introduction of new products.

The objective of the Bank's operational risk management is to minimize losses based on operational risks with an acceptable level of operational risk exposure. The Bank manages operational risk at the level of individual organizational units and at the level of the Bank. Operational risk management at the Bank level is a comprehensive process as an integral part of the Bank's risk management system.The Bank conducts employee training in the field of operational risks live or through an online e-platform, brochures and similar materials in order to raise awareness of operational risks and their management in accordance with the Bank's annual training plan.

The operational risk management system implies the definition of policies and procedures by which the Bank ensures:

1. Defined powers and responsibilities in the operational risk management process, which includes an adequate division of responsibilities and an assessment of the internal control system efficiency, and
2. Periodic risk assessment, and operational risk reporting system.

The Bank's Executive Board is responsible for implementing the Operational Risk Management Policy adopted by the Board of Directors and managing the same through the adopted Operational Risk Management Procedure.

The Operational Risk and Quality Control Department is responsible for the operational implementation of the Operational Risk Management Policy and Procedures in order to identify, measure, monitor, manage and report on operational risks both at the level of individual organizational units and at the level of the Bank, and reports thereon at least once a month to the Risk Management Commission of the Bank's Executive Board, and quarterly to the Risk Committee of the Board of Directors.

Managers of all organizational units of the Bank are responsible for assessing operational risk up to the level of their authority, as well as implementing measures to mitigate/eliminate operational risk, All employees are responsible for the occurrence of operational risk in their work and, according to their powers and responsibilities, are responsible for operational risk management.

Based on the Decision on Capital Adequacy of Banks, the Bank has decided to calculate the capital requirement based on operational risks by applying the Basic Indicator Approach (BIA) for calculating capital adequacy for operational risk.

For the purposes of recording operational risk events, the Bank has created a database of operational risks (loss) in the main information system. This database serves as a basis for statistical processing - analysis, reporting, and management of operational risks.

Through the adopted policies and procedures, the Bank's operational risk management system is defined through four basic phases:

1. Identification of existing sources of operational risks;
2. Measurement of operational risk, by timely risk assessment and recording thereof;
3. Mitigation of operational risk, by maintaining that risk at a level acceptable for the Bank's risk profile, reducing the probability and/or consequences, transferring, sharing or avoiding risk;
4. Control and reporting on operational risk through periodic assessment, analysis of the state of changes and trends in risk exposure, as well as monitoring the implementation of decisions related to operational risk management.

The Bank reviewed its business continuity plans in the event of unforeseen circumstances and assessed their feasibility. Particular attention was given to the evaluation and security of the information system, as well as to business continuity in the event of unavailability of the Bank's primary site and to additional risks that may occur, but also observed the capacities and possibilities in relation to employees and safety at work - introduced a more flexible organization and work from remote locations (from home) as a consequence of global pandemic/epidemic.

In order to reduce operational risks as part of the feasibility analysis and update of the Business Continuity Plan, the Bank has observed the criticality of the processes and their dependence on the service provider, as well as the critical number of employees.

F. Country risk

Country risk is the probability of a loss for the Bank due to the inability of a person or company outside of Serbia to settle its liabilities due to political, social, and economic environment that prevails in the debtor's country. It includes:

- political and economic risk, which means the probability of a loss due to the impossibility of collecting the Bank's receivables due to the deterioration of the macroeconomic stability of a certain country, *i.e.* structural changes in the economy of the debtor's country of origin, as well as general and systemic conditions in that country and
- transfer risk, which means the probability of a loss due to the impossibility of collecting receivables expressed in a currency that is not the official currency of the debtor's country of origin, due to the limitation of settlement of liabilities to creditors from other countries in a certain currency, which are determined by acts of state and other organizations of the debtor's country.

The Bank determines the exposure limits on an individual basis by the debtor's country of origin, and in the case of determined concentration of exposure, by individual geographical regions on a regional basis. The following table summarizes the adopted limits by debtor's country of origin:

Country	Limit (EUR)	Country	Limit (EUR)
Germany	12,000,000	United Kingdom	6,000,000
Netherlands	6,000,000	Switzerland	6,000,000
USA	6,000,000	Belgium	3,000,000
Austria	10,000,000	Hungary	3,000,000
Luxembourg	6,000,000	France	6,000,000
Italy	6,000,000	Slovenia	3,000,000
Montenegro	3,000,000		

For all other countries (Norway, members of the European Union and members of CEFTA) for which no individual limit has been established, the maximum exposure is allowed in the amount of EUR 0.1 million.

The Portfolio Management and Risk Control Department monitors this risk and submits a monthly report to the Bank's Risk Management Commission, and quarterly to the Board of Directors. The Board of Directors evaluates the adequacy of the country risk management system and approves any changes that are necessary for this purpose.

G. The remaining impact of Ukrainian crisis and new geopolitical risks (Middle East)

Direct influence

The Bank has no activities with business entities from Russia, Ukraine or Belarus, nor exposure to Russian-owned banks.

Transactions in RUB (Russian ruble) or other currencies other than EUR are not carried out within the Bank, nor is there an open foreign exchange position in other currencies.

The Bank has not identified any direct impact of the crisis in the Middle East on its current or future operations.

The lists of sanctions in Safe Watch (the system used to filter transactions and clients) are updated on a daily basis and the AML/CFT Office additionally controls their timeliness.

Indirect influence

The Bank has continued to proactively take measures in order to achieve the planned sources of financing, resulting in liquidity risk indicators in accordance with the Bank's appetites.

Changes in the exchange rate do not indicate a significant adverse impact on stability when measuring assets and liabilities in the next 12 months. The crisis showed that the stability of the exchange rate and the certainty in business that it brings is an important factor of stability in the country.

The Bank's management expects that the relatively small amount of the open foreign exchange position in euros and the Bank's policy of maintaining it at a level below 3% of the regulatory capital do not call into question the continuation of its operations. As disclosed in Note 6.C.III., stress tests of foreign exchange risk, which are based on a hypothetical exchange rate disturbance of 20%, have shown that there would be no significant threat to the Bank's capital and profits.

As a consequence of the war and global political and economic uncertainty, cost pressures due to the prices of energy, food and industrial raw materials are still elevated, and disruptions in supply chains generate inflationary pressures in the short term and have been transmitted to consumer prices, which is reflected in increased inflation. In response to the uncertainty regarding the expected inflation rate, which will continue to be largely driven by factors in the international environment, including measures by leading central banks, the National Bank of Serbia has continued to manage by adjusting the reference interest rate (from 1% in January 2022 to 5.75% in December 2025), all with the aim of continuously mitigating the impact on preserving monetary and financial stability, while striving not to negatively affect the growth of credit and overall economic activity.

Being aware of the consequences of the quick reaction of financial markets and the ongoing rise in interest rates due to inflationary pressures and the international crisis, the Bank conducts stress tests and simulations of the impact of these changes on the Bank's operating results, Because the maturity mismatch of positions exposed to interest rate risk is reduced, these simulations have not shown significant adverse results. The duration and intensity of these trends on the financial markets cannot be accurately estimated, and thus the impact on the Bank's operating results in the long term.

In 2025, with the aim of mitigating potential negative effects of geopolitical developments, including the sanctions imposed on the NIS (Naftna industrija Srbije - Petroleum Industry of Serbia), the Bank undertook additional measures within risk management, which include expanding the criteria for identifying activities that may be indirectly affected by these circumstances.

Potential indirect effects of geopolitical developments have been taken into account within regular risk management activities. In this context, the Bank, through its internal processes—including testing the Contingency Funding Plan—has considered possible scenarios of disruptions in the financial and energy markets, and no significant impact on the Bank’s liquidity and operational stability has been identified.

Taking into account the business strategy as well as the fact that the average loan amount of 3Bank is significantly below the market average (approximately EUR 4.5K), the Bank's management expects the loan portfolio to be significantly resistant to shocks that may occur in the event of a crisis, which could indirectly affect individual businesses and/or clients who direct their regular business activities towards war-affected areas.

39. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Liabilities arising from financing activities are those liabilities for which cash flows are classified in the Cash Flow Statement as cash flows from financing activities. The following is a presentation of the reconciliation of changes in liabilities and capital with cash flows:

In thousands of RSD	Loans received	Subordinated liabilities	Lease liabilities	Share capital	Reserves	Profit	Total
Opening balance as at January 01, 2025	**4,486,375**	**1,295,903**	**180,640**	**1,864,938**	**3,068,626**	**713,523**	**11,610,005**
Loans taken	1,113,549	2,938	-	-	-	-	1,116,487
Loans repaid	(2,089,465)	-	-	-	-	-	(2,089,465)
Lease liabilities paid in period	-	-	(3,360)	-	-	-	(3,360)
Lease liabilities advances paid	-	-	(45,392)	-	-	-	(45,392)
Total changes due to cash flows	(975,916)	2,938	(48,752)	-	-	-	(1,021,730)
Effect of exchange rate change	(9,540)	29	-	-	-	-	(9,511)
Other changes							
New lease liabilities			32,489				32,489
Abolished lease liabilities			(4,695)				(4,695)
Interest expense	175,141	77,195	9,044	-	-	-	261,380
Interest paid	(174,115)	(79,289)	-	-	-	-	(253,404)
Accrued fees	15,298	969					16,267
Profit distribution	-	-	-	-	535,142	(713,522)	(178,380)
Other changes	-	-	-	-	58,201	1,061,900	1,120,101
Closing balance as at December 31, 2025	**3,517,243**	**1,297,745**	**168,726**	**1,864,938**	**3,661,969**	**1,061,901**	**11,572,522**
Opening balance as at January 01, 2024	**4,443,061**	**1,068,359**	**218,629**	**1,864,938**	**2,676,728**	**515,796**	**10,787,511**
Loans taken	1,521,640	466,711	-	-	-	-	1,988,351
Loans repaid	(1,489,595)	(234,111)	-	-	-	-	(1,723,706)
Lease liabilities paid in period	-	-	(30,628)	-	-	-	(30,628)
Lease liabilities advances paid	-	-	(70,103)	-	-	-	(70,103)
Total changes due to cash flows	32,045	232,600	(100,731)	-	-	-	163,914
Effect of exchange rate change	(4,868)	(7)	-	-	-	-	(4,875)
Other changes							
New lease liabilities	-	-	53,414	-	-	-	53,414
Abolished lease liabilities	-	-	-	-	-	-	-
Interest expense	264,288	97,137	9,328	-	-	-	370,753
Interest paid	(263,674)	(100,945)	-	-	-	-	(364,619)
Accrued fees	15,523	(1,241)	-	-	-	-	14,282
Profit distribution	-	-	-	-	386,847	(515,796)	(128,949)
Other changes	-	-	-	-	5,051	713,523	718,574
Closing balance as at December 31, 2024	**4,486,375**	**1,295,903**	**180,640**	**1,864,938**	**3,068,626**	**713,523**	**11,610,005**

40. BASIS FOR VALUATION

The financial statements have been prepared based on the historical cost principle, with the exception of the following items in the balance sheet:

- Properties subsequently measured using the revaluation model;
- debt securities measured at fair value through other comprehensive income (FVOCI);
- the currency swap is measured at fair value through profit or loss (FVTPL).

The preparation and presentation of financial statements requires the Bank to use the best possible estimates and reasonable assumptions, which have an effect on the presented values of assets and liabilities. Estimates and assumptions are continuously reviewed and are based on information available at the date of the financial statements, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Since the actual results may differ from the stated estimates, they are continuously reviewed, and if corrections become necessary, they are made in the period in which the estimates are revised and in each future period in which they will occur.

41. MATERIAL ACCOUNTING POLICIES

A. Basis for consolidation

The Bank does not have any entities under the Bank's control and therefore does not prepare consolidated financial statements. The Bank did not own any minority shares in other legal entities as at December 31, 2025.

B. Foreign currencies

Business changes in foreign currency have been converted into RSD at the middle exchange rate applicable on the day of the business change.

Assets and liabilities presented in foreign currency on the balance sheet date have been converted into RSD at the middle exchange rate applicable on the reporting date. Foreign exchange gains/losses arising during business transactions in foreign currency and during the recalculation of balance sheet positions stated in foreign currency and originating from currency exchange are accounted for as income or expenses from foreign exchange differences within “Net income/expenses from foreign exchange differences and contracted currency clause effects” in the income statement.

The exchange rates determined according to the official middle exchange rate of the National Bank of Serbia used to translate positions in the financial statements expressed in foreign currency as at December 31, 2025 and December 31, 2024 were as follows:

In RSD	**2025**	**2024**
USD	99.9165	112.4386
EUR	117.2820	117.0149

Foreign exchange gains/losses arising during the recalculation of balance sheet positions stated in foreign currency and during business transactions in foreign currency are recorded in the profit or loss of the income statement as income and expenses from foreign exchange differences and presented within net income from foreign exchange differences and contracted currency clause effects.

C. Interest

Interest income and expenses are recognized in the income statement using the effective interest rate method, which represents a rate that accurately discounts expected future cash outflows and inflows over the expected life of the financial asset or liability, or when appropriate in a shorter period of time. When calculating the effective interest rate, the Bank estimates future cash flows taking into account all the contractual terms of the financial instrument (for example, the possibility of prepayment), but does not take into account future credit losses. The effective interest rate is determined upon initial recognition of the financial asset and liability and is not changed subsequently.

The calculation of the effective interest rate includes all transaction costs and all other premiums and discounts that are an integral part of the effective interest rate. Transaction costs include incremental costs that can be directly linked to the purchase or sale of a financial asset or liability.

Interest income and expenses shown in the income statement include income from financial assets and financial liabilities calculated at amortized cost using the effective interest rate.

When a financial asset or a group of similar financial assets is impaired due to an impairment loss, interest income is then calculated on the amortized cost of the impaired placements using the initial effective interest rate that was also used to discount future cash flows to calculate the impairment loss.

Interest expense shown in the income statement consists of interest on financial liabilities measured at amortized cost.

D. Fee income and expenses

The Bank has identified the fees for execution of orders in payment operations, fees for e-banking installations, account maintenance *etc.*, as types of income generated in its regular operations subject to IFRS 15, which are not covered by IFRS 9. For this income, falling within the scope of IFRS 15, the Bank has performed a five-step analysis and concluded that it collects and reports income at the time of performance of the obligation, Account maintenance fees are charged after the end of the month in which the account was used in the contracted scope.

A contract with a client that results in the recognition of a financial instrument in the Bank's financial statements may be partially within the scope of IFRS 9 and partially within IFRS 15. If this is the case, the Bank first applies IFRS 9 in order to separate and value the part of the contract that is within the scope of IFRS 9, and then applies IFRS 15 to the remainder.

In its offer, the Bank does not have complex products or any other type of complex products (packages) that would require separation of recognition in terms of IFRS 15.

E. Lease

Leases in the sense of IFRS 16 - Leases are contracts based on which the lessor transfers to the Bank the right to use assets leased by the Bank within an agreed time period in exchange for consideration.

Consideration means payments related to the right to use the assets during the lease term, including the assessment of the costs of bringing the leased item to its original condition at the end of the lease, potential penalties for lease termination, the residual value of the leased item if it is defined in the lease contract, payments that do not constitute leases if the lessee has chosen to combine them with the lease.

As a lessee, the Bank leases branches and office buildings. According to IFRS 16, the Bank recognizes the right to use lease assets and liabilities for the lease of branches and office buildings and reports them through the balance sheet.

IFRS 16 applies to all contracts that meet the definition of lease, except:

- intellectual property license contracts governed by IFRS 15 - Revenue from Contracts with Customers and
- contracts containing copyright elements governed by IFRS 38 - Intangible Assets.

IFRS 16 also does not apply to:

- short-term leases with an agreed maturity of up to 12 months or less that do not contain a redemption option and
- low-value leases whose value is less than EUR 5,000.

Initial recognition

At the beginning of the lease term (from the first day), the Bank recognizes a right-of-use asset in the balance sheet measured at the present value of all lease-related payments that have not been made on that day. Such payments are discounted using the incremental borrowing rate, The lease liability is recognized in the same amount.

The first day is the day when the lessor gives the asset in question to the Bank for use. The lease term is the irrevocable period during which the lessee has the right to use the assets in question together with the periods covered by the eventual option to extend the lease and the periods covered by the option to terminate the lease.

The initial amount at which assets and liabilities are valued is calculated as follows:

- cost in the amount of the initial measurement of the lease liability;
- all possible payments made by the lessee on the day or before the start of the lease;
- all possible direct lease costs, which would not have occurred if there had been no lease (*e.g.*, commissions, costs of bringing the asset to its intended purpose);
- estimated costs of dismantling, *i.e.*, bringing the leased item to its original state and
- net of any discounts received from the lessor.

Incremental borrowing rate is the interest rate that equalizes the present value of lease payments with the sum of the fair value of the assets and all initial direct costs of the Bank. Given that the interest rate is not explicitly stated in the lease contract, the Bank applies the rate it assumes it would pay when lending funds for a similar term and for similar purposes.

For leases, the Bank determines the incremental borrowing rate once a year, in November of each year, based on the following elements:

- rates for a subordinated loan offered to the Bank by an investment-rating European bank for a period of 10 years, the subject of which is investment in the development of the organization and the expansion of the Bank's capacity;
- yield curves for the euro;
- that the period is comparable to the lease term and
- that the rate includes current market conditions.

The yield curve required for discounting to the present value is calculated by calculating the bank's idiosyncratic risk as the difference between the last valid offer for a subordinated loan in euros received by the Bank from a banking institution based in the European Union with a rating of AAA and the value of the zero-swap curve for the corresponding maturity. This risk premium is added to all values of the zero-swap curve. Due to the fact that this curve contains the assessment of the Bank's credit risk by a banking institution based in the European Union and with a rating of AAA, it is considered that it best reflects the Bank's risk profile.

For vehicles classified as right-of-use assets in accordance with IFRS 16, the Bank determines the discounting rate based on the lessor's financial lease calculator.

The difference between the nominal value of the liability and its amortized cost determined by discounting on the balance sheet date is recorded as interest expense.

For the leased asset, asset impairment (depreciation) is calculated, whereby the depreciation calculation period is determined as the shorter of the following two:

- period until the end of the lease term or
- period until the end of the asset's useful life.

Subsequent measurement

The Bank subsequently measures assets that are the subject of lease in accordance with the procedure for managing right-of-use assets by discounting the purchase value with linear depreciation calculation.

Subsequent measurement of the carrying value of lease liabilities is performed:

- when there is a change in the term of the lease contract or the occurrence of a significant event or a change in circumstances controlled by the Bank;
- in cases of changes in assessment regarding the certainty of exercising the option to purchase the leased item after the expiry of the lease contract;
- in cases of changes in the expected amount of the guaranteed residual value and
- in cases of changes in minimum future lease payments caused by a change in the index or rate used for variable lease payments.

Assets that are the subject of lease are reported by the Bank in its Balance Sheet under Property, plant and equipment (Note 23), Lease liabilities are reported under Other liabilities (Note 31).

In the Income Statement, the Bank reports the cost of depreciation of assets that are the subject of lease together with the cost of depreciation of other fixed and intangible assets. The cost of interest related to the asset that is the subject of lease is presented separately within financial expenses.

In the Cash Flow Statement, the Bank reports liabilities for principal under financing activities, and expenditures for interest repayment as well as other interest expenditures under operating activities (interest outflows).

Expenditures for leases that are shorter than 12 months and for low-value leases that are outside the scope of IFRS 16 are presented in the Cash Flow Statement under operating activities.

F. Income tax

Income tax is the amount calculated and paid in accordance with the Law on Corporate Income Tax of the Republic of Serbia (Official Gazette of the Republic of Serbia, Nos, 25/01, 80/02, 80/02 - other law, 43/03, 84/04, 18/10, 101/11, 119/12, 47/13, 108/13, 68/14 - other law, 142/14, 91/15 - authentic interpretation, 112/2015, 113/2017, 95/2018, 86/2019, 153/2020, 118/2021 and 94/2024).

i. Current tax assets

During the year, the Bank pays income tax in the form of monthly advance payments, the amount of which is determined on the basis of the tax return for the previous year. The final tax base to which the prescribed corporate income tax rate of 15% (2024: 15%) is applied is determined by the Bank's Tax Balance Sheet.

Taxable profit includes accounting profit shown in the income statement and adjustments for permanent differences, in accordance with the Law on Corporate Income Tax. These adjustments generally include unrecognized expenses and the re-recognition of certain discontinued expenses and reductions in certain capital expenditures and investments that occurred during the year.

ii. Deferred income tax

Deferred income tax is obtained using the accounting method for temporary differences arising between the tax values of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and the tax effect of income tax that can be carried forward to the extent that it is probable that future taxable profits will be sufficient to cover the deductible temporary differences and tax losses carried forward.

Deferred tax liabilities are recognized for all taxable temporary tax differences. Deferred tax assets and liabilities as at December 31, 2025 were calculated at the current corporate income tax rate of 15% (2024: 15%).

iii. Taxes and contributions not dependent on results

Taxes and contributions that do not depend on operating results include property tax, value added tax, contributions on salaries charged to employer, as well as other taxes and contributions that are paid in accordance with the republic and local tax regulations. These taxes and contributions are presented under other expenses (Note 16).

G. Financial assets and liabilities

i. Initial recognition

The Bank initially recognizes given loans and receivables, deposits, received loans and subordinated liabilities on the date of acquisition. The date of acquisition is considered to be the day when the Bank becomes contractually bound to the financial asset or liability. The purchase or sale of financial assets is recognized by applying the calculation on the settlement date, that is, the date when the asset is delivered to the other party.

A financial asset or liability is initially measured at fair value plus transaction costs, which can be directly attributed to the acquisition or issuance of the financial asset or liability, except in the case of assets or liabilities that are measured at fair value through profit or loss.

ii. Classification

Financial assets

Subsequent measurement of financial assets and liabilities depends on their classification. During the initial recognition, the Bank classifies its financial assets into the following categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income (FVOCI);
- financial assets at fair value through profit or loss (FVTPL).

Financial assets are valued at amortized cost if not designated as FVTPL and if the following two conditions are met:

- it is kept within the framework of a business model whose goal is the collection of contracted cash flows and
- contracted terms are such that cash flows that can be assessed as solely payments of principal and interest (SPPI) arise on certain dates.

Financial assets are valued at fair value through other comprehensive income only if not designated as FVTPL and if the following two conditions are met:

- the financial asset is held within a business model whose objective is to hold it until maturity or sale and
- contracted terms are such that cash flows that can be assessed as solely payments of principal and interest (SPPI) arise on certain dates.

All financial assets not classified as measured at amortized cost or FVOCI will be measured through FVTPL.

Business model test

The Bank has made a preliminary assessment of the objectives of the business model at the level of the portfolios within which the financial instruments are held, based on the consideration of:

- Policies and goals for the portfolio, including an assessment of whether the purpose of the portfolio is the collection of contracted cash flows under the agreed conditions, maintaining a certain profile of interest rates, reconciling the maturity of financial assets and liabilities, or realizing cash flows by selling that asset;
- How the portfolio quality is assessed and reported to the Bank's management;
- Risks affecting the efficiency of the business model and financial assets held within that business model and how those risks are managed;
- How are compensations for business line managers defined (on the basis of fair value or on the basis of contracted cash flows) and
- Frequency, volume and reasons for sales of financial assets in previous periods and expectations regarding future sales.

In its operations, the Bank is focused primarily on loans to clients and keeps these assets in order to collect cash flows. Asset sales have not been carried out so far.

Assessment whether contracted cash flows are solely payments of principal and interest

For the purpose of this assessment, principal is defined as the fair value of a financial asset at initial recognition. Interest is defined as an element of the time value of money for credit risk arising from the amount of outstanding principal over a period of time and for other basic lending risks and costs (*e.g.* liquidity cost and administration cost) and the profit margin.

In assessing whether the contracted cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the financial asset. This means considering whether the financial instrument contains contractual terms under which the timing or amount of the contracted cash flows can be changed, such as: potential events that can change the timing and magnitude of the cash flows, leverage provisions included, terms of early repayment and maturity extensions, terms that limit the right of the Bank to demand payment of cash flows, periodicity of interest rates.

Reclassification

After the initial recognition, financial assets cannot be reclassified except in the period when the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities (except liabilities under financial guarantees and approved credit lines) as valued at amortized cost, The Bank has no designated financial liabilities classified at fair value through profit or loss.

IFRS 9 requires that changes in the fair value of financial liabilities designated as measured at fair value be recognized as follows:

- the amount of the change in fair value related to changes in the credit risk of the liability is shown under other comprehensive income and
- the remaining amount of the change in fair value is shown in the income statement.

iii. Derecognition

Financial assets

The Bank derecognizes a financial asset (or part of a financial asset or a group of financial assets) when:

- contractual rights to cash flows from the financial asset expire;
- the Bank transfers the financial asset in a business transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and
- the Bank neither transfers not retains substantially all the risks and rewards of ownership of the financial instrument, but transfers control over it.

Any reward in a transferred financial asset that meets the conditions for derecognition created or retained by the Bank is recognized as a separate asset or liability in the balance sheet.

Upon derecognition of a financial asset, the difference between the asset's carrying value (or the carrying value proportionally allocated to the transferred asset) and the sum of the received consideration (including any newly acquired asset minus the new liability assumed) and any accumulated gain or loss that was recognized in other comprehensive income is recognized in the income statement.

The Bank enters into business transactions where it transfers assets recognized in its balance sheet, while retaining all or a significant part of the risk and rewards of the transferred asset or only a part. If the risks and rewards are completely or significantly retained, the transferred asset is still recognized. Transfers of assets with retention of all or a significant part of the risks and benefits represent *e.g.*, repo transactions.

When assets are sold to a third party at a competitive rate of swap yield on the transferred assets, the transaction is counted as a secured financial transaction similar to purchase transactions where the bank retains all or a significant part of the risk and rewards of those assets.

In business transactions where the Bank does not retain or transfer all or a significant part of the risks and rewards of ownership of a financial asset and retains control over the asset, the Bank continues to recognize the asset while it is in use, determined to the extent that the asset is exposed to changes in the value of the transferred asset.

Financial liabilities

Financial liabilities are derecognized when the contractual obligation is fulfilled, canceled or expired. In the event that the existing financial liability is replaced by another liability towards the same creditor, but under significantly altered conditions or if the conditions of the existing liability are significantly altered, such replacement or change of conditions is treated as the derecognition of the original liability with the simultaneous recognition of the new liability, while the difference between the original and the new value of the liability is recognized in the income statement.

iv. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank estimates that the cash flows of the modified asset are significantly different. If the cash flows are significantly different, it is considered that the contractually determined cash flows of the financial asset have expired. In that case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Derecognition leads to a permanent gain or loss that must be recognized in the income statement, equal to the difference between the amortized cost of the old financial asset and the fair value of the new financial asset.

Modifications that cause the derecognition of an old financial asset and the initial recognition of a new one, motivated by a decline in creditworthiness and repayment capacity, lead to the initial recognition of financial assets defined by the standard as POCI, *i.e.*, assets impaired at the time of initial recognition. At the time of the initial recognition of these assets, the expected credit losses during the lifetime are included in the calculation of the effective interest rate. Therefore, the Bank includes initial expected credit losses in the assessment of cash flows, when calculating the credit-adjusted effective interest rate of financial assets that are considered to be impaired at the time of initial recognition.

If a modification of a financial asset valued at amortized cost does not result in derecognition of the financial asset, the bank first calculates the gross carrying value of the financial asset using the asset's original effective interest rate and recognizes the resulting change as income or expense due to modification through the income statement. For financial assets with a variable interest rate, the initial effective interest rate is adjusted to market conditions at the time of modification.

For the purposes of derecognition of a financial asset, the Bank takes quantitative and qualitative criteria into account. If the difference in the present value of the cash flows is at least 10%, the modification leads to the derecognition of the old and accounting recording of the new financial instrument. If the difference in the current values of the cash flows is less than 10%, the Bank performs a qualitative analysis of whether the terms of the two instruments are significantly different. A qualitative assessment may require a high degree of judgment based on the facts and circumstances of each case. On that occasion, changes in the reference currency of the loan, the method of repayment and others can be taken into account.

Financial liabilities

The Bank derecognizes financial liabilities when their terms are significantly modified and the cash flows of the modified liability are significantly different. In that case, a new financial liability is created and valued at fair value based on the modified conditions. If the modification is not considered as derecognition, the amortized cost of the liability is calculated by discounting the modified cash flows at the original effective interest rate while recognizing the income and expenses resulting from the modification through the income statement. For financial liabilities with a variable interest rate, the initial effective interest rate is adjusted to the change in market conditions.

v. Netting

Financial assets and liabilities are netted and the net amount is shown in the balance sheet only when the Bank has the legal right to net the amounts or when it intends to settle them on a net basis or to realize the asset and the liability at the same time. Income and expenses are shown on a net basis only when IFRS allows so, together with gains and losses from a group of similar transactions.

vi. Fair value

Fair value measurement is performed on the assumption that the transaction of asset sale or liability transfer takes place on the primary market for the asset or liability or, in the absence of a primary market, on the most favorable market for the asset or liability for the Bank at a given time.

The fair value of financial instruments that are traded on an active market at the balance sheet date is based on quoted market prices of bid and ask without deduction for transaction costs. A market is considered active if transactions of assets or liabilities take place frequently and in sufficient volume so that the price can be determined.

The fair value of financial instruments that are not quoted in an active market is determined using appropriate valuation techniques that include net present value techniques, comparison with similar instruments for which market prices exist and other models that include all factors that market participants would take into account when determining the transaction price.

The best evidence of the fair value of a financial instrument at initial recognition is, by nature, its transaction price – *e.g.*, the fair value of the service provided or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and that the fair value is not recorded at the quoted price in an active market for an identical asset nor is it based on a valuation technique that exclusively uses data from observed markets, then the financial instrument is initially recognized at fair value, adjusted for the accrued difference between the fair value at initial recognition and the transaction price. Consequently, that difference is recognized in the income statement on an appropriate basis during the useful life of the instrument, but no later than the moment at which the valuation is fully supported by market data or executed transactions.

If an asset or liability measured at fair value has its given and offered price, the Bank values assets and long positions at the offered price, and liabilities and short positions at the given price.

The portfolios of financial assets and financial liabilities exposed to market and credit risk managed by the Bank on the basis of net exposure to either market or credit risk are valued on the basis of the price that would be received when selling a net long position (or when buying a net short position) for certain risk exposures. These portfolio adjustments are allocated to individual assets and liabilities based on the relative risk adjustments of each instrument in the portfolio.

The fair value of demand deposits is not less than the amount payable on demand discounted from the first date when payment of the given amount can be demanded.

The Bank recognizes transfers between hierarchical levels of fair value at the end of the reporting period during which the change occurred.

vii. Impairment

The Bank recognizes value adjustments for expected credit risk on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- provided financial guarantees and
- assumed obligations under approved loans.

The Bank recognizes the cost of value adjustment in accordance with IFRS 9 in the amount equal to the expected credit loss during the entire lifetime of the asset (lifetime ECL), except in the following cases when 12-month expected credit losses will be recognized:

- debt instruments determined as low risk at the reporting date.
  The Bank considers this to be the case when the credit rating of the debt instrument is equivalent to the general definition of “investment grade” and
- other financial assets (other than lease receivables) for which the credit risk has not significantly increased since initial recognition.

12-month expected credit losses are expected credit losses that occur if a default event occurs within 12 months after the reporting date. Financial instruments for which 12-month expected credit losses are recognized are classified in Stage 1: financial instruments for which credit risk has not increased from initial recognition.

Lifetime expected losses - the specified credit losses are the result of possible default events during the entire expected useful life of the financial instrument. Financial instruments for which lifetime expected losses are recognized are classified in Stage 2: financial instruments with a significant increase in credit risk and Stage 3 – credit impaired financial assets.

Calculation of expected credit risk losses

Calculated expected credit losses represent a probability-weighted estimate of credit losses (*i.e.*, the present value of all cash shortages) during the expected life of the financial instrument, while the cash shortage itself is the difference between the cash flows that belong to the Bank under the contract and the cash flows that the Bank expects to receive.

For non-impaired financial assets, credit loss is the present value of the difference between the contractual cash flows that belong to the Bank under the contract and the cash flows that the Bank expects to receive, while in the case of impaired assets, it is the difference between the gross carrying value of the asset and the present value of the estimated future cash flows. For undrawn obligations under an approved loan, loss is the present value of the difference between the contractual cash flows that belong to the Bank if the holder of the loan obligation withdraws the loan funds and the cash flows that the Bank expects to receive if the loan is withdrawn, while for given financial guarantees it represents the expected payments that are compensated the holder's loss resulting from default less the amounts that the Bank expects to collect. Details are provided in Note 5.A.

Restructured financial assets

If the terms of a financial asset are subject to negotiation or have been modified or an existing financial asset has been replaced by a new one due to financial difficulties the client has fallen into, an assessment is made as to whether it is necessary to stop recognizing the financial asset and the expected credit loss is measured as follows:

- If the expected restructuring will not result in the derecognition of the existing financial asset, the expected cash flows resulting from the modified financial asset are included in the calculation of the shortage in cash flows from the existing financial asset;
- If the expected restructuring will result in the derecognition of the existing financial asset, the expected fair value of the new asset is treated as the final cash flow of the existing financial asset at the time of derecognition, the amount is included in the calculation of the shortage in the cash flows of the existing financial asset, which are discounted from the expected date of derecognition to the reporting date, with the application of the original effective interest rate of the existing financial asset.

Receivables write-off policy

The Bank writes off loans, receivables and financial assets available for sale when it determines that they are uncollectible (more details in Note 5(A)(*III*)).

H. Cash and cash equivalents

Cash and cash equivalents include cash balances (banknotes and coins in both RSD and foreign currency), the Bank's funds in current and other accounts with the National Bank of Serbia, funds in accounts with other banks, other cash funds and short-term highly liquid financial assets that are convertible into cash with a maturity of less than ninety days from the investment date. Cash and cash equivalents are measured at amortized cost in the balance sheet.

The bank calculates and allocates dinar and foreign currency required reserves in the amount, in the manner, and within the terms established by 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), which, among other things, defines the method of determining the base for the calculation of the dinar and foreign currency required reserves and the required reserve rate, During the accounting period, the bank maintains the average daily balance of the allocated dinar required reserve in its account and the average daily balance of the foreign currency required reserve in the foreign currency accounts with the NBS, in the amounts calculated in the manner defined by the aforementioned regulations of the NBS, governing the banks’ required reserves.

I. Securities

Securities are non-derivative financial assets that the bank acquires or takes over for the purpose of selling or repurchasing in the near future and which can be sold due to the need to ensure liquidity or changes in interest rates, foreign exchange rates or the cost of capital.

For securities traded on an active market, market quotations (Level 1 and Level 2) are used to determine fair value.

Initial recognition is performed at fair value, with transaction costs recognized in the income statement. Subsequent measurement of securities is conducted in such a way that interest income, impairment, and foreign exchange differences are recognized in the income statement, while all other changes are recorded through other comprehensive income (FVOCI). Upon derecognition, the cumulative loss/gain from equity is transferred to the income statement.

J. Financial assets measured at amortized cost

Financial assets at amortized cost include loans and receivables from clients that are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and the Bank does not intend to sell them in the short term. They arise when the Bank issues money or provides services directly to the debtor without the intention of trading receivables. Loans and receivables include loans and receivables from banks, other financial institutions and clients.

Loans and receivables to clients are initially measured at fair value and are subsequently measured at their amortized cost using the effective interest rate. Amortized cost includes costs that may arise in the meantime which are part of contractual cash flows as well as discounts and premiums during settlement.

Loans and receivables are approved in dinars and dinars indexed in euros. These loans are revalued at the middle exchange rate of the National Bank of Serbia on the reporting date. The effects of revaluations are included in the net result from exchange rate differences and the effects of the contracted currency clause.

The balance sheet position Loans and receivables to clients includes:

- loans and receivables measured at amortized cost which are initially measured at fair value increased by incremental direct transaction costs, and subsequently at amortized cost using the effective interest method;
- loans and receivables that are necessarily measured at fair value through the income statement or are designated as positions that are valued at fair value through the income statement for which fair value changes are immediately recognized in the income statement.

K. Property, plant and equipment

Property, plant and equipment consist of buildings, equipment, other fixed assets, and investments in third-party fixed assets for the purpose of performing activities.

i. Recognition and measurement

According to the revaluation model, after recognizing the property whose fair value can be reliably measured, it will be recorded at the revaluation cost, which will be its fair value on the date of revaluation less accumulated depreciation and accumulated impairment losses. Revaluation is performed frequently enough so that the carrying value does not differ significantly from the value that would be obtained with the application of the fair value model at the end of the reporting period.

In accordance with the Bank's accounting policy, property valuation is always carried out when there is a materially significant fluctuation in the fair value compared to the current carrying value, and if there are no such fluctuations, the valuation is carried out in a period of three to five years.

The Bank uses the elimination approach for property valued at fair value, *e.g.,* the Bank eliminates the accumulated depreciation in relation to the gross carrying value of the asset.

Costs include expenditures directly attributable to the acquisition of assets.

Valuation of plant and equipment is done according to the cost method, that is, plant and equipment are valued at cost minus the total calculated depreciation and possible impairment losses.

Acquisition of software that is an integral part of the equipment is capitalized as an integral part of that equipment.

When parts of the same property or equipment have different useful lives, they are kept separately (the largest components) as separate property or equipment.

Property, plant and equipment are derecognized upon disposal due to technical obsolescence or when no future economic benefit from their use is expected. Gains or losses on the sale of property and equipment (calculated as the difference between net realizable values and carrying values) are recognized in the income statement of the corresponding period within other operating income or other expenses.

ii. Subsequent costs

Subsequent costs can be capitalized only if future economic benefits for the Bank based on those costs are probable.

The cost of replacing a part of property or equipment is recognized in the amount of the asset's carrying value if it is probable that the future economic benefits integrated within that part will flow to the Bank and if the cost of that asset can be reliably determined. Daily maintenance costs are recognized in the income statement when incurred.

iii. Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful life of each item of property and equipment, as it best reflects the manner in which they are expected to consume the future economic benefits embodied in the asset, The calculation of depreciation starts from the first month following the month when these assets are put into use.

Leased assets are depreciated over the entire useful life of the right-of-use assets.

The estimated useful lives for the current and comparative period are:

Description	Estimated useful life (years)	Annual %
Property	40	2,5
Furniture and other equipment	3 - 10	10 - 33,3
IT equipment	5	20
Investments in third-party fixed assets	2 - 10	10 - 50
Right-of-use assets	1 - 10	10 - 100

Depreciation method, useful life and residual values are evaluated at the end of each reporting period and adjusted if necessary, There were no changes in rates and estimated useful lives during 2025.

L. Intangible assets

Intangible assets are valued at cost less accumulated amortization and accumulated impairment losses.

Subsequent costs on an intangible asset are capitalized only if they increase the future economic benefits embodied in the asset to which it relates. All other expenses are valued through profit or loss when incurred.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the asset starting from the day the asset is ready for use, as it best reflects the manner in which they are expected to consume the future economic benefits embodied in the asset, The estimated useful life of intangible assets is 5-10 years, while the amortization rate is 10%-20% (valid for both periods).

Amortization method, useful life and residual values are evaluated at the end of each reporting period and adjusted if necessary.

M. Impairment of non-financial assets

The carrying value of the Bank's non-financial assets, excluding property investments and deferred tax assets, is assessed at the end of each reporting period to determine whether there are indications of impairment, If such an indication exists, then the recoverable value of that asset is assessed.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs to sell, When valuing an asset in use, the estimated future cash flows are reduced to present value by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks inherent in the asset or cash-generating unit.

Impairment expenses are recognized when the carrying value of assets or the cash-generating unit is greater than its recoverable amount, Impairment expenses are recognized in the income statement, Impairment expenses are reversed if there has been a change in the estimate used to determine the recoverable amount.

Impairment loss recognized in prior periods is assessed at each reporting date if there are indications that the loss has reduced or no longer exists, This loss is reversed only to the extent that the carrying value does not exceed the carrying value that would have been determined, after amortization, if the loss had not been recognized.

N. Deposits, liabilities to banks, subordinated liabilities

Clients' deposits, loans received from banks and clients and subordinated liabilities are sources of financing for the Bank.

Deposits and other liabilities to banks, other financial organizations and the central bank are initially recognized at fair value plus attributable transaction costs, except for financial liabilities that are valued at fair value through profit or loss, After initial recognition, they are presented at amortized cost using the effective interest rate.

Deposits, received loans and subordinated liabilities are initially recognized at fair value plus attributable transaction costs, except for financial liabilities that are valued at fair value through profit or loss, After initial recognition, they are presented at amortized cost using the effective interest rate.

O. Provisioning

Provisions are recognized and exercised when the Bank has a current, legal or derivative liability resulting from past events and when it is probable that an outflow of resources will arise in order to settle the liability and when the amount of the liability can be reliably estimated. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects curent market assessments of the time value of money and, if necessary, the risk inherent in that liability. The provision for litigation, he Bank determines based on the amount of legal claims and the costs of the disputes for which it assesses the outcome (Note 34 A).

The Bank makes provisions for contingent losses due to assumed contingent liabilities, for contingent outflows due to litigation, for the payment of employees based on severance pay and other contingent liabilities if they meet the recognition requirements.

In order to maintain the best possible estimate, provisions are reviewed, determined and, if necessary, adjusted at each reporting date, When the outflow of economic benefits to settle a legal or derived obligation is no longer probable, the provision is cancelled and credited to income. Provisions are monitored by type and can only be used for the expenditure for which they were originally recognized. Provisions are not recognized for future operating losses.

P. Employee benefits

Short-term employee benefits

Short-term benefits of the Bank's employees include taxes and contributions for mandatory social insurance, benefits related to unused employee leaves, and bonuses.

Short-term benefits to employees in the undiscounted amount of benefits that are expected to be paid based on the services provided by employees in a certain period are recognized as an expense in that period.

Accumulated compensated absences (annual leave) can be carried forward and used in future periods if the right from the current period is not used in full, Leave compensation costs are recognized in the amount that the Bank expects to pay as a result of unused rights accumulated at the balance sheet date, In the case of non-accumulated paid leave, the liability or expense is recognized when incurred.

Defined contribution plans

In accordance with the regulations applicable in the Republic of Serbia, the Bank is obliged to pay contributions to various state social security funds. These obligations imply the payment of contributions on behalf of the employee and by the employer, in the amount calculated by applying special, legally prescribed rates. The Bank is also legally obliged to withhold employees' contributions from gross salary and to transfer the withheld portions directly to the appropriate state funds on their behalf. These contributions, which are paid on behalf of the employee and the employer, are charged to the expenses of the period in which they were incurred.

Defined post-employment benefits

The Bank's obligations after termination of employment include provisions for statutory severance pay upon retirement.

In accordance with the Law on Labor and Article 92 of the Bank's Rules of Procedure, employees are entitled to severance pay in the amount of two salaries earned in the month preceding the month of retirement or in the amount of two average salaries paid in the Republic of Serbia, according to the latest published data of the Statistical Office of the Republic of Serbia, whichever is more favorable for the employee.

Details and assumptions for the calculation of provisions for employee benefits are given in Note 30 Provisioning.

Q. Employee Fees

Employee benefits are calculated as a liability and expense of the period to which they relate. in the amount to which the employee is entitled in accordance with the employment contract or general act. regardless of whether the payment of those wages was made by the end of the accounting period.

R. Other income and expenses

Sales revenue is recorded upon delivery of the asset or service. in accordance with the agreed terms of sale. Advances received in advance are not recognized as income. but as an obligation.

Expenses are recognized in the accounting period to which they relate and at the same time affect the reduction of assets or the increase of liabilities. Losses include losses from the sale and disposal of assets. cessation of recognition. reclassifications and modifications of financial instruments. deficits. expenses based on direct write-offs of receivables. on the basis of asset depreciation, etc.

Novi Sad, April 14, 2026

For the management
3Bank J.S.C. Novi Sad

Vladimir Vukotić	Rajko Maljković
President of the Executive Board	*Member of the Executive Board*

Annual Report on Business Operations

For the Year 2025

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.

Content:

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Introduction from the President of the Executive Board

In a year marked by global uncertainty, we have witnessed how fundamental values are often overlooked, business interests too frequently take precedence over care for the most vulnerable, while the well-being of communities and the environment receives diminishing attention. I am proud to say that, even under such circumstances, we have remained true to our values and once again demonstrated that the 3Bank business model, focused on the genuine alignment of business, social, and environmental objectives, is not only sustainable, but necessary.

In 2025, our lending activities were primarily focused on financing those who needed support the most. This lincluded small businesses, where our loan portfolio grew by 16%, as well as farmers, with growth of 13%. In the retail segment, we redirected our activities toward green financing, ensuring that virtually every action we take contributes to creating positive and sustainable change. Our total loan portfolio grew by 5.6%, reaching RSD 28 billion at the end of the year.

We have maintained a leading position in financing our key segments, farmers and entrepreneurs, as shown by the data indicating that as many as 48% of agricultural loan users and 28% of entrepreneurs are clients of 3Bank.

Client deposits also achieved the targeted growth and reached the level of RSD 23 billion at the end of the year, which is a growth of 7% compared to the previous year. 3 Bank's 20% share in RSD-denominated deposits with maturities longer than one year clearly demonstrates our commitment to promoting long-term savings in the domestic currency. In doing so, we actively support the efforts of the National Bank of Serbia toward the dinarization of the economy and the banking system.

Thanks to our ownership structure consisting of some of the most renowned banks in the field of green lending in Europe, as well as management's ownership stake, we have remained firmly committed in 2025 to the main goals of our activities: achieving a positive impact on the economy, society and the environment.

First of all, we maintained our focus on improving access to loans for categories of clients for whom this access is difficult, in other words - financial inclusion. As much as 73% of our clients in 2025 were from rural areas, while the share of so-called "underbanked" clients, i.e. clients who previously did not have access to credit, amounted to 45%.

In addition to social performance, with more than 900 "green loans" disbursed in 2025, we have continued to make significant steps in one of the Bank's most important strategic directions and thus continued to contribute to the "green transition" in the Republic of Serbia.

Leveraging on the digital initiatives of the Republic of Serbia, we have enabled farmers to use the official state Consent ID application to obtain a loan in just a few hours without coming to the Bank, completely "paperless", and with almost 8,000 new digital identities (eID) issued so far, as well as through active education by our employees on how to use other eGovernment services, we made a significant contribution to the inclusion of clients in the digital environment.

At the end of 2025, we further expanded the Bank's offer by introducing insurance products. Through this step, we aim to make these services accessible to an even broader range of clients and contribute to financial inclusion in this segment as well.

The said results were achieved thanks to the unreserved support of our shareholders, as well as the exceptional commitment and professionalism of our employees. On this occasion, on behalf of the Executive Board, I wish to thank them for their efforts, their willingness to further improve themselves and their commitment to developing a relationship of partnership and trust with our clients.

Vladimir Vukotić, the President of the Executive Board of 3 Bank

Corporate management

Until November 19, 2020, the sole shareholder of Opportunity Bank JSC Novi Sad was Opportunity Transformation Investments, Inc. (OTI) a holding company founded in June 2000 with the primary goal of holding ownership shares in Opportunity International partner banks. OTI founded Opportunity Štedionica in Novi Sad in 2002 in order to provide financial services to micro and small entrepreneurs and support employment in the Republic of Serbia, and in 2007 was successfully transformed into a bank in accordance with permission from the National Bank of Serbia. On November 19, 2020, a transaction was conducted in which OTI sold 77.99% of Opportunity Bank shares to a consortium of investors. All investors, and now new shareholders, as well as 3Bank (the name of Bank was changed on 22 Nov 2021), are members of GABV - Global Alliance of Value Banks. In 2021, the members of the Executive Board purchased 2% of the shares from the shareholders based on the Management Share Ownership Agreement. Finally, in 2024, a new Management Share Ownership Agreement was concluded and it provided a framework for the acquisition of shares that includes the Executive Board and five senior managers, with the possibility of including more managers in the following years. In July 2024, the first purchase of shares was carried out in accordance with that contract, when these nine managers bought a total of 0.40% of the ownership share and the management's share at that moment was 2.40%. In December 2025, OTI completely exited the Bank's ownership, selling its 19.99% stake. The shares were purchased by several investors, namely two private investors, two legal entities, and 18 managers of the Bank. Shareholder structure on December 31st , 2025. looked like this:

Shareholders	No. of shares	Nominal value RSD per share	Total amount in thousand RSD	% of ownership
UMWELTBANK Germany	8,871	60,000	532,260	29.85%
GLS Germany	5,911	60,000	354,660	19.89%
Triodos SICAV II Luxembourg	4,140	60,000	248,400	13.93%
TRIODOS FUNDS B.V. Netherlands	4,141	60,000	248,460	13.93%
IMPAKT EU, Belgium	1,198	60,000	71,880	4.03%
Dragan Nikolić	893	60,000	53,580	3.00%
MALI KOLEKTIV ANSTALT, Liechenstein	892	60,000	53,520	3.00%
Vladimir Vujović	753	60,000	45,180	2.53%
Bank management	2,919	60,000	175,140	9.82%

COMPOSITION OF THE BOARD OF DIRECTORS AS ON DECEMBER 31, 2025

FIRST AND LAST NAME	Nominee of	Individual independent from the Bank	Finance experience
Andrew Pospielovsky	Independent	YES	More than 6 years
Frazer Hume	OTI	NO	More than 6 years
Zorica Stevanović	Independent	YES	More than 6 years
Jelena Bulatović	Independent	YES	More than 6 years
Georg Christoph von Carlowitz	GLS	NO	More than 6 years
Timotheus Gordinou de Gouberville Crijns	Triodos	NO	More than 6 years
Goran Bašić	Umweltbank	NO	More than 6 years

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COMPOSITION OF THE EXECUTIVE BOARD AS ON DECEMBER 31, 2025

FIRST AND LAST NAME	Position	Finance experience
Vladimir Vukotić	President	More than 6 years
Novak Rakočević	Member	More than 6 years
Rajko Maljković	Member	More than 6 years
Slobodan Smiljković	Member	More than 6 years

Description of business activities

The Mission of 3Bank is to provide financial services to all those who make a positive economic, social and environmental impact, with special focus on clients who have difficulty in accessing such services.

The Bank strives to aim every activity, service or product at some of the challenges of the community in which it operates. The Bank supports small entrepreneurs, small businesses and agricultural farms, to whom financial services are often unavailable, in order to enable clients to develop and often start their own businesses, provide a better life for themselves and their families, and create new jobs.

3Bank has positioned itself as a leader in providing financial services to small businesses, entrepreneurs and small farms in the Republic of Serbia. Through its financing,3Bank creates opportunities for the unemployed and economically vulnerable in Serbia. From its establishment until the end of 2025, 3Bank is in Serbia disbursed 493,138 loans in total amount of EUR 1,464 million, enabling the creation 86,770 new jobs and maintaining 405,738, existing jobs.

At the end of 2025, 3Bank had:

- A loan portfolio in the amount of RSD 28 billionand RSD 23 billion of savings
- 478 employees in 38 business units, including the Head Office.

Human resources

At the end of 2025, 3Bank had 478 employees. The representation of men (218) is lower than the representation of women (260). Continuous attention has been devoted to reducing the gender imbalance in managerial positions, particularly in the 21 to 30-year-old category.

	Male	Female	Total
MNG TOTAL	**57**	**34**	**91**
Back office	29	25	**54**
Front office	28	9	**37**
Other TOTAL	**161**	**226**	**387**
Back office	38	69	**107**
Front office	123	157	**280**
TOTAL	**218**	**260**	**478**

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The Bank's Human Resources Department organizes regular employee trainings, both internal and external. The strategic goal in the field of human resources for 2025 was to consistently provide psychological security in the workplace.

Number of employees:

	Number		**Number**
Executive Board	4	Managers of mini regions	**7**
Higher management	6	Branches and credit offices managers	**30**
Middle management	44	Employees	**387**
TOTAL			**478**

Banking operations results

Lending to farmers

Since its establishment in Serbia in 2002, the Bank has continuously supported the development and operation of registered agricultural farms, regardless of whether they are commercial or non-commercial.

From the very beginning of its operations in Serbia, a very important target group for 3Bank are clients who live and work in rural areas, are engaged in agricultural production, and this is their only or additional source of income.

In such manner, 3Bank strives to contribute to self-employment, giving farmers the opportunity to start their own micro and small production and supporting their efforts to increase and modernize intensive agricultural production. This way 3Bank, in accordance with its mission, supports the development of rural areas and local communities and, considering the importance of agricultural production, society as a whole. Taking into account the unfavorable demographic trends in rural areas, caused by decades of migration of young people to urban centers, the Bank continued in 2025 to provide intensive support through a special credit line intended for start-ups and young farmers who have been operating for less than two years. The credit line was launched and contracted in 2024 in cooperation with the Serbian Foundation for Entrepreneurship. By doing so, the Bank aims to assist primarily young people to stay and build their future in the rural while simultaneously contributing to solving the problem of aging and abandoning the villages.

In 2025, the Bank achieved a 19% increase in the amount of disbursed loans, while the loan portfolio grew by 13% compared to 2024.

Lending to entrepreneurs and small businesses

Business loans approved by 3Bank are intended for all registered entrepreneurs and private companies in Serbia.

Loans are granted for business activities from the production, services and trade sectors, and our goal is to stimulate the development of entrepreneurship and thus contribute to creating new jobs and reducing unemployment.

At 3Bank, loan support to the business sector is complete, from empowering small business ideas for start-ups, through providing support and improvements to entrepreneurial ventures, regardless of the size of the project or the size of the company, to the care of the small and large needs of the business sector in order to enable them to adequately respond to current or challenges in the realization of investments. In 2025, the Bank continued to develop special credit lines in cooperation with international financial institutions aimed at improving business operations. It also signed a cooperation agreement with Proparco, which is part of the Agence Française de Développement (AFD) Group. This partnership enables small businesses to access long-term sources of financing without additional collateral, which is crucial for the sustainability and prosperity of this segment.

In 2025, the amount of disbursed loans increased by 18% compared to the previous year, while the loan portfolio grew by 16% compared to 2024.

Lending to pensioners and employees

In 2025, the Bank further strengthened its focus on lending to key segments, i.e. agriculture and small businesses, by directing part of the retail team toward supporting these sectors. At the same time, retail lending activities were focused on areas where the Bank can achieve the greatest positive impact, particularly through lending to employees and pensioners with low incomes who often face difficulties accessing financial services. In addition, the Bank increased its activities aimed at green lending for these customer groups.

In 2025, the total amount of disbursed loans decreased by 52% compared to the previous year, while the loan portfolio declined by 16% compared to 2024, alongside a gradual increase in the share of green loans in total disbursements.

Green financing

In 2025, the Bank extended its cooperation and contracted a new “Green” credit line in partnership with the European Bank for Reconstruction and Development (EBRD), thereby continuing to actively contribute to the green transition in the Republic of Serbia.

In addition to agricultural households and pensioners, the Bank also introduced the possibility for employed individuals, particularly those in rural areas where the need to improve energy efficiency is greatest, to access green loans.

These loans, intended for the installation of energy-efficient doors and windows, insulation, heat pumps, and solar panels, enable clients to reduce energy consumption, improve their living conditions, and simultaneously lower CO_2 emissions.

During the past year, 903 loans were disbursed for these purposes, reaching a portfolio of EUR 5.1 million, which represents a 5% increase compared to 2024. Since the introduction of the program, nearly 3,200 green projects have been supported.

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Digital Initiatives

Leveraging the digital initiatives of the Republic of Serbia's eGovernment platform (eID and e-signature), the Bank developed and successfully implemented the first fully digitalized agricultural lending process. In addition to enabling on-site loan origination via tablets, thereby increasing the accessibility of financial services, the Bank introduced digital signing through the eGovernment platform of complete loan documentation directly in the field. This eliminated the need for branch visits and established a fully paperless process, reducing the time for loan disbursement to between one and two hours.

By maintaining personal advisory contact while integrating modern technological solutions into everyday banking practice, the Bank ensured that digitalization enhances, not replaces the client relationship. By combining simplified access to financing with practical education on loan products, familiar digital tools, and adequate management of associated risks this approach has been particularly effective for clients with lower levels of financial and digital literacy.
A key driver of successful implementation has been the empowerment of farmers to adopt and use new technologies within a familiar and trusted environment (eGovernment and ConsentID).
Through individualized support, practical on-site guidance, and continuous engagement by client advisors, the Bank has fostered confidence in digital services while strengthening long-term client relationships.

During 2025, the digital agricultural lending process reached full operational capacity and became the Bank's primary origination channel in this segment, accounting for 80% of total agricultural loan production. Nearly 9,000 farmers signed loan agreements digitally. The model was further enhanced by enabling existing agricultural clients to access financing entirely remotely through a fully digital end-to-end process, without the need for on-site advisory visits.

Looking ahead, the Bank plans to further expand digital channels across additional client segments, including small businesses and deposit clients, with the aim of facilitating easier and faster access to financial services while continuing to strengthen clients' digital literacy and long-term financial inclusion.

Deposit operations

The Bank's deposit strategy for 2025 was based on providing a framework for achieving and maintaining an adequate level of stable deposits in accordance with benchmark rate movements.

On December 31, 2025, the Bank recorded 7% annual growth of deposits and had at its disposal RSD 23 billion, of which 77% were deposits from private individuals.

The average nominal interest rate on RSD deposits increased by 10 bps, while the fall of EUR deposits amounted to 31 bps. The balance of irrevocable deposits legal entities recorded growth of 23%.

Long-term deposits accounted for 39% of total deposits in the maturity structure of EUR-denominated savings deposits which is an increase by 3 p.p., while in the term structure of RSD deposits, long-term deposits had a share of 39% of total deposits and recorded an decrease of 6 p.p. In the currency structure, 66% are RSD deposits.

The Bank is the market leader in term dinar (RSD) deposits with maturities exceeding one year, holding a 20% share of the total market in this segment. In this way, the Bank actively supports the initiatives of the National Bank of Serbia aimed at advancing the dinarisation of the Serbian economy and banking system.

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Balance sheet

in RSD 000

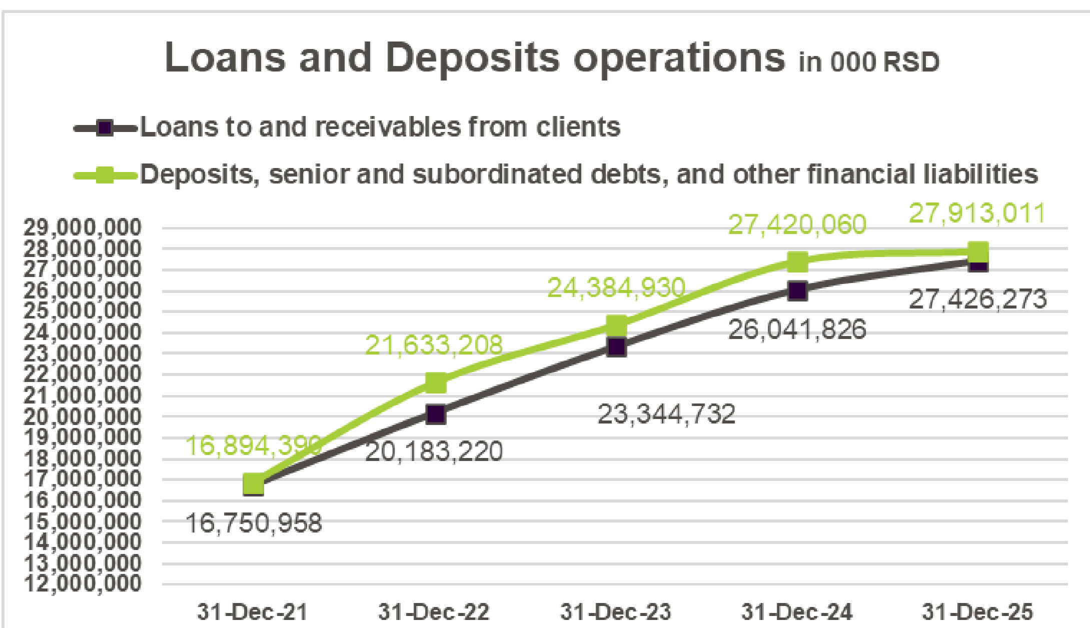
BALANCE SHEET	31-Dec-25	31-Dec-24	% change
Cash	5,213,518	6,040,509	-13.7%
Securities	963,442	474,572	103.0%
Loans and receivables	28,232,767	26,357,310	7.1%
Fixed assets	886,193	870,843	1.8%
Other assets	97,881	100,580	-2.7%
Total assets	**35,393,801**	**33,843,814**	**4.6%**
Derivative liabilities	-	1,932	-100.0%
Deposits and other liabilities	26,615,266	26,124,157	1.9%
Subordinated liabilities	1,297,745	1,295,903	0.1%
Other liabilities	891,982	774,735	15.1%
Equity	6,588,808	5,647,087	16.7%
Total liabilities	**35,393,801**	**33,843,814**	**4.6%**

In 2025, the Bank's balance sheet assets increased by RSD 1.55 billion or 4.6% compared to the previous year.

Loans and receivables from clients and banks increased by RSD 1.9 billion, i.e. 7.1%. As on December 31, 2025, total placements amounted to RSD 28.2 billion, which makes 80% of total balance sheet assets.

Client deposits amounted to RSD 23 billion, which makes 64% of total balance sheet liabilities. In 2025, client deposits increased by RSD 1.5 billion or 7%.
The balance of loans received at the end of the year amounted to RSD 3.45 billion and was 22%, or RSD 0.97 billion, lower compared to the previous year.

Subordinated liabilities were higher compared to the previous year for 0.2%, or RSD 0,3 billion, therefore the balance of the subordinated loan principal amount was RSD 1.3 billion at the end of 2025.



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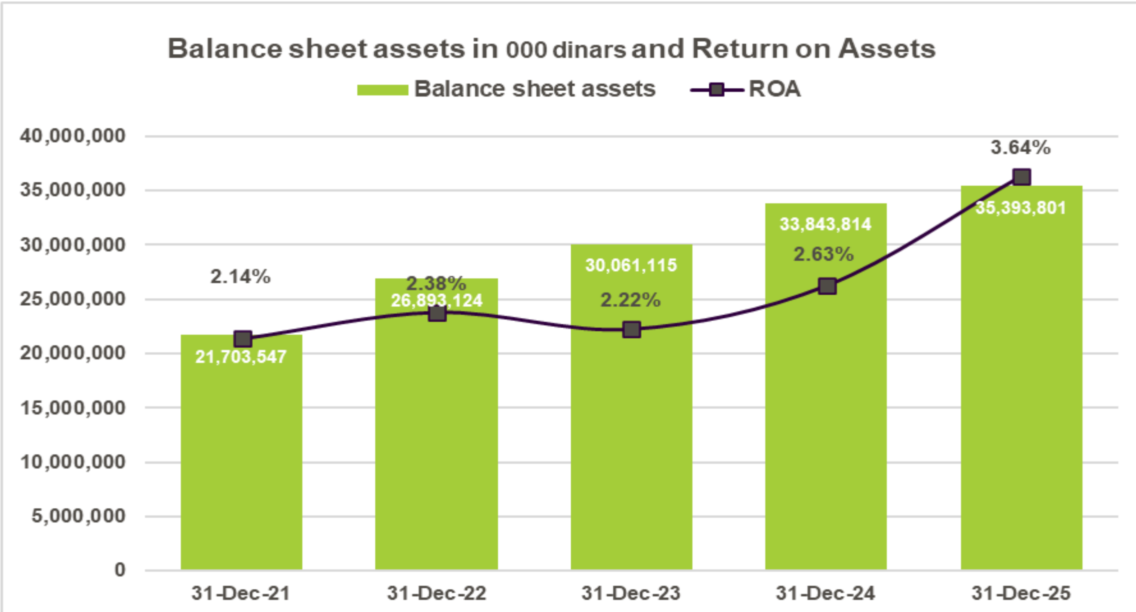

Looking at the five-year period 2021-2025, balance sheet assets recorded growth trend.. In 2025, the upward trend in return on assets continued, driven by a 50% increase in profit before tax, which significantly exceeded the 5% growth in average assets.

Income Statement

in RSD 000

INCOME STATEMENT	31-Dec-25	31-Dec-24	% change
Interest income	5,356,125	5,209,765	2.8%
Interest expenses	(1,229,710)	(1,294,373)	-5.0%
Net interest income	**4,126,415**	**3,915,392**	**5.4%**
Revenue from fees and commissions	43,458	51,520	-15.6%
Expenses from fees and commissions	(65,745)	(57,227)	14.9%
Net income from fees and commissions	**(22,287)**	**(5,707)**	**290.5%**
Net gain / loss on change in fair value	-	(1,932)	-100%
Net income/expense from exchange differences	8,481	2,045	-514.7%
Net income/expense from impairment of financial assets not valued at fair value through profit and loss	(300,485)	(447,022)	-32.8%
Other operating revenue	530	65	715.4%
Costs of salaries, fringe benefits and other personal expenses	(1,314,210)	(1,349,630)	-2.6%
Depreciation costs	(156,486)	(147,926)	5.8%
Other income	24,522	81,413	-69.9%
Other expenses	(1,091,045)	(1,207,679)	-9.7%
PRE-TAX PROFIT	**1,258,473**	**839,019**	**50.0%**
Income tax	(198,404)	(131,777)	50.5%
Deferred tax profit/loss	1,832	6,281	129.2%
AFTER-TAX PROFIT	**1,061,901**	**713,523**	**48.8%**

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Basic performance indicators

In 2025, interest income recorded an increase of 2.8%, while interest expense decreased by 5.0%.

Profit after tax was RSD 1,062 million and increased by 48.8% compared to the previous year.

Return on equity of 20.57% was achieved. A stable return on equity, especially in the circumstances of the global economic crisis, is the result of the Bank's clear strategy in terms of market segmentation, an active approach to clients, fostering the principle of availability, speed and the full engagement of all employees.

Equity

At the end of 2025, the Bank's regulatory capital amounted to RSD 6,516 million. Total growth, compared to the previous year, was RSD 517 million.

The dominant influence on the growth of regulatory capital, in the amount of RSD 535 million, derives from taxable profit which was, on the basis of a Decision of the Bank's Assembly, allocated to the position of profit reserves within initial capital. Based on the Decision of the Bank's Assembly dated April 25, 2025 shareholders were paid a dividend in the amount of RSD 178 million, which was made up of 25% of profit after taxation from 2024.

In structure of deductible items from capital, the total amount of deductible items decreased by RSD 3 million.

Amount of share capital remained unchanged compared to the previous year.

Supplementary capital decreased by RSD 91 million, due to amortization of subordinated loans.

Changes in regulatory capital during the period from 2024 to 2025:

in RSD million

POSITION	2025	2024	Change
TIER 1	**5,347**	**4,739**	12.83%
CET1 (Common Equity TIER1)	**5,347**	**4,739**	**12.83%**
Share capital	1,865	1,865	0.00%
Revaluation reserves	222	164	35.37%
Reserves from profit	3,440	2,905	18.42%
Other intangible assets - net	(153)	(171)	-10.53%
Deductible items from Capital	(27)	(24)	12.50%
Supplementary capital	**1,170**	**1,261**	**-7.22%**
Subordinated liabilities	1,170	1,261	-7.22%
TOTAL REGULATORY CAPITAL	**6,516**	**6,000**	**8.60%**

Risk management policies

The Bank's risk management system is defined as a continuous process of identifying and assessing risks as well as levels of risk exposure to certain business functions of the Bank, determining and reviewing limits, monitoring and controlling the Bank's overall exposure to business risks.

Maintaining identified business risks within defined limits is the main goal of the risk management system that has been established.

The basic principles of risk management policy as well as the limits of exposure to business risks have been defined in individual business policy decisions and other acts adopted by the Bank, based on the consideration of external and internal factors and limitations, i.e., the current position of the Bank, expected market trends, historical data, available human resources, information and technological resources.

The current risk management strategy ensures uniform and consistent risk management on a long-term basis and determines the bank's attitude towards all risks to which it is exposed or may be exposed.

Risk Management Policy defines the organization, objectives and tasks, as well as a unified management and supervision system over all current and potential risks the Bank is exposed to during its operations, with the aim of reducing them to an acceptable level while respecting the principle of stability, security, liquidity and profitability, and compliance with applicable statutory regulations and the Bank's internal acts.

The Bank's Risk Management Policy governs:

- defining the responsibilities and competencies for monitoring, measuring and managing risks,
- defining unified procedures, methodology and other acts for the identification, monitoring and control of all risk types,
- defining the limitations of the Bank's exposure to certain types of risks.

The objective of risk management is to identify, assess, measure and control exposure to liquidity, credit, market, operational and other risks, in order to effectively manage the exposure position towards the same, in order to achieve budgeted financial results and increase the economic and market value of the Bank's assets and equity, *i.e.*, achieving its strategic goals in accordance with the Bank's Business Policy.
In order to achieve the stated objective, the Bank provides fulfillment following presumptions, such as: engagement of the Bank's management, carefully prepared policies and procedures, adequate human resources, reliable technologies, high level of data integrity, and the general existence of awareness and risk approach culture adhered to by all Bank employees.

Credit risk management is based on a detailed analysis of the debtor's creditworthiness, the debtor's regularity in settling prior obligations towards the Bank, and an assessment of the quality of collateral. Credit analysis consists of a quantitative and qualitative segment and includes a consideration of the debtor's character, management's expertise, invested equity, debtor's liquidity and profitability, the debtor's cash flows realized in the past period and expected future flows and general business terms and conditions.

Calculation of credit losses is fully implemented in accordance with MSFI 9 standard. The Bank has identified and documented key credit risk and credit loss drivers for each financial instrument portfolio and, considering historical data analysis, statistically assesses the relationship between macroeconomic variables and credit risk and credit losses. All financial instruments for which value adjustments are made are classified into one of the levels, namely 1, 2 or 3, depending on the quality of the instrument itself.

The level of credit risk for each exposure is determined on the basis of different qualitative and quantitative factors that are defined to predict the risk of the non-performance of obligations based on an experiential credit assessment and available information about the client. Exposures are subject to continuous monitoring, which it is estimated whether there has been a significant increase in credit risk, which may result in a transfer to the second risk level.

The Bank is considering evidence of impairment of financial assets on an individual and group level. All individually significant loans, receivables and financial assets valued at amortized cost are estimated on an individual basis, as well as individually significant receivables with arrears of less than 90 days but exhibiting elements of impairment whereby the impact of the following events is estimated: blocked accounts, significant drop in capital and operating income between two periods, negative indicator of the debt servicing level, restructuring in the last two years, deletion from the Business Registers Agency, bankruptcy/liquidation, information indicating reduced creditworthiness as a result of monitoring.

For an investment with objective proof of impairment, the Bank estimates possible realistic sources of collection through an individual assessment. Future recoverability of receivables can be provided from operating cash flows, partially or totally by the activation and realization of collateral, or irrecoverable. For the purposes of group assessment, investments are grouped in homogeneous groups in terms of credit risk in accordance with the Bank's internal methodology. Formation of the value adjustment for homogeneous groups of investments is based on available historical data on losses and considering the flows that will certainly result from the realization of collateral.

Credit risk mitigation is also achieved through portfolio diversification. Bank loan clients operate within a wide range of sectors and their exposure to fluctuations on the global market is limited. In addition, the majority of the Bank's credit exposure is in a relatively small amount.

The Bank applies internal rating models to all client segments, which are incorporated into the Methodology for calculating the value adjustment in accordance with IFRS 9 and PD parameters based on migration matrices between rating classes. The Bank has identified and documented key credit risk and credit loss drivers for each portfolio of financial instruments, and, considering the analysis of historical data, has worked to establish relationships between macroeconomic variables and credit risk and credit losses.
In this way, by applying an appropriate credit risk rating model, the Bank can assess potential losses that may arise from loans to clients, which cannot be economically assessed through individual-level analysis, contributing to optimal lending and minimizing risk relative to returns.

Liquidity risk management is based on:

- Ensuring the stability and diversification of financing sources, *i.e.*, harmonization of maturity of sources with maturity of investments.
- Preventing temporary or long-term events that may result in a significant reduction in liquidity.
- Development and periodical testing of the business plan, in the event of a liquidity crisis with an assessment of its efficiency and adequacy.

The Bank manages assets and liabilities from the point of view of financial flows, cash flows and the dispersion of the maturity of assets and liabilities, with the aim of adjusting the Bank's cash inflows and outflows while considering ongoing changes in economic, political, legal and other business conditions.

The Bank's risk profile in terms of liquidity risk is determined by the level of risk that the Bank is ready to assume in accordance with the defined appetites and the principles of liquidity risk management.

Liquidity risk identification is carried out by identifying the causes that lead to liquidity risk and identifying current and future liquidity risk exposure, as well as exposure to liquidity risk by introducing new products, *i.e.*, new business activities, and implies an analysis of the balance and changes in balance sheet assets, liabilities and off-balance sheet items, within the meaning of:

- Estimates of the viability of positions of assets of different liquidity levels,
- Reviewing the structure and the number of sources necessary for financing assets, analyzing the maturity structure of assets and the stability of deposits without defined maturity,
- Determining potential outflows of liquid assets based on the activation of off-balance sheet items.

In addition to regulatory, the Bank has an established system of internal limits for certain liquidity indicators. The Bank identifies, monitors and assesses liquidity risk by applying a gap analysis that involves measuring the difference between expected inflows and outflows over a certain period of time and monitoring defined liquidity ratios.

During 2024, the level of liquidity was at an adequate level, and the structure of resources remained diversified. All indicators, both regulatory and internal, were above the set limits at all times. Conducted liquidity stress tests indicated the Bank's good ability to overcome possible difficulties in obtaining resources, which was confirmed by the fact that the events related to the multidimensional world crisis, which is also transmitted to Serbia had no significant impact on the liquidity of the Bank.

Interest rate risk management is based on:

- regulations and methodologies set by the National Bank of Serbia and internal methodologies,
- limits for the interest rate risk set at a level where the Bank will not have significant losses due to interest rate variations.

The Bank's risk profile in terms of interest rate risk is determined by the level of risk that the Bank is ready to assume in accordance with the defined goals and the principles of interest rate management. The Bank has defined a set of interest rate risk indicators and established a system of internal limits for individual interest rate risk indicators and processes for monitoring established indicators and limits.

Interest rate risk assessment is carried out using quantitative and qualitative techniques and includes the measurement and limitation of open interest rate positions by currency (total and individual) in relation to applicable regulations and adopted limits, as well as the measurement of volume of potential losses in the event of a significant change in interest rates by using a gap analysis, stress tests and simulation of changes in the open positions, and interest rate movements over a certain period of time, as well as monitoring defined interest rate risk indicators.

The Bank manages various types of interest rate risk in the banking book given the fact that the Bank has no positions in the Trading book:

- the risk of time mismatch in maturity and repricing (repricing risk);
- yield curve risk, to which it is exposed due to a change in the yield curve;
- basis risk, to which it is exposed due to different reference interest rates in interest sensitive positions with similar characteristics in terms of maturity or re-pricing;
- optionality risk, to which it is exposed due to contractual provisions regarding interest-sensitive positions (loans with the possibility of early repayment, deposits with the possibility of early term deposit cancellation, *etc.*)

The Bank regularly conducts stress tests, *i.e.*, sensitivity analysis and scenario analysis based on various assumptions, including operations under extraordinary conditions, which assess the effects of changed, one or more, risk factors on the capital and the financial result of the Bank in clearly identified emergencies (stress conditions).

Over the past year, the Bank has maintained the maturity matching of interest rate risk positions and thus kept its exposure to this risk within its appetite despite environmental factors that worked to increase interest rate risk. All indicators of this risk are within the defined internal limits.

Foreign exchange risk management is based on:

- the management of the Bank's foreign exchange currency risk follows limitations set by the National Bank of Serbia and the limits set by the Bank itself, taking care that the profitability of the Bank is not compromised.
- the foreign exchange currency risk limits that are determined at a level where the Bank will not have significant losses due to movements of foreign currencies in relation to the dinar.

The Bank performs the identification of foreign exchange currency risk exposure by determining its open FX positions in specific currencies, as well as a total for all currencies in which the Bank operates. The Bank defines a set of foreign exchange indicators and establishes a system of internal limits for individual foreign exchange risk indicators and the processes for monitoring established indicators and limits.

Foreign exchange risk assessment is carried out using quantitative and qualitative techniques and includes the daily measurement and limitation of open positions by currency (total and individual) in relation to applicable regulations and adopted limits, as well as the measurement of the potential size of potential losses in the event of a significant change in currency.

Identification, monitoring and assessment of foreign exchange risk is carried out using a gap analysis, stress tests and simulation of changes in an open position, and foreign exchange movements over a certain period of time, as well as monitoring defined foreign exchange risk indicators.

The Bank regularly conducts stress tests, *i.e.*, sensitivity analysis and scenario analysis based on various assumptions, including operations under extraordinary conditions, which assess the effects of changed, one or more, risk factors on the capital and the financial result of the Bank in clearly identified emergencies (stress conditions).

During 2025, the exposure to foreign exchange risk was significantly below the level prescribed by the regulator, and it was constantly below the internal, stricter limits. The limits for open positions and foreign exchange VaR were also respected at all times.

Business risk indicators	Limit	31-Dec-25	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21
Liquidity indicator	Min 0,8	**3,20**	3.61	4.46	3.98	3.60
Foreign exchange risk indicator	Max 20	**1,06**	0.64	1.23	1.08	0.88
Capital adequacy indicator	Min 10,95*	**25,57**	24.41	23.01	22.91	25.48
Problematic loans		**3,18**	2.81	3.43	3.22	2.42

*Total Supervisory Capital Requirement

Assessment of risk management efficiency.

The Audit Department performs an independent evaluation of the risk management system and performs a regular assessment of the adequacy, reliability and efficiency of the Bank's internal control system.

In line with the Annual Plan for 2025, regular audits of risk of money laundering and terrorist financing and complaints of financial service consumers, as well as disclosure of the bank's information and data were conducted. In addition to the above areas, there have been regular audits of ICAAP, information technology, SWIFT security controls, analysis of the application of IFRS9, digital agro credit process, Cash and Teller operations, Administration Department, the organizational units responsible for Operational Risk Management, Procurement and Logistics, and Human Resources.

The Audit Department, in its reports, defined recommendations for all findings on identified weaknesses in the internal control systems, while managers in charge of the audited areas defined action plans for the elimination of identified irregularities, the action plan owners and the deadlines for removing irregularities. Internal auditors assessed the adequacy, effectiveness and timeliness of the activities undertaken by management in relation to irregularities and the recommendations of the Audit Department.

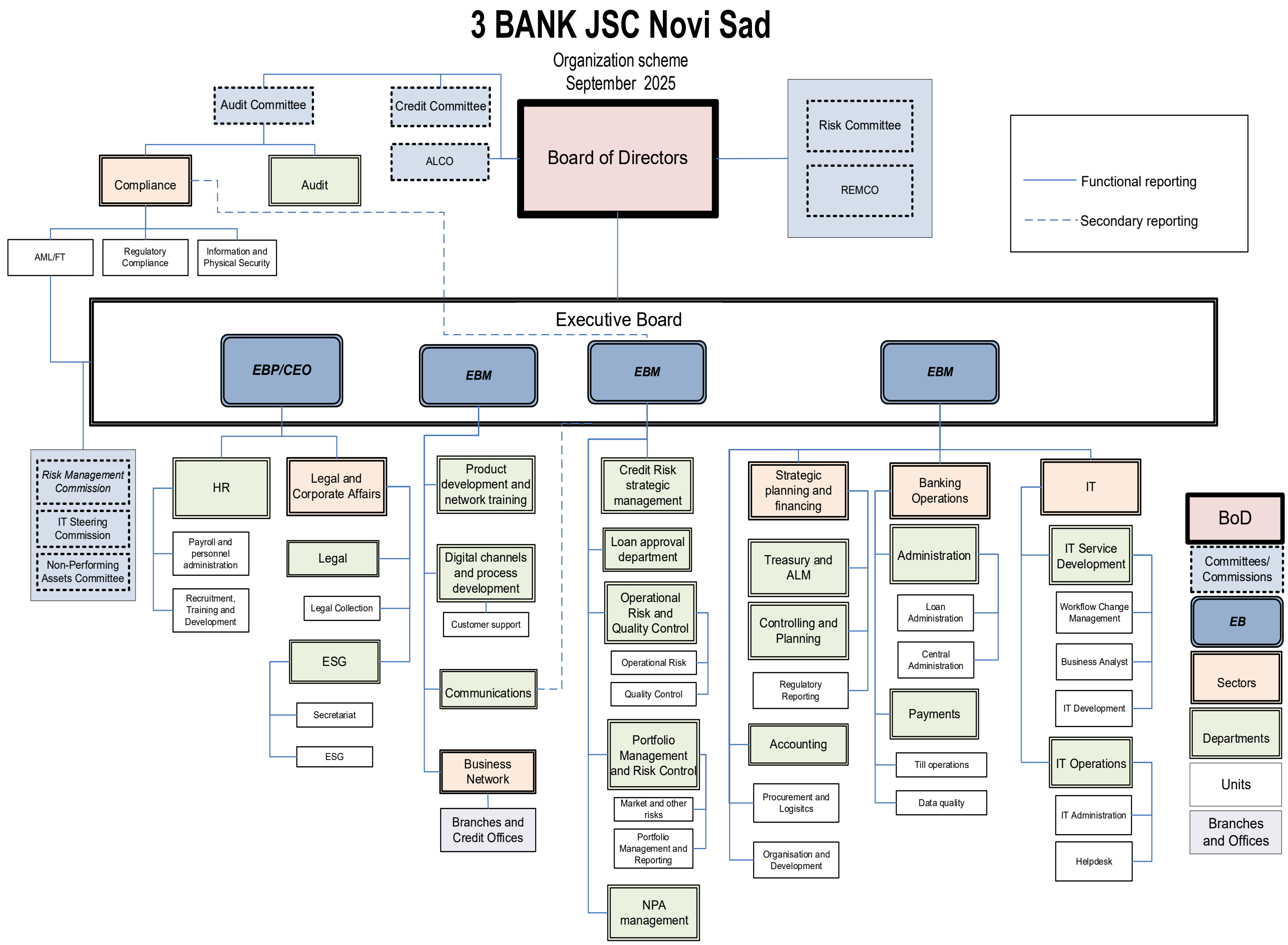
The assessment of the Internal Audit Department is that an effective internal control system has been established for these risks, as it, to a large extent, allows for the timely detection and continuous monitoring of risks to which the Bank is exposed in its operations. The Bank's Audit Committee and the Board of Directors were regularly informed of audit results.

Future development of the Bank

In the coming years 3Bank will focus on:

- Continuation of sustainable growth in business and agriculture with increased market share in these segments;
- Further development and growth of green portfolio in 3Bank;
- Continuation of digitalization of business activities with a focus on digital products and services aimed at customers;
- Increasing operational efficiency, improving the process and speed of service, in order to efficiently manage a large number of clients who do not have easy access to financial services;
- Increased activities to diversify sources of funding as a prerequisite for ensuring long-term stable growth;
- The development of innovative savings products that will enable savings to client, with smaller cash amounts, especially in domestic currency and
- Development and expansion of insurance product in targeted market segments.

Organizational structure



Address of branches and credit offices

No.	Name	Address	Legal representative
1	Branch Novi Sad	Bulevar oslobođenja 2a	Miloš Velimir
2	Branch Beograd	Jurija Gagarina 30g	Stefan Vasić
3	Branch Niš	Cara Dušana 86	Mladen Veljković
4	Branch Kragujevac	Nikole Pašića 9	Miroslav Vasiljević
5	Credit office Aleksinac	Vojske Jugoslavije 1	Goran Jovković
6	Credit office Bačka Palanka	Žarka Zrenjanina 94	Duško Petković
7	Credit office Čačak	Devet Jugovića 23	Nikola Milić
8	Credit office Ivanjica	13. Septembra 24	Emir Veljović
9	Credit office Jagodina	Kralja Petra 1 lokal 3	Slađan Radosavljević
10	Credit office Kikinda	Svetosavska 110	Dragan Ćulibrk

No.	Name	Address	Legal representative
11	Credit office Kraljevo	Kralja Petra 2/7	Jelena Vukićević
12	Credit office Kruševac	Trg Kosturnica 2	Lazar Ijačić
13	Credit office Leskovac	Masarikov trg 21, lokal 4	Sanja Stamenković
14	Credit office Loznica	Banjska 14	Aleksandar Jeremić
15	Credit office Novi Pazar	Stane Bačanin bb	Emir Veljović
16	Credit office Obrenovac	Vuka Karadžića 26	Dragana Kojić
17	Credit office Pančevo	Braće Jovanovića 40	Aleksandar Đurđević
18	Credit office Pirot	Ćirila i Metodija 3	Božidar Nikolić
19	Credit office Požarevac	Bratstva i jedinstva 7	Kristijan Ilić
20	Credit office Prijepolje	Vladimira Perića Valtera bb	Aleksandra Bukvić
21	Credit office Šabac	Kralja Milutina 22 B	Mirko Jovanović
22	Credit office Sombor	Arsenija Čarnojevića 10	Aleksandar Milanović
23	Credit office Sremska Mitrovica	Masarikova 9	Aleksandar Jeremić
24	Credit office Stara Pazova	Ćirila i Metodija 23	Željko Novaković
25	Credit office Subotica	Matije Gubca 9a	Lazar Petrović
26	Credit office Topola	Vožda Karađorđa 76	Ljubomir Božović
27	Credit office Užice	Kneza Lazara 27	Milan Milivojević
28	Credit office Valjevo	Karađorđeva 153	Goran Vesović
29	Credit office Velika Plana	Svetosavska 11	Pero Aleksić
30	Credit office Vranje	Dunavska 5	Božidar Nikolić
31	Credit office Zaječar	Nikole Pašića 71	Ljubomir Božović
32	Credit office Zrenjanin	Jug Bogdana 4	Jelena Panić
33	Credit office Smederevo	Đure Jakšića 6	Marko Ljubojević
34	Credit office Mladenovac	Kralja Aleksandra Obrenovića 81	Nikola Ristić
35	Credit office Paraćin	Tome Živanovića 20	Marina Jovković
36	Credit office Žabalj	Svetog Nikole 45A	Vesna Janjić
37	Credit office Vršac	Đure Jakšića 3	Dalibor Dojčinov

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Nonfinancial report

The business model

The Bank specializes in providing loans and other financial services to entrepreneurs, micro and small businesses and agricultural households in the Republic of Serbia, as well as to other clients who has limited access to financial services.

The Bank provides clients with financial products tailored to their specific needs with the best possible quality of services and continuous contribution to the development and economic prosperity of the community, and proportionally to the results achieved, the living standards of our employees grow as well.

The Bank collects funds through deposit products of an educational nature, fostering the principle of the importance of small depositors through a price policy.

An adequate relationship with investors enables the Bank to ensure further strengthening of capital in the medium term (through capitalization or taking subordinated loans) and other sources of financing, primarily from the Bank's shareholders and international financial institutions.

The Mission of 3Bank is to provide financial services to all those who make a positive economic, social and environmental impact, with special focus on clients who have difficulty in accessing such services.

The concept of sustainable banking is based on the principle of achieving growth and profit but in line with the achievement of social and environmental goals. We have included these principles in our strategic goals. Our goal is not just making profit, in addition to that we also want to make a positive impact on people, the community and the environment. 3Bank implements its activities in a way that keeps all three goals in balance and the achievement of one goal must not jeopardize the other two.

3Bank is a member of the Global Alliance for Banking on Values (GABV http://www.gabv.org/). Over sixty GABV members from around the world work with a common goal: achieving sustainable economic and social development, with special emphasis on preserving the environment and supporting individuals to realize their potential, thus strengthening the communities in which they live and work.

Socially responsible initiatives

The Bank strives to continuously contribute, through its activities, to addressing challenges in the communities in which it operates. In addition to providing financial support while maintaining social and environmental components, during 2025, the Bank also implemented two particularly significant projects aimed at further empowering key clients important both for the communities in which they operate and for society as a whole.

In 2025, in cooperation with the daily newspaper Blic and with the support of the Ministry of Finance and the Chamber of Commerce of Serbia, the Bank organized the “Heroes of Microbusiness” competition for the fourth consecutive year. The competition was organized with the aim of fostering the development and promotion of entrepreneurship, and thus was intended for the smallest businesses, with up to five employees, whose inspiring stories of perseverance and success encourage others to embark on an entrepreneurial journey, build sustainable success for themselves and their families, and contribute to the development of the local communities in which they operate. With significant media support, the project was successfully implemented, while the presence of Siniša Mali, Deputy Prime Minister and Minister of Finance, and Branislava Simanić, Director of the Entrepreneurship Sector at the Serbian Chamber of Commerce, at the official award ceremony further strengthened the public recognition and visibility of the competition, as well as its overall significance.

In the second half of the year, the Bank traditionally organized a competition for young farmers, up to 35 years of age. The Bank actively supports small agricultural farms since 2008, witnessing the unfavorable trend of the abandonment and aging of villages, caused by the migration of young people from rural areas to large urban centers. During that period, the average age of farmers in the Bank's portfolio increased by as much as 5 years. On the other hand, the Bank's clients are some young farmers who, through their work in the fields, built the life they like. With this competition, the Bank wanted to use the successful stories of young farmers to motivate other young people to follow the same path, contributing not only to the quality of their lives, but also to the development of rural areas and villages and society as a whole.

Education on sustainable development

3Bank, via its official accounts on social media and the Bank's website, continuously publishes educational content on the importance of preserving the environment and the ways in which individuals can contribute to sustainable development. Through educational articles, photos, infographics, sharing news from this sphere, we try to contribute to informing the public of the said topics and strengthen their awareness about the goals of sustainable development.

Education as a Driver of Digital Inclusion

Through the introduction of the first fully digital lending process for farmers based on the digital initiatives of the Republic of Serbia's eGovernment platform (eID and e-signature) and a model integrating personal advisory support with advanced technological solutions, 3-Bank has laid the foundation for the systematic enhancement of its clients' digital literacy.

Nearly 100 client advisors provide daily, individualized support and practical on-site training, empowering clients to use the digital signing application and e-services with confidence. By guiding them throughout every stage of the process, advisors ensure not only successful loan delivery but also long-term capability building. Upon completion of the training, clients are fully equipped to utilize additional eGovernment services, directly contributing to their broader participation in contemporary social and economic activities.

Through this approach, the Bank has established a continuous and sustainable education model that supports wider digital transformation, with a particular focus on clients with lower levels of digital and financial literacy. More than 9,000 individual training sessions conducted to date underscore the tangible impact and scale of this initiative.

Sustainable Development Goals (SDG) Management

The Sustainable Development Goals are a universal call to action to eradicate poverty, protect the environment and ensure peace and prosperity for all as part of a new UN global plan for sustainable development.

With the aim of further enhancing sustainability management, the Bank continued to implement the activities defined in its roadmap for integrating sustainable development principles into its regular operations. These activities represent a significant step in adopting a systematic approach and further embedding sustainability into the Bank's operational processes and risk management framework, with the objective of ensuring its deeper and long-term integration into the business model.

To support the achievement of sustainable development goals, 3Bank focuses its activities and impact on the following five Sustainable Development Goals:

1. No poverty

First UN Sustainability goal is to end poverty in all its forms everywhere. In line with this goal, the bank provides support to rural clients, clients with difficult access to banking services and low-income clients.

GOAL	Indicators	KPIs	2025 results
1 NO POVERTY	Loans to rural clients*	>65%	73 %
	Loans to underbanked clients**	>35%	45 %
	Loans to low-income clients***	>20%	26 %

* Credit clients of 3 Bank are categorized as "rural" if they have an address outside the cities (the definition of the city is in line with the Law on Territorial Organization of the Republic of Serbia).

**The share of these so-called "Underbanked" clients in monthly loan payments are measured as the percentage of credit clients who do not have previous loans recorded in the Credit Bureau. This share is measured only for clients who take their first loan in 3 Bank.

*** The Bank applies an internal methodology for measuring the share of clients with lower than average incomes in the Republic of Serbia, which is in line with the Household Budget Survey conducted quarterly by the Statistical Office of the Republic of Serbia.

2. Zero hunger

The zero hunger goal aims to end world hunger, achieve food security and improved nutrition and promote sustainable agriculture. In line with this goal, the Bank finances agricultural households and agricultural production, thus helping to diversify the food market and food availability.

GOAL	Indicators	KPIs	2025 results
2 ZERO HUNGER	Loans to agro clients	>25%	35 %

3. Decent work and economic growth

This goal aims to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. The Bank finances start-up entrepreneurs, micro SMEs and agricultural households, which together with regular loans also leads to the growth of clients.

GOAL	Indicators	KPIs	2025 results
8 DECENT WORK AND ECONOMIC GROWTH	Loans to business clients	>25%	38 %
	New jobs created	>7% YoY	27% YoY

The number of new jobs increased by 27% compared to the previous year, significantly exceeding the growth target of at least 7% planned for 2025.

4. Responsible consumption and production

The goal of responsible consumption and production aims to ensure sustainable patterns of consumption and production. The Bank has adopted the principles of reducing the overall internal impact on the environment, reducing energy consumption (and the use of green electricity), paper, waste and reducing the CO2 footprint.

GOAL	SDG - KPI`s	Unit	January-December 2025
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Climate impact intensity	tCO2/ FTE	1.35

The climate impact intensity (tCO$_2$/FTE) decreased by 4.26% compared to the previous year, thereby achieving the target of at least a 3% reduction.

5. Climate action

The climate action goal aims on take urgent action to combat climate change and its impacts. The Bank integrates environmental issues with social, cultural and economic aspects. In the lending process, we consider aspects of environmental protection. The Bank uses a list of exclusions, measures the impact of the portfolio according to the PCAF standard as well as GABV scores and reports in accordance with GRI principles. The bank is one of the signatories of the GABV 3C Carbon initiative.

During 2025, 3 Bank drafted and issued PCAF and GRI reports.

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Regular reporting of SDG goals is done on a monthly basis for the bank's management and on a quarterly basis for the bank's Board of Directors.

Investments in environmental protection

Through its Sustainable Development Goals Policy, the Bank seeks to integrate sustainability principles into all segments of its operations, with the aim of ensuring that its activities make a positive contribution to economic and social development, while maintaining a responsible approach to environmental protection. The Bank views the term “environment” in a broader context, encompassing not only ecological aspects but also employee protection, occupational health and safety, and its impact on local communities. The Bank is committed to systematically monitoring the impact of its own operations and the activities of its clients, while fostering open dialogue with all relevant stakeholders.

A key activity in the area of environmental protection is the development and disbursement of green loan products. In cooperation with the European Bank for Reconstruction and Development (EBRD), through the Green Economy Financing Facility (GEFF) program, the Bank continued to finance household energy efficiency investments. The loans are intended for the installation of energy-efficient windows and doors, insulation, heat pumps, and solar panels, thereby enabling beneficiaries, particularly in rural areas, to reduce energy consumption, improve living conditions, and lower CO_2 emissions.

The program was initially aimed at registered agricultural households and was subsequently expanded to include pensioners and employees with permanent employment contracts, further improving access to this type of financing. During the year, 903 green loans were disbursed and 959 loans were verified. The implemented, *i.e.* verified investments contributed to the avoidance of approximately 690 tCO_2 of greenhouse gas emissions. As of the reporting date, the Bank has disbursed a total of 3,139 green loans, with an aggregate value of approximately EUR 10 million.

The Bank continued with the "Green Champion" competition to motivate branch employees to approve green loans. The goal of the competition was education about our environmental impact and GHG emissions. In order to learn about ways, we can make an impact by disbursing green loans, we are measuring emission generated by the branch (by paper, fuel, energy consumption), and on the other hand, the GHG emission avoided through approved green loans. The best branch and the best employee are the ones who contributed to GHG emissions reduction the most.

Additionally, the internal competition “Best DIGI Client-Advisor” was organized for the first time in 2025, with the aim of raising employees’ awareness of the importance and benefits of digitalization, both in the use of digital tools and in supporting sustainable business practices.

In order to protect the environment, the Bank is working on the development of products and services that will meet environmental goals, as well as those related to social impact and prosperity through:

- further increase of employee awareness about environmental risks in the lending process;
- improving reporting and measurements in relation to the Bank's impact on the environment;
- implementing positive measures to reduce CO2 emissions, conserve energy, reduce material consumption such as paper and recycle waste.

The Bank launched a project aimed to optimize the process in a way that contributes to reducing the volume of printing. As the result of the said optimization of business processes, during 2025, the volume of used paper decreased by 34%. Additionally, the education of employees using internal communication tools was continued, in order to improve their knowledge on the topic of electronic document management, without unnecessary printing.

Hazardous and non-hazardous waste is submitted for recycling and destruction, with full implementation of the Law on Waste Management.

Within its own activities and business processes, the Bank constantly strives to reduce the negative environmental impacts of its activities, such as:

- care about the occupational health and safety of its employees;
- publication of information and data on environmental impact, on the Bank's website and internal magazine in order to increase employee awareness of the environmental impact;
- reporting on the environmental impact of the loan portfolio in accordance with PCAF standards;
- improving the Bank's energy efficiency class during the design and adaptation of business premises through the use of new materials and a movement towards the use of renewable energy sources and
- enabling the classification of waste within all business premises it uses.

Social and personnel issues

Management of human resources

The term human resources i.e. human potential refers to all employees of the Bank and implies their knowledge, skills, creative abilities, motivation and commitment that they invest in order to improve both business operations and personal competency, while adhering to the Mission and Values of the Bank.

A Shared Responsibility

Meaningful, professional, dignified and inspiring management of the Bank's employees is the task of managers at all levels, as well as the Human Resources Department.

Line managers have the primary responsibility to ensure psychologically safe work environment where employees will feel appreciated and where the support and setting will be provided for them to express their full potential and commitment to the success of the Bank.

The Mission of Human Resource Department is to provide partner support and development along with professional guidance to managers aiming to deliver business results by optimizing the performance of our people and ensuring good working conditions.

The Human Resource Department Vision is to for the Bank to differentiate itself with good HR practices as an employer of choice on the labor market.

Selection and Recruitment

Long term success of the Bank depends on its capacity to attract, retain and professionally develop employees and this is the primary responsibility of all managers.
The main criteria for hiring employees are their knowledge, skills, attitude and personal values, regardless of race, gender, nationality, social origin, birth, and religion, political or other beliefs, financial status, culture, language, age and mental or physical disability.

Learning and Development

Employees at all levels are encouraged to continuously upgrade their knowledge and skills. Commitment to employee development is one of the key traits of the Bank as an employer.

Company learning in the Bank implies a structured series of activities aimed at building the necessary and anticipated competencies of employees in accordance with the strategic needs of the Bank. In the field of employee development, the Bank promotes the so-called Blended learning approach, i.e. a combination of different learning modalities according to the following principle: approximately 70% of learning is realized through work, 20% through mentoring of colleagues and 10% through formal learning and training.

The role of managers is to define training needs in agreement with their employees, keeping in mind the objective needs of the job, and to provide them with support and favorable opportunities for continuous personal and professional growth.

In order to enable employees to acquire additional skills and broaden their accountability, the Bank also promotes work in cross functional teams, extension of responsibility and broadening the job scope through collaboration on various internal projects.

Talent and performance management

The Bank promotes a workplace where everyone understands the importance of his/her work in achieving common goals.

The line manages are encouraged to maintain continuous performance dialogue throughout the year with their employees.

The Bank ensures that the formal review process is conducted. This enables managers to acknowledge high performance of the employees and to award them accordingly. On the other hand it also ensures that the low performance is managed timely and properly.

The promotion and succession planning is based on the sustained performance (WHAT/RESULT and HOW/BEHAVIOUR) and assessed future potential of an employee.

Rewards System

Depending on the positions, the Bank’s rewards system consists of competitive remuneration package, variable pay and benefits, in accordance with Labor Law, Human Resources Policy Manual and Labor Agreement.

Work Environment and Conditions

The Bank is committed to providing to its employees a good working conditions, safe and healthy work environment. The Bank ensures security and safety at work in accordance with relevant legal requirements and Bank Human Resource Policy Manual.

Employee Relations

The Bank has built a culture based on trust, mutual respect and dialog and does not tolerate any form of harassment and discrimination.

The Bank strongly promotes transparency in communication, so that employees are encouraged to point out the situation if they believe that any aspect of the employment relationship has been violated.

Continuous retention rate monitoring and conducting surveys on employee satisfaction with the work environment

With the aim of tracking and timely response to possible problems from the perspective of employees, the Bank monitors the retention rate of employees and measures employee satisfaction with the work environment.

Respect for human rights

The Bank respects all human rights guaranteed by the Constitution of the Republic of Serbia.

Principles of Human Resources

Human resources management represents a shared responsibility of the management and human Resources Department, which is guided by the following principles in its daily work:

1. Employees are the Bank’s most import resource i.e. potential;
2. All employees shall adhere to the Mission and Values of the Bank;
3. The Bank ensures impartial employment process;
4. The Bank does not employ persons under 18 years of age, thus ensuring compliance with the Labor Law and Human Resources Policy Manual;
5. The Bank takes care of career development of its employees;
6. The Bank provides adequate training to all employees;
7. Employee performance is assessed by the annual appraisal form that measures work performance and employees’ respect for the Mission and Core Values of the Bank;
8. All employees are entitled to advancement in accordance with results achieved and their potential;
9. The Bank targets the median salary level compared with banking peer group in Serbia;
10. The Bank provides adequate working conditions for employees in accordance with the Law and best practices;
11. The Bank monitors, investigates and documents all injuries incurred in the course of regular business activities and
12. Rights, duties and responsibilities of the employees and the Bank as an employer are more closely defined in the HR Policy Manual.

Principles of compensation system

There are 6 basic principles in Bank's Salaries structure described in Compensation Policy:

Fairness - Principle that is fair to both the individual and the Bank.
Internal justice - A fairness criterion that directs an employer to establish salary logic that correspond to each job's relative value to the organization.
Competitiveness - Specific to a particular job and the conditions at the banking labor market for the skills needed. Pay ranges that are comparable to those offered by local and regional employers for similar positions. Also, the principle considers the criticality as well as the deficit of a specific position in the labor market.

Performance based - Individual performance, organizational performance, and the needs of the Bank are considered when determining salary.

Transparency - A commitment by the Bank to be transparent and inform all employees about any changes in the compensation system.

Living wage concept – Bank aspires for the continues prosperity of its employees and aims to provide the living wage that will cover basic living needs by paying attention to living standards in cities and purchasing power index.

The Bank participates in a market compensation survey on an annual basis, which provides market data across a selected peer group within Serbia, covering cash compensation and non-cash compensation comparison.

Anti-corruption and bribery

The Compliance Policy, adopted by the Board of Directors, define compliance standards based on the ethical principles of the Bank, professional banking practice, the Bank's Code of Ethics, client protection principles, as well as relevant laws and regulations.

By the aforementioned policy, the Bank has particularly determined rules according to which every form of direct and indirect bribery and corruption is prohibited, as well as the rules governing the prevention of conflicts of interest.

Corruption is defined by the Compliance Policy as abuse of authority for personal gain.

Bribery is defined by the Compliance Policy as receiving or granting of a benefit, either directly or indirectly, in order to influence the performance of one's duties.

In order to oppose bribery and corruption, the Bank has defined in Compliance Policy special rules for editing giving and accepting gifts and invitations, dealing with persons acting on behalf of the Bank (third persons), making facilitation payments, sponsorships and donations, conflict of interests etc.

Gifts represent a type of benefit, whatever the monetary value, given to a person or legal entity that are granted mostly for reasons of gratitude or for enhancing one's image, without expecting any specific return service. Employees of the Bank may give or receive gifts and invitations from clients or third persons only if the gift meets the conditions which are strictly prescribed by the Compliance Policy.

Dealings with third persons refers to dealing with all persons who directly or indirectly perform specific services in the name or on behalf of the Bank, as is the case with advisors, intermediaries, consultants, service providers, etc. For the purposes of effectively preventing corruption and possible financial damage and damage to Bank reputation, special precautions must be taken when commissioning such third persons as they can be made use of – with or without the knowledge of the Bank's management - for indirectly paying bribes. The Compliance policy prescribes in detail special measures that must be applied in business with third parties.

Sponsorship means supporting a person, group or organization by financial means, contributions or services. In return, the public through the activities of the recipient of the sponsorship, increase the recognition of the sponsor in the public's awareness of the sponsor is increased through the activity or sponsored party and the brand or the name of the sponsor is given a positive connotation. In contrast to donations, sponsorship has a commercial orientation and provides a business advantage to both parties.

Donations are given for the good of the community, often within the scope of a company's corporate social responsibility activities and without the expectation of any specific service in return. The Compliance policy prescribes special conditions that must be met in order for the Bank to be a sponsor, or to donate.

A conflict of interest arises when individuals have personal interest that may interfere with, or appear to interfere with, the independent exercises of judgment in business dealings. Employees must avoid situations in which decisions made on behalf of the Bank would be influenced by personal interests, which is why existing, potential and perceived conflicts of interest require careful management. The Compliance policy distinguishes between two types of conflicts of interest that may indicate potential corruption: internal that relate to employees and external that relate to clients and third persons.
With a purpose of raise employee's awareness that corruption and bribery are strictly prohibited, the Compliance Sector at least once a year conduct Compliance training for all Bank's employees. The integral parts of Compliance training are a topic in which employees are taught about zero tolerance, potential risks, ways of recognition, ways of reporting cases related to corruption or bribery, relevant internal acts with which employees are in obligations to meet and contact persons regarding any issue related to corruption and bribery. In addition to the above, all employees have access to the Compliance Policy.

Research and development activities

In 2024, the bank conducted numerous research and focus groups with credit and deposit clients in order to determine their needs and expectations for the future with an aim of developing products and processes tailored to different client segments.

The most important conclusion from the focus groups that determined the further direction for the development of the bank's digital initiatives is that clients are ready for and want a digital process, but with maintaining a personal relationship with their advisor, who educates them and helps them use digital tools.

The Bank continued to develop products and services based on customer needs, as well as on realization of social, ecological and development goals. Most of the activities during the previous year were focused on:

- **Development of products and services tailored to customer needs**

  During 2025, the bank continued to develop credit products tailored to its client segments, with a particular focus on clients who have limited access to financial services, those who have not previously used loans (underbanked), as well as clients who are in the early stages of developing their businesses (start-ups).

  Research has shown that one of the key barriers to the further development of these segments is the lack of long-term financing, primarily due to clients' inability to provide mortgages or other forms of collateral. In response to these challenges, the bank adapted its products and facilitated access to long-term investment loans for registered agricultural households and entrepreneurs through loans supported by a guarantee scheme, enabling clients to implement investment projects and improve their business operations.

  The bank also continued to develop and expand green loans that encourage energy efficiency and sustainable business practices, recognizing that the majority of residential buildings in Serbia still do not meet modern energy-efficiency standards. According to estimates, more than 80% of existing buildings in Serbia are not energy efficient, meaning that buildings often consume significantly more energy than necessary due to poor insulation and inefficient doors and windows. This represents a significant potential for energy savings and CO_2 emission reductions.

  In addition to pensioners and farmers, these loans are now also available to all employees with permanent employment contracts, allowing the bank to actively respond to market needs, support investments in energy-efficiency measures, and contribute to environmental protection, while simultaneously strengthening its position in the sustainable lending segment.

  Recognizing both the growth potential and the needs of its clients, the bank has also entered the insurance services segment by acting as an insurance agent in cooperation with an insurance company. The share of insurance premiums in Serbia's GDP remains relatively low—below 2%, compared with up to 12% in developed countries. The main challenges include low awareness of the importance of insurance, limited product availability in rural areas, and the perception that insurance processes are complex.

  A survey conducted by the bank among 600 existing and potential agricultural and business clients showed that awareness of insurance remains limited: only 20% of farmers and 40% of business clients currently use some form of insurance. However, survey also showed that 40% of clients who currently do not use insurance products would consider purchasing insurance with the bank's support.

  The bank's experience in financial inclusion, its existing client base where every second farmer and every third entrepreneur who use loans are clients of the bank as well as its presence in rural areas, create an opportunity for the bank to expand its activities through insurance agency services, enabling a larger number of clients to gain easier and more convenient access to insurance products.

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- **Development of digital channels and processes**

  The specificity of client groups characterized by a low level of digital literacy and a business relationship based on personal contact determined the further development of the digital agenda in the Bank. By relying on digital initiatives of the Republic of Serbia (eID, eSignature, eAgrar, eTaxes, etc.), the Bank enabled disbursement of loans to farmers at their premises in less than an hour, completely "paperless", while maintaining personal contact with the client in order to raise the level of both financial and digital literacy. In this way, the Bank contributes to the digital inclusion and education of a large share of the population and creates a basis for the future development of mobile and other online applications.

Marketing activities

In 2025, the Bank focused its marketing efforts on promoting credit products. We used both organic and paid digital campaigns, along with targeted PR articles, to highlight the value of our offerings. In the last quarter, we intensified the promotion of business loans to support the economy, recognizing the important role of small and medium-sized enterprises (SMEs) in economic growth.

Alongside credit activities, we prioritized dinar savings promotions to strengthen clients' financial stability and support dinarization. We used multiple communication channels, with social media as the primary tool for broader reach.

Events occurring after the Balance Sheet date

There were no significant events after the reporting period date that would require disclosure in the notes to the Bank's 2025 financial statements.

Novi Sad, April 14, 2026

On behalf of the management
3 BANKA a.d. Novi Sad

Vladimir Vukotić *President of the Executive Board*	Rajko Maljković *Member of the Executive Board*