

API BANK AD., BELGRADE

**Independent Auditor's Report
on the Audit of the
Financial Statements for the Year 2025**



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

API BANK a.d. Belgrade

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ANNUAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of API BANK a.d., Belgrade

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of API BANK a.d., Belgrade (the "Bank"), which comprise the balance sheet as at 31 December 2025, and the income statements, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the API BANK a.d., Belgrade as at 31 December 2025, and of its financial performances and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law on Auditing of the Republic of Serbia. Our responsibilities under those standards 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 the ethical requirements that are relevant to our audit of the financial statements in Serbia, and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the current accounting regulations in effect in the Republic of Serbia, 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, the Management is responsible for assessing the Banks'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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Persons authorized for management are responsible for overseeing the Bank's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of API BANK a.d., Belgrade (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of 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 the Management 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of API BANK a.d., Belgrade (continued)

Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report (of which Corporate Governance Report is integral part), but does not include the annual financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, except to the extent explicitly described in the Report on Other Legal and Regulatory Requirements section of our report, and 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

According to the requirements arising from Article 33 of the Law on Accounting and Article 39 of the Law on Audit of the Republic of Serbia, we performed procedures required in respect to the Annual Business Report (including Corporate Governance Report as its integral part) to verify its compliance with annual financial statements, as well as checks whether the Annual Business Report (including the Corporate Governance Report) is prepared in accordance with the applicable legal provisions.

In our opinion, the Annual Business Report is:

- *consistent with the Bank's annual financial statements; and*
- *prepared in accordance with the requirements of Article 34 of the Law on Accounting.*

In addition, considering the knowledge and understanding of the Bank and its environment obtained during the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Belgrade, 31 March 2026

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Revizija i Računovodstvo“ d.o.o. Belgrade
4 Studentski Trg, 5th floor*

*Ružica Vukosavljević
Certified Auditor*

*„MOORE STEPHENS
Revizija i Računovodstvo“ d.o.o. Belgrade
4 Studentski Trg, 5th floor*

*Bogoljub Aleksić
Managing Partner*

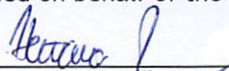
INCOME STATEMENT
For the Year Ended 31 December 2025

In RSD thousand

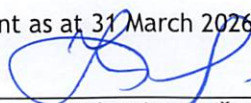
	Notes	2025	2024
Interest income	5	1,175,533	1,072,772
Interest expense	5	(282,739)	(276,801)
Net interest income		892,794	795,971
Fee and commission income	6	3,175,494	2,599,915
Fee and commission expense	6	(814,952)	(644,186)
Net fee and commission income		2,360,542	1,955,729
Net loss from derecognition of financial instruments measured at fair value		-	-
Net foreign exchange gains and effects of contracted foreign currency clause	7	(2,101)	(11,043)
Net impairment loss on financial assets not measured at fair value through profit or loss	9	(565,941)	(145,736)
Other operating income	8	12,701	11,007
TOTAL NET OPERATING INCOME		2,697,995	2,605,928
Salaries, compensations and other personal expenses	10	(406,267)	(353,733)
Amortisation and depreciation expenses	11	(93,144)	(84,390)
Other income	12	15,429	15,555
Other expenses	13	(319,791)	(307,972)
PROFIT/(LOSS) BEFORE TAX		1,894,222	1,875,388
Income tax		(284,571)	(280,906)
Profit from deferred taxes	14	123	(9,103)
PROFIT/(LOSS) FOR THE YEAR		1,609,774	1,585,379

The notes on pages from 7 to 102 are an integral part of these financial statements.

Signed on behalf of the Bank's Management as at 31 March 2026:



Nataša Đoković
Responsible for financial statements preparation



Valentina Keiša
President of Executive Board


API BANK AKCIONARSKO DRUŠTVO BEOGRAD
API Bank a.d. Beograd
api API bank
Beograd

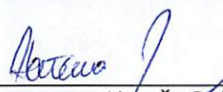
Radomir Stevanović
Member of Executive Board

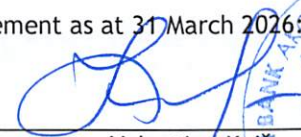
STATEMENT OF OTHER COMPREHENSIVE RESULT
For the period 01 January to 31 December 2025

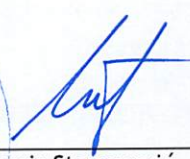
In RSD thousand	2025	2024
PROFIT/(LOSS) FOR THE YEAR	1,609,774	1,585,379
Other comprehensive income:		
Positive effects of changes in value of debt securities valued at fair value through other results	-	-
Negative effects of changes in value of debt securities valued at fair value through other results	-	-
Profit from tax related to other results of period	-	-
<i>Items of other comprehensive income that can be reclassified to profit or loss:</i>		
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	1,609,774	1,585,379

The notes on pages from 7 to 102 are an integral part of these financial statements.

Signed on behalf of the Bank's Management as at 31 March 2026:


Nataša Đoković
Responsible for financial statements preparation


Valentina Keiša
President of Executive Board


Radomir Stevanović
Member of Executive Board

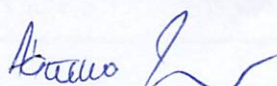


BALANCE SHEET STATEMENT
For the period 01 January to 31 December 2025

In RSD thousand	Note	2025	2024
ASSETS			
Cash and balances with central bank	16	13,530,672	10,724,141
Loans and advances to banks and other financial organisations	17	6,065,142	6,296,761
Loans and advances to customers	18	5,681,866	5,858,145
Intangible assets	19	99,883	83,196
Property, plant and equipment	20(a)	184,151	210,133
Current tax assets	14	280,906	35,136
Deferred tax assets	14	2,462	2,340
Other assets	21	115,458	114,532
TOTAL ASSETS		25,960,540	23,324,384
LIABILITIES			
Deposits and other financial liabilities to banks, other financial organisations and central bank	22	284,549	269,435
Deposits and other financial liabilities to other customers	23	18,933,341	17,956,109
Provisions	24	19,494	16,597
Current tax liabilities	14	284,571	280,906
Other liabilities	25	311,873	284,399
TOTAL LIABILITIES		19,833,828	18,807,446
EQUITY	26		
Share capital		4,632,407	4,632,407
Loss		(115,469)	(1,700,848)
Profit		1,609,774	1,585,379
TOTAL EQUITY		6,126,712	4,516,938
TOTAL LIABILITIES AND EQUITY		25,960,540	23,324,384

The notes on pages from 7 to 102 are an integral part of these financial statements.

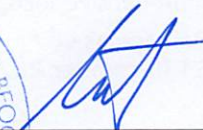
Signed on behalf of the Bank's Management as at 31 March 2026:



Nataša Đoković
Responsible for financial
statements
preparation



Valentina Keiša
President of
Executive Board

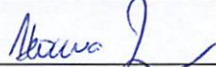
Radomir Stevanović
Member of Executive Board

STATEMENT OF CHANGES IN EQUITY
For the period 01 January to 31 December 2025

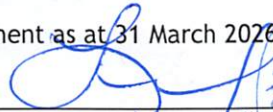
In RSD thousand	Share capital	Reserves	Profit / (Loss)	Total capital
Opening balance as of 1 January 2024	4,632,407	-	(1,700,849)	2,931,558
Profit/(Loss) for the year	-	-	1,585,379	1,585,379
<i>Other comprehensive result:</i>	-	-	-	-
Negative effects of changes in fair value of debt instruments valued at fair value through other comprehensive income	-	-	-	-
Deferred taxes recognised in equity (Note 15(d))	-	-	-	-
Allowance for impairment of financial assets measured through other comprehensive income	-	-	-	-
Balance as of 31 December 2024	4,632,407	-	(115,470)	4,516,937
Opening balance as of 1 January 2025	4,632,407	-	(115,470)	4,516,937
Profit/(Loss) for the year	-	-	1,609,774	1,609,774
Transactions with owners recorded directly in equity-increase	-	-	-	-
<i>Other comprehensive result:</i>	-	-	-	-
Negative effects of changes in fair value of debt instruments valued at fair value through other comprehensive income	-	-	-	-
Deferred taxes recognised in equity (Note 15(d))	-	-	-	-
Allowance for impairment of financial assets measured through other comprehensive income	-	-	-	-
Balance as of 31 December 2025	4,632,407	-	1,494,305	6,126,712

The notes on pages from 7 to 102 are an integral part of these financial statements.

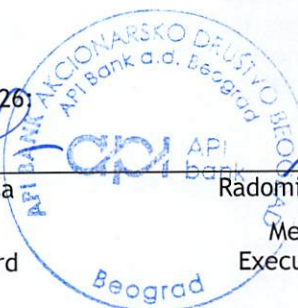
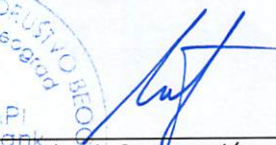
Signed on behalf of the Bank's Management as at 31 March 2026:



Nataša Đoković
Responsible for financial statements preparation



Valentina Keiša
President of Executive Board

Radomir Stevanović
Member of Executive Board

CASH FLOW STATEMENT

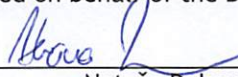
For the period 01 January to 31 December 2025

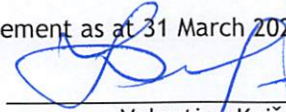
In RSD thousand

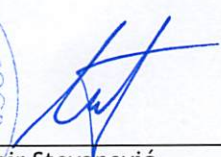
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	4,418,163	3,853,168
Interest receipts	1,185,958	1,067,457
Fee and commission receipts	3,175,333	2,596,033
Receipts from other operating activities	56,872	189,678
Cash outflow from operating activities	(1,943,417)	(1,254,133)
Interest paid	(263,641)	(208,485)
Fees and commission paid	(765,511)	(599,284)
Payments for gross salaries, compensations and other personal expenses	(370,061)	(248,051)
Taxes, contributions and other duties paid	(295,336)	(50,674)
Outflow for other operating expenses	(248,868)	(147,639)
<i>Net cash flows provided by / (used in) operating activities before increase or decrease in financial assets and liabilities</i>	2,474,746	2,599,035
<i>Decrease in financial assets and increase in in financial liabilities</i>	3,452,482	6,457,747
Decrease in loans and other receivables from banks and other financial organizations, central bank and customers	3,452,482	2,526,596
Increase in deposits and other liabilities towards banks and other financial organizations, central bank and customers	-	3,931,151
<i>Increase in financial assets and decrease in financial liabilities</i>	(7,830,736)	(8,017,943)
Increase in loans and placements to banks, other financial organisations, central banks and customers	(6,738,913)	(7,369,087)
Decrease in deposits from and other liabilities to banks, other financial organizations, central bank and customers	(1,091,823)	(648,856)
<i>Net cash flows provided by / (used in) operating activities</i>	(1,903,508)	(1,038,839)
Income tax paid	(280,906)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outflow from investing activities	(76,444)	(86,751)
Outflows for acquiring of intangible assets, property, plant and equipment	(76,444)	(86,751)
<i>Net cash flows provided by / (used in) investing activities</i>	(76,444)	(86,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	2,070,163	-
Inflows from taken loans	2,070,163	-
Cash outflow from financing activities	(52,716)	(71,047)
Outflows from subordinated liabilities	-	(71,047)
<i>Net cash flows provided by / (used in) financing activities</i>	2,017,447	(71,047)
Net increase / (decrease) in cash and cash equivalents	(243,411)	881,041
Cash and cash equivalents at the beginning of the year	1,684,040	1,163,310
Net foreign exchange gains	(40,945)	(360,311)
Cash and cash equivalents at the end of the year (Note 17)	1,399,684	1,684,040

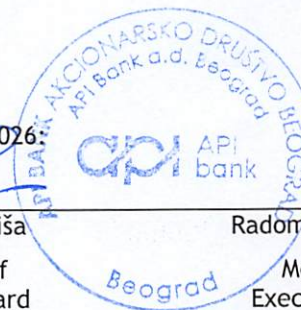
The notes on pages from 7 to 102 are an integral part of these financial statements.

Signed on behalf of the Bank's Management as at 31 March 2026:


Nataša Đoković
Responsible for financial statements preparation


Valentina Keiša
President of Executive Board


Radomir Stevanović
Member of Executive Board



API BANK a.d. BELGRADE

**FINANCIAL STATEMENTS AND
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR 2025**

1. CORPORATE INFORMATION

API BANK a.d. BELGRADE, former VTB Banka a.d. Belgrade (hereinafter referred to as the “Bank”) was established on 11 July 2008 pursuant to the Decision of the National Bank of Serbia no. 2158 dated 3 March 2008.

The founder and the sole shareholder of the Bank until 2011 was the Joint Stock Commercial Bank - Bank of Moscow, Moscow, Russian Federation (hereinafter referred to as the “Bank of Moscow, Moscow”). In 2011, there was a change in the ownership structure of the Bank’s sole shareholder, therefore, as of that date, 95% of shares of the Bank of Moscow, Moscow were held by the Joint Stock Company “VTB Bank”, Saint Petersburg, Russian Federation or its subsidiaries.

On 16 May 2013, the Agreement on Sale and Purchase of Shares was signed between the Bank of Moscow, Moscow, as the seller and the Joint Stock Company “VTB Bank”, Saint Petersburg as the buyer. The subject of this transaction pursuant to the above Agreement was the sale of the Bank’s shares. The agreement was implemented on the same day when the new shareholder of the Bank’s shares - Joint Stock Company “VTB Bank”, Saint Petersburg, Russian Federation, was registered with the Central Securities Depository and Clearing House.

Pursuant to the amendments to the Articles of Association dated 30 August 2013, and the Decision no. BD 99529/201, on 13 September 2013 the Bank was registered in the Company Register under the name of VTB Banka a.d. Belgrade. The Public Joint Stock Company “VTB Bank”, Saint Petersburg, Russian Federation (hereinafter “JSC VTB Bank, Saint Petersburg”) became the sole shareholder of the Bank.

Based on the transaction of sale of shares realised on 26 July 2018, the Central Securities Depository and Clearing House conducted a change of ownership over 100% of VTB Bank a.d. Belgrade shares, so that the company “AZRS INVEST” d.o.o. Belgrade, registration number 20988592, became the sole owner of the shares of the Bank. The change of ownership was made on the basis of the prior approval of the National Bank of Serbia, pursuant to the Decision G 2182 dated 22 March 2018. Based on the Decision of the Shareholders Assembly as of 24 September 2018, the Articles of Association and the Memorandum of Association were amended and the new business name of the Bank - API Bank a.d. Belgrade was established, as well as the sole owner of the Bank’s shares (“AZRS INVEST” d.o.o. Belgrade). The ultimate owner of the Bank is a physical person - Andrey Zakharovich Shlyakhovoy. Changing the business name of the Bank into API Bank a.d. Belgrade was registered with the Serbian Business Registers Agency on 18 October 2018.

The Bank is registered in the Republic of Serbia for provision of a wide range of banking services related to payment transfers, credit and deposit activities in the country and abroad. In accordance with the Law on Banks, the Bank is obliged to operate under the principles of liquidity, security of placements and profitability.

The Bank’s registration number is 20439866. Its tax identification number is 105701111. The Bank’s Head Office is located in Belgrade, 6-8 Bulevar Vojvoda Bojovic.

On 3 June 2009, the Bank opened its first branch in Belgrade, in no. 2, Balkanska Street, the status of which was changed in affiliate by the end of 2010.

On 22 November 2010, the Bank opened its first affiliate in Novi Sad, in no. 12, Narodnog fronta Street.

On 24 September 2013, the Bank opened its new branch in Belgrade, in no. 57, Kralja Milutina Street. Pursuant to the Decision of the Executive Board of the Bank dated 15 November 2016, the above mentioned branch was discontinued on 15 December 2016.

The Bank had 99 employees at 31 December 2025 (at 31 December 2024: 96 employees).

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

1.1. Basis of Preparation and Presentation of the Financial Statements

The Bank prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) and the regulations of the National Bank of Serbia. The accompanying financial statements are presented in the format prescribed by the Decision on the Forms and Content of Items in the Financial Statement Forms for Banks (“Official Gazette of the Republic of Serbia”, No. 93/2020 and 56/2025).

The financial statements are prepared under the historical cost convention, unless otherwise stated in the accounting policies set out below.

The Bank’s financial statements are presented in thousands of dinars. The dinar represents the official reporting currency in the Republic of Serbia.

1.2. New and amended standards and interpretations

The following amended standards entered into force on 01 January 2025, but did not have a material impact on the Bank:

- Amendments to IAS 21 - Lack of Exchangeability: This amendment updates IAS 21 to require entities to apply a consistent approach in assessing whether a currency is exchangeable and, if not, how to estimate the applicable foreign exchange rate. Additional disclosures are also required regarding the methodology used in determining such exchange rates. Consequential amendments have been made to IFRS 1. The comparative period has not been restated for this amendment (effective for annual reporting periods beginning on or after 1 January 2025).

1.3. Published standards and interpretations that are not yet effective

At day of publication these financial statements the following standards, amendments thereto and interpretations were in issue but not yet effective:

- Annual Improvements (effective for annual periods beginning on or after 1 January 2026):
- IFRS 1 First-time Adoption of IFRS - Minor amendments to cross-references related to hedge accounting for first-time adopters.
- IFRS 10 Consolidated Financial Statements - Additional guidance provided for determining what constitutes a “de facto agent”.
- IFRS 7 Financial instruments: Disclosure - Revised wording regarding the requirement to disclose gains or losses arising from derecognition when fair value measurement includes unobservable inputs. The accompanying implementation guidance to IFRS 7 has also been updated with respect to disclosures of deferred differences between fair value and transaction prices, as well as guidance on credit risk disclosures.
- IFRS 9 Financial Instruments - Two minor amendments clarify how a lessee accounts for the derecognition of lease receivables, and revised wording clarifies that trade receivables are recognized in an amount determined in accordance with the requirements of IFRS 15 Revenue from contracts with customers.
- IAS 7 Cash Flow Statement - Minor amendments relating to the terminology of “cost” in the context of measuring investments in associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

- Amendments to Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments - Disclosure: Contracts that relate to electricity dependent on natural conditions - These amendments update IFRS 9 and IFRS 7, in order to entities have been helped to better report the financial effects of the electricity contracts they depend on from natural conditions, which are often structured as electricity purchase contracts (effective for annual periods beginning on or after 1 January 2026).
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments - Changes in Classification and Measurement financial instruments - These amendments update IFRS 9 and IFRS 7, as a result of subsequent application review (post-implementation review) IFRS 9. The amendments update the requirements related to:
 - the moment when obligations cease to be recognized when they are settled through the electronic payment system;
 - method of assessing the contractual characteristics of cash flows of financial assets, including instruments with features related to environmental, social and governance (ESG) factors.

The amendments also change the disclosure requirements relating to investments in equity instruments that are determined to be measured at fair value through other results, and introduce additional disclosure requirements for financial instruments with conditional characteristics that are not directly related to the basic credit risks and costs. Although the changes are applied retrospectively with the correction of the initial balance of retained earnings, the comparative period is not restated in accordance with these changes. (effective for annual periods beginning on or after 1 January 2026).

- IFRS 18 Presentation and disclosure of financial statements - the new standard introduces three key ones changes: The income statement will be divided into three segments, operating, investment and financial, similar to the layout Cash flow reports; Management performance measures, which the entity uses in other communications, must now be included in the Notes to the financial statements including a reconciliation with the closest equivalent measures of IFRS; additional guidance is provided on how to aggregate and disaggregate information in financial statements and notes to provide users with more detailed and useful information. The standard will replace IAS 1 Presentation of Financial Statements. IFRS 18 is applied retrospectively with by recalculating the comparative period (effective for annual periods beginning on or after 1 January 2027).
- IFRS 19 Subsidiaries without public Accountability: Disclosures is a voluntary standard that will not be required to assert compliance with IFRS accounting standards. Subsidiaries without public accountability, which meet specific criteria, can apply this standard which provides for reduced disclosure requirements instead of the disclosure requirements of other IFRS accounting standards. It will still be required to apply the criteria for recognition and measurement of other standards (in force for annual periods beginning on or after 1 January 2027).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated Entities and Joint Ventures - the amendment clarifies the accounting treatment of sales or the role of assets between investor and its associated entities or joint ventures (delayed until the IASB completes equity method research).

Management of the Bank has elected not to early adopt these new standards, amendments to existing standards, and new interpretations prior to their effective date. Management does not expect that the adoption of these new standards, amendments, and interpretations will have a material impact on the Bank's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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1.4. Comparative Figures

Comparative figures represent the audited financial statements of the Bank as of and for the year ended 31 December 2024, prepared in accordance with IFRS.

1.5. Going Concern

The accompanying financial statements of the Bank are prepared in accordance with the going concern principle, which assumes that the Bank will continue its operations in the foreseeable future, which includes a period of at least twelve months from the date of the financial statements.

In 2025, the Bank generated a net profit of RSD 1,609,774 thousand (2024: net profit in the amount of RSD 1,585,379 thousand).

As of 31 December 2025, the Bank's regulatory capital, calculated in accordance with the Decision of the National Bank of Serbia on Bank Capital Adequacy ("Official Gazette of the Republic of Serbia", No. 103/2016), amounts to RSD 4,416,713 thousand, i.e. EUR 37,660 thousand at the official middle exchange rate as at the reporting date, and is above the minimum capital requirement of EUR 10 million prescribed by the Law on Banks ("Official Gazette of the Republic of Serbia", No. 107/2005, 91/2010, 14/2015 and 19/2025).

The Bank's management has prepared an adequate Capital Management Plan within the framework of the Internal Capital Adequacy Assessment Process (ICAAP), which has enabled the realization of capital increases aimed at supporting the Bank's credit activities and ensuring the continuous availability of sufficient capital to cover all risks to which the Bank will be exposed in its future operations.

In view of the above, management believes that the Bank has adequate resources, as well as the support of its shareholders, to continue its operations in the foreseeable future.

1.6. Use of Estimates

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. These estimates and related assumptions are based on information available as of the date of preparation of the financial statements. Actual results could differ from those estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognised in the periods in which they have become known.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2025

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Interest Income and Expenses

Interest income and expense, including penalty interest and other income and other expenses from interest bearing assets, i.e., liabilities are recognised on an accrual basis based on obligatory terms defined by a contract signed between the Bank and a customer.

From 1 January 2020, interest income and expense are recognised in the income statement using the effective interest method, which represents a rate that accurately discounts the estimated future payments or receipts through the expected life of the financial instrument, to:

- gross carrying amount of a financial asset (amortised cost net of expected credit losses); or
- amortized value of a financial liability.

When calculating the effective interest rate for financial instruments that have not been credit impaired at the time of approval, nor have they undergone significant modification of contracted cash flows as purchased or originated credit impaired (POCI), the Bank estimates future cash flows taking into account all contractual terms of a financial instrument, but excluding expected credit losses. In the case of loans that are POCI, an effective interest rate adjusted for credit risk, using estimated future cash flows that include expected credit losses is calculated.

Interest income is recognized for financial assets that are measured at amortised cost as well as debt instruments at fair value through other comprehensive income.

Loan origination fee, which constitutes a part of the effective interest rate, is recorded in income and interest expense. Loan origination fees, that are calculated and charged on a one-off basis in advance, are deferred and discount using the effective interest method, over the life of the loan.

Interest expense is recognized for financial liabilities that are measured at amortised cost. Interest expense on deposits is deferred and recognized in the income statement in the period to which it relates.

Fees on approved loans were accrued on a pro rata basis during the loan repayment period and recognized in the income statement within interest income.

If a financial asset is impaired on the basis of impairment loss, interest income continues to be calculated using the effective interest rate used to discount future cash flows for the purpose of measuring and calculating the impairment loss.

2.2. Fee and Commission Income and Expense

The Bank earns/pays fee and commission from rendering and using the banking services. Fees and commissions are generally recognised on an accrual basis when the service has been provided, i.e. rendered.

Fees and commissions mostly comprise fees for payment operations services, issued guarantees and other banking services.

Fees and commission expenses are mainly related to fees based on transactions and services performed and are recorded at the time of receiving the service.

Fee income can be divided into the following two categories:

- Fee Earned from Services that are Provided over a Certain Period of Time*

Fees earned for the provision of services over time are accrued over that period.

NOTES TO THE FINANCIAL STATEMENTS
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ii. Fee from Providing Transaction Services

Fees or components of fees that are linked to provision of certain services are recognised after fulfilling the corresponding criteria.

Income and expenses from fees and commissions that are an integral part of the effective interest rates of financial assets or liabilities are included in determining the effective interest rate and are recognised in the income statement as interest income.

Income from fees and commissions for banking services are recognised on an accrual basis and recognised in the period when they are realised or when the service is provided. Fees and commissions mostly comprise fees for payment services, buying and selling of foreign currency, the fee for the account maintenance and other banking services.

The fees for the issuance of guarantees and other warranties are deferred over the period of guarantees or warranties using the proportional accounting method and recognised in the income statement as income from fees.

2.3. Foreign Currency Translation

The items included in the Bank's financial statements are valued by using currency of the Bank's primary economic environment (functional currency).

The accompanying financial statements are stated in thousands of Dinars (RSD), which represents the functional and official reporting currency in the Republic of Serbia.

Transactions denominated in foreign currency are translated into Dinars at the official median exchange rate determined in the Interbank Foreign Currency Market, prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into Dinars at the official median exchange rates published by the National Bank of Serbia, prevailing at the reporting date (Note 40).

Foreign exchange gains or losses arising upon the translation of balance sheet items denominated in foreign currencies and transactions in foreign currencies are credited or charged as appropriate, to the income statement, as foreign exchange gains or losses (Note 8).

Gains and losses arising on translation of financial assets and liabilities indexed with the contracted foreign currency clause are recorded in the income statement within foreign exchange gains/losses and effects of contracted foreign currency clause (Note 8).

Commitments and contingencies denominated in foreign currency are translated into Dinars at the official median exchange rate determined on the Interbank Foreign Currency Market, prevailing at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

2.4. Financial instruments

2.4.1 Initial recognition

All financial instruments are initially recognised at fair value increased by transaction costs (except for financial assets and financial liabilities at fair value through profit and loss), that are directly attributable incremental costs of acquisition or issue.

Financial assets and financial liabilities are recognised in the Bank's balance sheet on the date upon which the Bank becomes counterparty to the contractual provisions of a specific financial instrument.

Regular purchase or sale of financial assets is recognised by applying calculation on the date of settlement, i.e., the date when the asset is delivered to the counterparty.

2.4.2. Derecognition of Financial Assets and Financial Liabilities

Financial assets cease to be recognised when the Bank loses control of the contractual rights governing such instruments, which occurs when the rights and risks of use of such instruments have been transferred or did not transfer or retained all risks and rights in relation to the assets, but has transferred the control over it.

Apart from the aforementioned criteria, implementation of IFRS 9 from 1 January 2018 specifies additional criteria that lead to derecognition of financial assets. Financial asset is derecognised when it is written-off. Also, derecognition of a financial asset will occur if subsequent changes of contractual terms of financial assets arisen, leading to significant modification of financial asset's cash flows.

A financial liability is derecognized when the obligation under the liability is fulfilled, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, while the difference in the respective carrying amounts is recognized in profit or loss.

In addition to the above mentioned criteria, implementation of IFRS 9 specifies additional criteria for derecognition of financial liability when the contractual terms are modified, while cash flows of modified liability are significantly changed. In that case, new financial liability is based on the modified terms and is recognised at fair value. Difference between carrying amount of financial liability and new financial liability with modified terms is recognised in profit or loss.

2.4.3. Classification of Financial Instruments

In accordance with IFRS 9, the classification of financial assets into individual categories sets out the rules for their initial recognition and subsequent measurement of the value of those assets, as well as the accounting treatment of the effects of the change in value upon subsequent measurement and impairment of the value of financial assets, based on two criteria that have the same importance in determining the category for classification:

- business model of the Bank for managing financial assets; and
- contracted characteristics of cash flows for the specific financial assets.

NOTES TO THE FINANCIAL STATEMENTS

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The classification of financial assets is based on the Bank's business model for managing these assets. The business model for managing financial assets reflects the way in which the Bank manages funds to generate cash flows.

In accordance with IFRS 9, financial assets are classified into one of the following categories:

- financial assets that are subsequently measured at amortised cost - the business model is the collection of cash flows and cash flows represent only the payment of principal and interest on the outstanding principal amount;
- financial assets subsequently measured through other comprehensive result (FVTOCI) - the business model is the collection of cash flows, and sales and cash flows represent only the payment of principal and interest on the outstanding principal amount;
- financial assets subsequently measured at fair value through profit or loss (FVTPL)
- all other financial instruments.

At initial recognition, IFRS 9 permits to indicate that a particular financial asset is measured at fair value through profit or loss, if it eliminates or significantly reduces the accounting non-compliance.

In accordance with IFRS 9, the following business models are defined:

1. a business model aimed at holding funds for the collection of contracted cash flows;
2. a business model aimed at collecting contracted cash flows as well as selling financial assets; and
3. a business model that refers to the financial assets acquired for the purpose of generating an inflow through their sale (financial assets traded).

A business model whose purpose is to hold funds for the collection of contracted cash flows mainly relates to debit/credit funds, since cash flows are realized by collecting contractual principal and interest payments over the life of a financial instrument. This business model also implies the possible sale of financial assets when there is an increase in the credit risk of the asset or for other reasons determined by proven information.

A business model aimed at collecting contracted cash flows as well as selling financial assets implies that the management has made the decision that the collection of contracted cash flows and the sale of financial assets constitute an integral part of achieving the goal within the business model. The goal of this business model can be management in the way of providing funds for the needs of current liquidity or maintaining the expected interest yield.

A business model that relates to the financial assets that are acquired to generate inflows through sale essentially relates to financial assets traded.

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Cash Flow Characteristics

The Bank classifies its financial assets based on the characteristics of its contracted cash flows. The characteristics of cash flows that the financial assets will generate are determined by the type of contract and the contractual provisions based on which these assets are acquired. These characteristics differ in certain credit, debt and equity instruments.

If financial assets are held within the first two business models, it is first necessary to determine whether the contractual terms of the financial asset on specified dates generate cash flows that exclusively constitute payments of principal and interest calculated on the remaining portion of the principal.

Principal is the fair value of the financial asset at initial recognition. Depending on the agreed arrangement, the amount of the principal may change over the life of the financial asset when the principal is repaid.

Interest consists of compensation for the time value of money, for credit risk attributable to the remaining principal amount over a specified period of time and for other basic risks and costs of the loan (loan), as well as for the profit margin.

The time value of money is an element of interest that provides compensation only for the flow of time, i.e., the element of time value of money does not provide compensation for other risks or costs associated with holding a financial asset.

Initial Recognition of Financial Instruments

All financial instruments are initially measured at fair value increased/decreased by transaction costs, except for financial assets or financial liabilities at fair value through profit or loss. For financial assets that are measured at fair value through other comprehensive income, fair values include transaction costs.

Subsequent Measurement of Financial Instruments

Subsequent measurement of financial instruments is directly influenced by the fulfilment of the following criteria: the business model used in the management of financial assets and the characteristics of contracted cash flows.

Financial assets are classified into three categories:

1. financial assets that are subsequently measured at amortized cost;
2. financial assets that are subsequently measured at fair value through profit or loss (FVTPL); and
3. financial assets that are subsequently measured through other comprehensive income (FVOCI).

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Financial Assets that are Subsequently Measured at Amortised Cost

Financial assets are subsequently measured at amortized cost when both of the following conditions are met:

- a) Asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, calculated on the remaining portion of the principal.

This category includes financial assets with fixed or determinable amounts of payment and with fixed maturity for which there is the Bank's intention and ability to hold to maturity, such as: loans and receivables, bonds or notes, time deposits and other financial assets not intended for sale, although sales that are not frequent and in non-significant amounts are not in contrast to the business model.

The depreciated value of a financial asset or financial liability is defined as the amount at which the financial asset or financial liability is measured at initial recognition, net of principal payments, plus the addition or subtraction of cumulated depreciation using the effective interest method for all differences between the initial amount and the amount on the maturity date, with an adjustment for losses provisions (impairment losses).

To determine whether a financial asset meets the conditions for measurement at the amortized cost, the SPPI test is used to assess the contractual characteristics contained in a financial instrument in the sense that the contractual cash flows must be exclusively for principal and interest payments. This test is performed for each instrument separately. Equity instruments or capital instruments cannot be classified in this category because they do not contain elements of principal and interest.

The test is used to determine contractual characteristics that deviate from the criteria for paying only principal and interest. The SPPI test includes an assessment of whether a financial asset contains a contractual provision that can alter the amount or dynamics of contractual cash flows in a manner that does not comply with the above mentioned condition. When contractual terms introduce risk or variation in a way that does not comply with the underlying lending arrangement, that financial asset is measured at fair value through profit and loss account (FVTPL).

An effective interest rate is the rate that accurately discounts the estimated future cash payments or receipts over the expected term of the financial asset or financial liability to the gross carrying amount of the financial asset or the depreciable amount of the financial liability.

Fees that are an integral part of the effective interest rate of a financial instrument are treated as adjustments to the effective interest rate, except when the financial instrument is measured at fair value, whereby the change in fair value is recognized in the income statement. In such cases, fees are recognized as income or expense in the initial recognition of the instrument.

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Expected losses for assets classified at amortised cost are recognized as allowance for impairment/impairment of these assets.

The amount of the allowance for balance sheet receivables was determined as the difference between the carrying amount of the receivable and the carrying value of the expected future cash flows. In order to determine the present value of the expected future cash flows, the Bank used as the discount factor the effective interest rate from the agreement on the approval of the engagement.

Financial Assets that are Subsequently Measured through Other Comprehensive Income (FVOCI)

A financial asset is measured at fair value through other comprehensive income when both of the following requirements are met:

- a) The asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling contractual assets, and
- b) The contractual terms of the financial asset give rise to specified cash flows that are solely payments of principal and interest on the outstanding principal.

Equity and debt instruments can be classified under certain conditions in this category of financial assets. By applying this model, the management decides for each specific financial instrument to ensure that the holding of debt assets generates an inflow by collecting contracted cash flows (principal and interest), and for equity or capital instruments - a dividend inflow, i.e. when an inflow from selling assets is realised.

Expected losses that are determined for the financial assets based on the amortised value are included in the other comprehensive income. At each reporting date, provision for impairment losses for a financial instrument is carried out for the amount of expected loan losses over the life of the instrument, or during the expected twelve-month credit losses.

For financial assets classified in the category of measurement through other comprehensive income, the equity accounts reflect the effects of changes in their fair value, and for credit assets on these accounts, provisions for expected losses on credit risk are disclosed, other than gains and losses due to impairment values and exchange rate differences, until the end of recognition or reclassification of a financial asset.

In the event that a financial asset is derecognised, the accumulated gain or loss previously recognized in other comprehensive income is transferred from equity to the income statement as reclassification due to adjustments. Interest calculated using the effective interest method is recognised in the income statement.

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Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

These financial instruments are classified as all other instruments or the business model is collection of cash flows through trading instruments.

A financial asset should be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Bank may make an irrevocable choice when initially recognising certain investments in equity instruments that would otherwise be measured at fair value through profit or loss, subsequently showing changes in fair value in other comprehensive income.

A financial asset classified as at fair value through profit and loss is initially measured at fair value - the transaction price, while transaction costs are not included in fair value, but are treated as expense of the period.

Subsequent measurement of these assets is made at each reporting date by comparing the fair value of a financial asset with its carrying amount, while differences in fair value change are recorded as gains or losses through the income statement.

Equity Instruments

All equity instruments in accordance with IFRS 9 should be measured at fair value through profit or loss, except for those investments in equity for which it is selected to be displayed through the statement of other comprehensive income.

For equity instruments held for trading, it is compulsory to be measured at fair value, whereby any difference between the carrying amount (being the last established fair value) and the fair value at the reporting date is the profit or loss that is included in the income statement.

Financial assets that are an equity instrument that the management intends to hold for a longer period may irrevocably be recognised at initial recognition as financial assets at fair value through other comprehensive income (FVTOCI). In the subsequent measurement of the fair value change, it does not affect the result. The amounts recognized through equity are never reclassified through the income statement, but they can be transferred within equity.

IFRS 9 requires that all investments in equity instruments and contracts for such investments are measured at fair value. However, paragraph B5.2.3 states that in limited circumstances, cost may be an appropriate estimate of fair value. This can be the case if insufficient information from a close past is available for fair value measurement, or if there is a wide range of possible fair value measurements that makes the purchase price the best estimate of fair value in that range.

Cost can never be used to determine the fair value of investments in quoted equity instruments or quoted equity instruments contracts.

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Derivatives and Hybrid Financial Assets

Derivatives are measured at fair value, and gains/losses on the change in fair value are recorded in the income statement. Hybrid financial assets are always assessed and presented as a whole. Hybrid financial assets are measured at amortised cost if the cash flows generated by the asset represent repayments of principal and interest payments, i.e. at fair value if this is not the case.

Subsequent Measurement of Financial Liabilities

Financial liabilities are classified as:

- financial liabilities measured at amortised cost; and
- financial liabilities measured at fair value through profit or loss (FVTPL).

Liabilities that are irrevocably classified as at fair value through profit or loss at initial recognition are related to the credit risk of a liability in respect of the accounting treatment of the effects of changes in that credit risk.

The amount of a change in the fair value of a financial liability that may be attributable to changes in the credit risk of that liability may be reported in other comprehensive income, and the remaining amount should be presented in the income statement unless this would result in an accounting inconsistency in the income statement.

The Bank has classified its liabilities into the category of financial liabilities that are measured at amortised cost.

Reclassification of Financial Assets

Reclassification is required only if the business model goal changes so that its previous assessment can no longer be applied to financial assets measured as FVTPL, FVTOCI and at amortised cost. Reclassification is made only for debt instruments while it is not envisaged for equity instruments, as well as reclassification of financial liabilities.

Reclassification is not allowed for equity instruments measured as FVTOCI, or in any circumstances in which the fair value option is applied to financial assets or financial liabilities.

Reclassification should be applied prospectively from the date of reclassification which is defined as the first day of the first reporting period after the change in the business model.

If the financial assets are reclassified from the model in which they are measured at amortized cost to the category at which they will be measured at fair value through profit or loss, then their fair value must be determined on the date of reclassification. Any gain or loss arising from the difference between the amortised and fair value is recognized in the income statement.

If a financial asset is reclassified from a business model in which it is valued at fair value in a business model in which it will be valued at amortised cost, then its last fair value is considered its current value.

Any reclassification carried out should be published with reference to: the date of reclassification and the value of the reclassified assets in each of the categories, the reasons for the reclassification and the quantification of the impact of the reclassification on the reported financial and yield position.

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2.4.4. Interest Income Arising from Financial Instruments

Interest income in accordance with IFRS 9 is recognized differently according to the status of a financial asset in relation to the expected credit losses.

In the case of financial assets not purchased or initially recognized impaired, and for which there is no clear evidence of impairment on the reporting date, interest income is recognized using the effective interest rate method to the gross carrying amount of a financial asset.

In the case of financial assets not purchased or impaired at initial recognition, and for which there have been significant decrease in their credit quality, interest income is recognised using the effective interest rate method to the gross carrying amount of a financial asset.

In the case of the impaired financial assets, including purchased or impaired at initial recognition, and which contained objective evidence of impairment at initial recognition, interest income is recognized using the effective interest rate method on amortised cost (net base of the financial asset).

Write off

The Bank shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Modification of Contractual Cash Flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and recognise a modification gain or loss in profit or loss.

The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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2.4.5. Gains or Losses on Financial Instruments

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless, it is part of a hedging, it is an investment in an equity instrument and related gains and losses are presented within other comprehensive income, when it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability's credit risk in other comprehensive income or it is a financial asset measured at fair value through other comprehensive income and the entity is required to recognise certain changes in fair value in other comprehensive income.

Gain or loss on a financial asset that is measured at fair value through other comprehensive income is recognized in comprehensive income, except for gains or losses due to impairment and foreign exchange gains and losses, until the derecognition or reclassification of a financial asset. Upon the cessation of recognition of a financial asset, the accumulated profit or loss previously recognized in other comprehensive income is reclassified from equity to the income statement as reclassification due to adjustments.

If a financial asset is reclassified from the fair value measurement through other comprehensive income category, the accumulated profit or loss previously recognised in other comprehensive income should be recorded. Interest calculated using the effective interest method is recognised in the income statement. If a financial asset is measured at fair value through other comprehensive income, the amounts recognized in the income statement are the same as the amounts that would be recognized in the income statement had the financial asset been measured at amortised cost.

If a financial instrument is designated at fair value through profit or loss after its initial recognition, or if it had not previously been recognized, the difference between the carrying amount and the fair value, if any, should be recognised immediately in the income statement.

For financial assets that are measured at fair value through other comprehensive income, accumulated gains or losses previously recognised in other comprehensive income should be immediately reclassified from equity to income statement as a reclassification due to adjustments.

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2.5. Reserves for Estimated Losses on Bank Balance Sheet Assets and Off-balance Sheet Items

As of 31 December 2018, reserves for estimated losses on balance sheet assets and off-balance sheet items are calculated in accordance with the National Bank of Serbia's Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items ("RS Official Gazette", no. 94/2011, 57/2012, 123/2012, 43/2013, 113/2013, 135/2014, 25/2015, 38/2015, 61/2016, 69/2016, 91/2016, 101/2017 and 114/2017).

Pursuant to the Decision on amendments to the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items ("RS Official Gazette" No. 103/2018), the National Bank of Serbia has abolished required reserve for estimated losses and deductible item of equity in accordance with the Decision on Capital Adequacy of the Bank.

2.6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and sight deposits (gyro account and foreign currency accounts) with banks in the country and abroad and cash equivalents consisting of highly liquid short-term investments that can be cashed immediately with insignificant risk of reduced value, deposits with the National Bank of Serbia and short-term securities for refinancing with the National Bank of Serbia.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, gyro account with the National Bank of Serbia and current accounts with other banks and instruments in the collection procedure.

2.7. Repurchase Agreements

Securities bought under agreements to repurchase at a specified future date ('repos') are recognised in the balance sheet. The corresponding cash given, including accrued interest is recognised in the balance sheet. The difference between the sale and repurchase prices is treated as interest income and is accrued over the life of the agreement.

2.8. Intangible Assets

Intangible assets comprise software, licenses and other intangible assets. Intangible assets are initially recognised at cost. After the initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once a year, at the financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation of intangible assets with finite useful lives is recognised in the income statement (Note 12).

Amortisation of intangible assets is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives, as follows:

- Software licenses 3 to 5 years
- Other intangible assets 3 to 5 years

Costs associated with developing and maintaining computer software programs are recognised as an expense as incurred.

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2.9. Property, Plant and Equipment and Investment Property***i. Property, Plant and Equipment***

Property, plant and equipment of the Bank at 31 December 2025 comprise equipment and leasehold improvements.

Items of property, plant and equipment which fulfil the requirements to be recognised as assets are initially recognised at cost, which includes all directly attributable costs of bringing the assets to the location and condition necessary to function.

After the initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to income statement of the financial period in which they are incurred.

Depreciation is provided for on a straight-line basis to the cost of fixed assets, using the following prescribed annual rates, in order to write them off over their useful lives:

- Computer equipment up to 4 years
- Other equipment 7 to 14 years

The useful lives of the assets are reviewed and adjusted if necessary at each balance sheet date. Changes in the expected useful lives of assets are accounted for as changes in the accounting estimates.

Calculation of depreciation of equipment commences at the beginning of month following the month when an asset is put into use. Assets under construction are not depreciated. Depreciation charge is recognised as an expense for the period when incurred (Note 12).

The calculation of the depreciation of property, plant and equipment and amortisation of intangible assets for tax purposes is determined by the In accordance with the Corporate Income Tax Law of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019, 153/2020, 118/2021 and 94/2024) and the Rulebook on the Classification of Fixed Assets into Groups and the Determination of Depreciation for Tax Purposes ("Official Gazette of the Republic of the Republic of Serbia", No. 116/2004, 99/2010 and 93/2019), which results in deferred taxes (Note 15(c)).

Gains or losses arising on the disposal or sale of equipment are credited/debited to the income statement, as part of other operating income or other expenses, in the amount of the difference between the cash inflow and the carrying amount of the asset.

ii. Investment Property

Investment property is a property held by the Bank for the purpose of generating profit from its lease or increasing the capital value or both, but not for administrative operations or to be sold in the ordinary course of business.

After the initial recognition at cost, subsequent measurement of the investment property is performed at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2025

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2.10. Impairment of Non-financial Assets

In accordance with the adopted accounting policy, at each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's intangible assets and property, plant and equipment. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be lower than its carrying value, the carrying amount of the asset is reduced to its recoverable amount, being the higher of an asset's fair value less costs to sell and value in use.

Impairment losses are recognised in the income statement as required by IAS 36 "Impairment of Assets".

Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11. Repossessed Property

Property which is repossessed following the foreclosure on loans that are impaired is reported within other assets. Assets acquired through the collection of receivables are temporarily held for liquidation and are stated at the lower of carrying amount and fair value less costs to sell.

2.12. Non-current Assets Held for Sale

Non-current assets (or disposal groups) are recognised as held for sale if the Bank expects to recover their carrying value principally through a sale transaction rather than through continuing use, and when the general recognition criteria for recognition in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are met.

A non-current asset is classified as held for sale if the following criteria are met:

- An asset (or disposal group) is available for immediate sale in its current condition;
- There is an adopted plan of sale of fixed assets and the activities on the achievement of the sales plan have been initiated
- There is an active market for such asset and the asset is already active in this market; and
- The probability of sale is very high, or there is an expectation that a sales transaction will be realised within a period of one year from the date of classification of the asset as held for sale.

Non-current asset held for sale is initially measured at the lower of the carrying value or market (fair) value less costs to sell. From the moment of classification of an asset as held for sale, the calculation of depreciation of these assets shall cease.

If there is a change in the plan of sales, the non-current asset ceases to be classified as held for sale and, in that case, the non-current asset is valued at the lower of the following two values:

- Carrying value of the asset, prior to being classified as held for sale, adjusted for the calculated depreciation and impairment which would have been recognised if the non-current asset had not been classified as held for sale; and
- Recoverable values as of the date of the subsequent decision not to sell the asset.

Gains and losses from disposal of non-current assets held for sale are recognised by deducting the carrying value of an asset and related costs of sales from the disposal proceeds (sales price).

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

2.13. Leases

The determination of whether an arrangement is a lease, or contains lease elements, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or group of assets and whether the arrangement conveys a right to use the assets. There are two main types of lease:

a) Finance Lease - Bank as a Lessee

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in property, plant and equipment with the corresponding liability to the lessor included in other liabilities.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in interest expense.

As of 31 December 2025, the Bank had no assets under the finance lease.

b) Operating Lease - Bank as a Lessee

IFRS 16 "Lease", effective on 1 January 2019, brings major changes for lessee who have materially significant leases.

The key news for lessee is that in most cases, the lease will result in an asset that is capitalized along with the recognition of an obligation to make appropriate lease payments, which will result in changes to key financial indicators and may affect borrowing costs (interest).

At the commencement date, the lessee recognizes the obligation for lease and the asset that represents right to use it during the lease term (asset with the right of use). The requirement is to separately recognize interest expense on lease liability and depreciation costs of the eligible asset. (Note 2.1 (b)).

In case of operating leases ending in a period of 12 months or less from the date of first application of IFRS 16, there will be no change in accounting records, as well as in a low value lease. In such cases, the Bank will recognize lease cost on a straight-line basis, as permitted by the standard.

2.14. Provisions and Contingencies

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (Note 28).

In order to be maintained, the best possible estimates of provisions are considered, determined and, if necessary, adjusted at each balance sheet date. Provision is measured at present value of outflow necessary to settle the liabilities, using the discount rate which reflects the current market estimate of the time value of money.

When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are derecognised in income. Provisions are taken into account in accordance with their type and they can be used only for the expenses they were recognised initially for. Provisions are not recognised for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

Contingent liabilities are not recognised in the accompanying financial statements. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote (Note 38(b) and (c)).

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

2.15. Subordinated liabilities

Borrowings on which interest is payable and subordinated liabilities are classified as other financial liabilities and are initially recognised at fair value less attributable costs. They are subsequently measured at amortised cost over the life of the obligation using the effective interest method.

2.16. Equity

Equity consists of share capital (ordinary share), reserves (arising from financial assets measured at fair value through other comprehensive income), accumulated losses and current year profit (Note 30).

2.17. Employee Benefits***a) Employee Taxes and Contributions for Social Security***

In accordance with the regulations prevailing in the Republic of Serbia, the Bank has an obligation to pay tax and contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally prescribed rates.

The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Bank has no legal obligation to pay further benefits due to its employees by the Pension Fund of the Republic of Serbia upon their retirement.

These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

b) Liabilities arising from Other Benefits - Retirement Benefits

In accordance with the Labour Law, the Bank is obligated to pay retirement benefits in an amount equal to two gross monthly salaries in Republic of Serbia, based on the average salary in the Republic of Serbia, according to the latest published information of the state authority responsible for statistics. Expenses and liabilities for these plans are not provided by the funds.

Provisions for the benefits and related expenses are recognised in the amount of present value of expected future cash flows using the projected unit credit actuarial valuation method (Note 28). Past service costs are recognised in the income statement when incurred, while actuarial gains and losses are recognised in the statement of other comprehensive income (unless materially insignificant, when recognised in the income statement).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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Long-term provisions for retirement benefits upon retirement after fulfilling the prescribed conditions in accordance with the Labour Law, stated as of 31 December 2025, are determined using the following assumptions:

- Discount rate 6.0%
- Annual salary growth 8.5%
- Employee turnover rate 4.0%
- Disability rate 0.1%
- Mortality tables (SORS) for the years 2021 - 2023

c) Short-Term Compensated Absences

Accumulating compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognised in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the balance sheet date. In the instance of non-accumulating compensated absences, no liability or expense is recognised until the time of the absence.

The Bank does not have its own pension funds or share-based remuneration options, and therefore there are no identified liabilities with respect to these benefits as of 31 December 2025

2.18. Financial Guarantees

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

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

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

2.19. Funds Managed on Behalf of Third Parties

The funds that the Bank manages on behalf of and for the account of third parties for a fee are disclosed within off-balance sheet items. The Bank bears no risk in respect of repayment of these placements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

2.20. Taxes and Contributions

a) Income Taxes

Current Income Tax

Current income tax is calculated and paid in accordance with the effective Corporate Income Tax Law of the Republic of Serbia ("RS Official Gazette", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019, 153/20, 118/21 and 94/2024) and relevant by-laws.

Income tax is calculated at the rate of 15% (2024: 15%) on the tax base reported in the annual corporate income tax return, and can be reduced by any applicable tax credits.

The tax return is submitted to the Tax Authority 180 days after the date of expiry of the tax liability. During the year, the Bank pays income taxes in monthly instalments, estimated on the basis of the tax return for the prior year.

Pursuant to the Law on Amendments and Supplements to the Corporate Income Tax Law ("RS Official Gazette", no. 108/2013), starting from determining the income tax for 2014, the taxpayers are no longer able to use the tax incentive in the form of a tax credit for investment in fixed assets. A taxpayer who had qualified for the right to a tax incentive - tax credit by 31 December 2013 and presented details in the tax return for 2013 is entitled to use that right until the expiry of the deadline prescribed by the Law (not more than ten years).

The tax regulations in the Republic of Serbia do not provide for the possibility that any tax losses of the current period are used to recover taxes paid within a specific previous period. Losses recognised in the tax return in the current accounting period may be transferred to the account of profit determined in the annual tax return from the future accounting periods, but not longer than five ensuing years.

Deferred Income Tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised on all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forwards of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the official tax rates and regulations that have been enacted or substantively enacted as of the balance sheet date. The tax rate of 15% is used for calculation of deferred income tax (2024: 15%).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred taxes are recognised as income or expense and are included in net profit/(loss) for the period. Deferred income taxes related to items that are recorded directly in equity are also recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS
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All amounts are stated in RSD thousand, unless otherwise stated

b) Taxes, Contributions and Other Duties Not Related to Operating Result

Taxes, contributions and other duties that are not related to the Bank's operating result include employer contributions on salaries, and various other taxes and contributions paid pursuant to republic and municipal regulations. These taxes and contributions are included within other expenses (Note 15).

2.21. Related Party Disclosures

For the purpose of these financial statements related legal entities are those entities when one legal entity has a possibility to control another entity or has the right to govern the financial and business operations of the entity, as defined by IAS 24 "Related Party Disclosures".

Relations between the Bank and its related parties are regulated at contractual basis. Outstanding balances of receivables and liabilities at the reporting date, as well as transactions occurred during the reporting periods with related parties are disclosed separately in notes to the financial statements (Note 32).

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires the Bank's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as income and expenses for the reporting period.

These estimations and related assumptions are based on information available as of the date of preparation of the financial statements. Actual results could differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognised in the income statement for the periods in which they become known.

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

a) Impairment of Financial Assets

Starting from 1 January 2018, the Bank assesses at each reporting date the quality of receivables (other than those measured at fair value through profit or loss) in order to estimate expected credit losses in accordance with IFRS 9 "Financial Instruments".

Unlike impairment assessment in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" in effect until 31 December 2017, when impairment losses were recognized only if there was objective evidence of impairment as a result of one or more events that occurred subsequent to the initial recognition of the asset (loss event) and when the loss event affected the estimated future cash flows of a financial asset or group of financial assets that could be reliably estimated, in accordance with IFRS 9 on impairment of financial instruments an objective evidence of impairment is not required in order for the credit loss to be recognised. Expected credit losses are also recognised for unimpaired financial assets.

Expected credit losses are recalculated at each reporting date in order to reflect the change in the credit risk since the initial recognition of a financial instrument, which previously identifies the expected losses.

12-month ECLs are recognised for all exposures where there was no increase in credit risk from initial recognition of a financial asset (Level 1), while for exposures in which there was an increase in credit risk, the calculation of lifetime ECLs is performed (Level 2).

Level 3 includes financial assets where there is objective evidence of impairment at the reporting date, i.e., non-performing financial assets and lifetime ECLs are calculated for them.

When calculating ECLs, the Bank uses future information and macroeconomic factors, i.e., understandable and supportive information, including projections of future economic conditions in calculating ECLs, both on an individual and group basis. The provisioning levels for losses will increase as the projected economic conditions deteriorate, i.e. they will decrease as projected economic conditions become more favourable.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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b) Determination of Fair Value of Financial Instruments

The fair value of financial instruments traded in active markets as of the balance sheet date is based on their quoted market prices, without any deductions for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined using the appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist and other relevant valuation models. When market inputs are not available, they are determined by estimates that include a certain degree of assumptions in the estimate of fair value (Note 35).

Valuation models reflect the current market conditions as of the measurement date and do not necessarily represent market conditions before or after the date of measurement. Consequently, all valuation techniques are revised periodically, in order to appropriately reflect the current market conditions.

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

Intangible assets and property, plant and equipment are amortised/depreciated over their estimated useful lives. The determination of the useful lives of intangible assets, property, plant and equipment is based on an estimate of the length of the period during which these assets will generate income. The Bank's management makes periodic reviews and adequate changes are made, if needed, by the Bank's management. Changes in estimates could lead to significant changes in the present value of the amounts recorded in the income statement in certain periods.

d) Impairment of Non-financial Assets

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

An impairment review requires management to make subjective judgments concerning the cash flows, growth rates and discount rates of the cash generating units under review.

e) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and/or tax credits to the extent to which taxable profit will be available against which the unused tax losses /credits can be utilised.

Significant estimate of the management is necessary to determine the amount of deferred tax assets which can be recognised, based on the period in which it was created and the amount of future taxable profits and the tax policy planning strategy (Note 15(c)).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

f) Employee Retirement Benefits

The costs of defined employee benefits payable upon the termination of employment, i.e. retirement in accordance with the legal requirements are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and employee fluctuation rates.

As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. Actuarial assumptions are disclosed in Note 3.17(b) to the financial statements.

g) Provisions for Litigation

The Bank is subject to a certain number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Bank routinely assesses the likelihood of any adverse outcomes to these matters as well as ranges of probable or reasonable estimated losses.

Reasonable estimates involve judgement made by the Bank's management after considering information including notifications, settlements, estimates performed the by Legal Department, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience.

A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter (Note 38(b)). The required provision may change in the future due to new developments and as additional information becomes available.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

4. INTEREST INCOME AND EXPENSE

	<u>2025</u>	<u>2024</u>
Interest income		
Banks	238,083	263,285
National Bank of Serbia	584,603	458,020
Corporate customers	301,576	311,576
Retail customers	51,271	39,891
State institutions	-	-
Total	<u><u>1,175,533</u></u>	<u><u>1,072,772</u></u>
Interest expense		
Banks	-	(59)
Corporate customers	(66,561)	(74,927)
Retail customers	(211,251)	(197,482)
State institutions	-	-
Interest expense on leases in accordance with IFRS 16	(4,928)	(4,333)
Total	<u><u>(282,739)</u></u>	<u><u>(276,801)</u></u>
Net interest income	<u><u>892,794</u></u>	<u><u>795,971</u></u>

Interest income and expense by type of financial instruments are presented as follows:

	<u>2025</u>	<u>2024</u>
Interest income		
Loans and advancements to banks	238,083	263,285
Repo placements with the National Bank of Serbia	171,074	145,945
Obligatory reserve with the National Bank of Serbia	11,199	9,335
Other placements and deposits with the National Bank of Serbia	402,329	302,740
Loans to corporate customers	301,576	311,576
Loans to retail customers	51,271	39,891
Loans to state institutions	-	-
Total	<u><u>1,175,533</u></u>	<u><u>1,072,772</u></u>
Interest expense		
Subordinated loans	-	-
National Bank of Serbia	-	(59)
Other banks	-	-
Deposits from corporate customers	(66,561)	(74,927)
Deposits from retail customers	(211,251)	(197,482)
Deposits and borrowings from state institutions	-	-
Interest expense on leases in accordance with IFRS 16	(4,928)	(4,333)
Total	<u><u>(282,739)</u></u>	<u><u>(276,801)</u></u>
Net interest income	<u><u>892,794</u></u>	<u><u>795,971</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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5. FEE AND COMMISSION INCOME AND EXPENSE

	<u>2025</u>	<u>2024</u>
Fee and commission income		
Domestic payment traffic operations	107,171	98,638
Credit activities	15,152	17,433
Realized foreign exchange differences	3,012,120	2,419,879
Other fees and commissions	41,051	63,965
Total	<u>3,175,494</u>	<u>2,599,915</u>
Fee and commission expense		
Domestic payment traffic operations	(3,031)	(9,013)
Foreign payment traffic operations	(49,441)	(44,903)
Realized foreign exchange differences	(729,440)	(566,539)
Other fees and commissions	(33,039)	(23,731)
Total	<u>(814,952)</u>	<u>(644,186)</u>
Net fee and commission income	<u>2,360,542</u>	<u>1,955,729</u>

Under the item “Other fees and commissions”, realized income and expenses arising from foreign exchange operations (purchase and sale of foreign means of payment) are presented.

6. NET FOREIGN EXCHANGE GAINS AND EFFECTS OF CONTRACTED FOREIGN CURRENCY CLAUSE

	<u>2025</u>	<u>2024</u>
Foreign exchange gains and positive effects of contracted foreign currency clause application	3,931,412	4,255,688
Foreign exchange losses and negative effects of contracted foreign currency clause	<u>(3,933,513)</u>	<u>(4,266,731)</u>
Net foreign exchange gains and effects of contracted foreign currency clause	<u>(2,101)</u>	<u>(11,043)</u>

7. OTHER OPERATING INCOME

	<u>2025</u>	<u>2024</u>
Rental income	-	-
Safes rentals	11,566	10,070
Other income	1,135	937
Total	<u>12,701</u>	<u>11,007</u>

NOTES TO THE FINANCIAL STATEMENTS
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8. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

a) (Charged)/Credited to the Income Statement

	<u>2025</u>	<u>2024</u>
Impairment losses and provisions		
Impairment losses on financial assets:		
- loans and advances to banks	(210,629)	(276,030)
- loans and advance to customers	(753,764)	(318,565)
Provisions for credit risk-weighted off-balance sheet items (Note 24 (a))	(1,913)	(1,983)
Total (Note 9(b))	<u>(966,307)</u>	<u>(596,578)</u>
Expenses from impairment of securities valued through other results	-	-
Expenses of write-offs and impairment of unpaid receivables from fees	(34)	(2,928)
Expenses of direct write-off of the placement of natural persons	(9)	-
Losses based on the modification of financial instruments - NPV effect	-	-
Total expenses	<u>(966,349)</u>	<u>(599,506)</u>
Reversal of impairment losses		
Reversal of impairment losses on financial assets		
- loans and advances to banks	140,527	227,092
- loans and advance to customers	235,555	191,338
Income from reversal of provisions for credit risk off-balance sheet items (Note 24(a))	2,218	1,376
Income from collected written-off receivables transferred to the valence records according to the Write-off Decision	22,019	33,759
Gains from financial modification	90	205
Reversal of impairment losses:	<u>400,409</u>	<u>453,770</u>
- securities valued through other results	-	-
- income from the cancellation of impairment of financial assets valued at fair value through other results	-	-
Total income	<u>400,409</u>	<u>453,770</u>
Net impairment loss	<u>(565,941)</u>	<u>(145,736)</u>

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b) Movements in the Allowance for Impairment of Financial Assets and Provision for Credit Risk-weighted Off-balance Sheet Items

	Loans and advances to banks (Note 19)	Loans and advances to customers (Note 20)	Other assets (Note 24)	Impairment of paid advance for intangible assets (Note 24)	Total
Balance as of 1 January 2024	19,074	183,441	19,089	21,504	243,108
Impairment and provisions recognized during the year (Note 9(a))	(278,013)	(318,565)	-	-	(596,578)
Reversal of impairment and provisions (Note 9(a))	262,432	191,338	-	-	453,770
Accounting write-off (Note 31(b))	-	30,831	-	-	30,831
Exchange rate differences and other changes	60,192	18,048	5,595	20,313	104,148
Unwinding	-	2,007	-	-	2,007
Balance as of 31 December 2024	63,684	107,101	24,684	41,817	237,286
Balance as of 1 January 2025	63,684	107,101	24,684	41,817	237,286
Impairment and provisions recognized during the year (Note 9(a))	(212,542)	(753,764)	-	-	(966,307)
Reversal of impairment and provisions (Note 9(a))	164,854	235,555	-	-	400,408
Accounting write-off (Note 31(b))	-	21,976	-	-	21,976
Exchange rate differences and other changes	129,869	558,095	1,859	-41,812	648,011
Unwinding	-	921	-	-	921
Balance as of 31 December 2025	145,865	169,883	26,543	5	342,296

NOTES TO THE FINANCIAL STATEMENTS
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9. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES

	<u>2025</u>	<u>2024</u>
Gross salaries and compensations	(286,161)	(205,625)
Payroll taxes and contributions	(99,738)	(76,154)
Provisions for unused paid vacations	(14,595)	(11,051)
Other personal expenses	(2,177)	(60,981)
Provision for retirement benefits (Note 24(a))	(3,596)	78
Total	<u>(406,267)</u>	<u>(353,733)</u>

10. AMORTISATION AND DEPRECIATION EXPENSES

	<u>2025</u>	<u>2024</u>
Amortisation and depreciation expenses:		
- amortisation of intangible assets (Note 19)	(22,907)	(18,880)
- depreciation of property, plant and equipment (Note 20(a))	(15,817)	(15,256)
- lease in accordance with IFRS 16 (Note 20(b))	(54,419)	(50,254)
Total	<u>(93,144)</u>	<u>(84,390)</u>

11. OTHER INCOME

	<u>2025</u>	<u>2024</u>
Reversal of provisions for paid holiday allowances	11,000	9,200
Reversal of provisions for bonuses	-	-
Derecognition of leases of assets in accordance with IFRS 16	2	453
Gains from sale of assets held for sale	-	-
Term deposits termination	386	429
Provisions for legal costs (Note 24 (a))	98	50
Income from changes of investment property values	-	-
Other income	3,943	5,423
Total	<u>15,429</u>	<u>15,555</u>

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12. OTHER EXPENSES

	<u>2025</u>	<u>2024</u>
Rental costs	(1,379)	(668)
Maintenance costs	(95,531)	(86,656)
Professional services	(15,757)	(23,298)
Advertising and representations costs	(12,113)	(7,239)
Donation and sponsorship costs	(1,375)	(1,136)
Postal and telecommunication costs	(7,017)	(6,153)
Insurance premiums	(41,635)	(39,378)
Tax duties	(14,234)	(12,518)
Contribution costs	(46,663)	(40,889)
Other compensations to employees	(5,602)	(9,137)
Material used	(8,058)	(8,545)
Provisions for litigations (Note 28(d))	-	(70)
Expenses from changes in value of assets held for sale	-	-
Other expenses	(70,426)	(72,285)
Total	<u>(319,791)</u>	<u>(307,972)</u>

13. INCOME TAX

a) Components of Income Tax

Total tax income of the period consists of the following taxes:

	<u>2025</u>	<u>2024</u>
Current income tax	284,571	280,906
Deferred tax income	497	(1)
Deferred tax expense	(374)	9,104
Total tax income of the period	<u>284,694</u>	<u>290,009</u>

b) Numerical Reconciliation of Income Tax Recognised in the Income Statement and Result for the Year Before Tax Multiplied by the Statutory Income Tax Rate

	<u>2025</u>	<u>2024</u>
Profit/(loss) before income tax	<u>1,894,222</u>	<u>1,875,388</u>
Income tax at statutory rate of 15%	284,133	281,308
Expenses not deductible for tax purposes	452	(383)
Income not deductible for tax purposes	(15)	(19)
Tax effect of carried forward losses	-	-
Current tax	<u>284,571</u>	<u>280,906</u>
Deferred tax income	497	(1)
Deferred tax expense	374	9,104
Effective tax rate	<u>15.02%</u>	<u>15.5%</u>

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c) Deferred Tax Assets

Deferred tax assets as of the balance sheet date refers to the:

- temporary differences from provisions for retirement benefits in the amount of RSD 496 thousand (31 December 2024: RSD 12 thousand) due to the different period of recognition of provision costs for accounting and tax purposes;
- temporary differences between the book value of fixed assets and intangible assets and their tax basis in the amount of RSD 359 thousand (31 December 2024: RSD 3,964 thousand); and
- other temporary differences in the amount of RSD 14 thousand (31 December 2024: RSD 5,137 thousand).

Movements in deferred tax assets in 2025 and 2024 are presented in the following table:

	<u>Opening balance as of 1 January</u>	<u>Shown within Income Statement</u>	<u>Balance as of 31 December</u>
2025			
Tax depreciation	(38)	(359)	(397)
Termination benefits for employees	2,192	496	2,688
Provision for legal costs	162	(15)	147
Effects of temporary differences	23	1	24
Total	<u>2,339</u>	<u>123</u>	<u>2,462</u>
2024			
Tax depreciation	3,926	(3,964)	(38)
Termination benefits for employees	2,204	(12)	2,192
Provision for legal costs	5,290	(5,128)	162
Effects of temporary differences	23	1	23
Total	<u>11,443</u>	<u>(9,103)</u>	<u>2,339</u>

d) Tax Losses and Tax Credits

The Bank has no tax loss and tax credit carry forwards from previous years, due to their entire utilisation in 2023.

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14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Pursuant to the Serbian Business Registers Agency Decision no. BD 119077/2008 dated 11 July 2008, the Bank is a joint-stock company whose shares are not publicly traded, and therefore, it is not obliged to calculate and disclose the earnings per share as required by IAS 33 "Earnings per Share".

15. CASH AND BALANCES WITH CENTRAL BANK

	<u>2025</u>	<u>2024</u>
In Dinars		
Current and gyro accounts	463,572	967,267
Deposited liquid funds	10,900,259	8,177,590
Petty cash	103,850	82,207
Accrued income on cash and balances with central banks	462	404
	<u>11,468,143</u>	<u>9,227,468</u>
In foreign currency		
Obligatory reserve	1,793,714	1,245,080
Petty cash	268,819	251,598
	<u>2,062,532</u>	<u>1,496,678</u>
Less: Impairment of foreign currency accounts	<u>(3)</u>	<u>(5)</u>
Balance as of 31 December	<u><u>13,530,672</u></u>	<u><u>10,724,141</u></u>

The obligatory reserve in local currency - Dinars (RSD) represents the minimal reserve in foreign currency allocated in line with the Decision on Banks' Required Reserves with the National Bank of Serbia ("RS Official Gazette", no. 3/2011, 31/2012, 57/2012, 78/2012, 87/2012, 107/2012, 62/2013, 125/2014, 135/2014, 4/2015, 78/2015, 102/2015, 76/2018, 21/2019 and 77/2023).

The Bank calculates the obligatory reserve against liabilities in respect of dinar deposits, credits and securities, as well as other dinar liabilities, excluding dinar deposits received under transactions performed on behalf of and for the account of third parties that are not in excess of the amount of the Bank's placements made from such deposits.

The Bank is required to calculate and allocate the obligatory reserves in RSD by applying 7% rate (2024: 7%) to the amount of the average daily balance of the dinar funds with the agreed maturity of up to two years, i.e. up to 730 days as well as 2% on the portion of the dinar base with a contractual maturity exceeding two years, i.e. over 730 days (2024: 2%), calculated during the previous calendar month and held in the Bank's giro account with the National Bank of Serbia (dinar deposits indexed to a foreign currency clause form part of the foreign currency reserve requirement base).

The calculated dinar obligatory reserve is the sum of calculated dinar obligatory reserve of 7% (up to 730 days), 2% (over 730 days), 46% of the dinar equivalent of calculated obligatory reserve in foreign currency and 38% of the dinar equivalent of calculated reserve in foreign currency.

The Bank allocates the calculated dinar obligatory reserves to its giro account in Dinars.

As of 31 December 2025, calculated obligatory reserve in RSD amounted to RSD RSD 1,447,052 thousand (31

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December 2024: RSD 1,380,877 thousand).

Pursuant to Decision on obligatory reserve of banks with the National Bank of Serbia, the Bank calculates and allocates obligatory foreign exchange reserve at prescribed rates on the foreign exchange base which consists of average daily book balance of foreign currency liabilities and average daily book balance of dinar liabilities indexed by foreign exchange clause in the previous calendar month.

The Bank calculates the obligatory foreign currency reserve against liabilities in respect of foreign currency deposits, credits and securities and against other foreign currency liabilities, as well as deposits, credits and other foreign currency funds received from abroad under transactions performed on behalf and for the account of third parties.

In accordance with the above mentioned Decision, the Bank calculates and allocates the obligatory foreign currency reserve against foreign currency accounts of the National Bank of Serbia at a rate of 23% (2024: 23%) on the amount of the average daily balance of foreign currency funds in the preceding calendar months for the funds with the agreed maturity of up to two years, i.e., up to 730 days, and 16% (2024: 16%) on the portion of the foreign currency base with the agreed maturity of over 2 years, i.e., over 730 days.

The percentage of allocation of the obligatory foreign currency reserve amounts to 100% (2024:100%) to foreign currency clause-indexed liabilities arising from dinar deposits, loans, securities and other dinar liabilities. Out of the total calculated foreign currency reserve 54% is allocated in EUR, and the remaining portion in dinars, for funds with the agreed maturity of up to two years, i.e., up to 730 days, and 62% is allocated in EUR for foreign currency funds with the agreed maturity of over two years, i.e., over 730 days, while the remaining is allocated in dinars to the gyro account.

The dinar equivalent of the calculated obligatory reserve in Euros is determined by applying the official median exchange rate of RSD applicable on the day of calculation of the obligatory reserve, i.e. on the 17th day of the month.

The Bank calculates the obligatory reserve on the 17th day of the month and that reserve is valid from 18th day of the current month until 17th day of the following month ("accounting period"). The Bank is obligated to maintain for the accounting period the average daily balance of dinar obligatory reserve in the amount of calculated dinar obligatory reserve.

As of 31 December 2025, the Bank's required foreign currency reserve was in line with the aforementioned Decision of the National Bank of Serbia.

The National Bank of Serbia does not pay interest on the amount of the realized average balance of allocated foreign exchange reserves.

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Reconciliation between the line item Cash and balances with the Central Bank and the Statement of Cash Flows for 2025 and 2024 is presented as follows:

	Balance sheet	2025	
		Cash flow statement	Differences
In Dinars			
Current and gyro accounts	463,572	463,572	-
Deposited liquid funds	103,850	103,850	-
Petty cash	10,900,259	10,900,259	-
Accrued income on cash and balances with central banks	462	-	462
	<u>11,468,143</u>	<u>11,467,681</u>	<u>462</u>
In foreign currency			
Obligatory reserve	1,793,714	-	1,793,714
Petty cash	268,819	268,819	-
Less: Impairment of foreign currency accounts	(3)	-	(3)
	<u>2,062,529</u>	<u>268,819</u>	<u>1,793,711</u>
Balance as of 31 December	<u><u>13,530,672</u></u>	<u><u>11,736,500</u></u>	<u><u>1,794,173</u></u>
	Balance sheet	2024	
		Cash flow statement	Differences
In Dinars			
Current and gyro accounts	967,267	710,829	256,438
Deposited liquid funds	82,207	174,035	(91,828)
Petty cash	8,177,590	-	8,177,590
Accrued income on cash and balances with central banks	404	-	404
	<u>9,227,468</u>	<u>884,864</u>	<u>8,342,605</u>
In foreign currency			
Obligatory reserve	1,245,080	-	1,245,080
Petty cash	251,598	278,447	(26,848)
Less: Impairment of foreign currency accounts	(5)	-	(5)
	<u>1,496,673</u>	<u>278,447</u>	<u>1,218,226</u>
Balance as of 31 December	<u><u>10,724,141</u></u>	<u><u>1,163,310</u></u>	<u><u>9,560,836</u></u>

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16. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL ORGANISATION

a) Summary per Type of Loans

	<u>2025</u>	<u>2024</u>
In Dinars:		
Receivables from National Bank of Serbia for repo transactions	3,688,170	3,227,250
Other loans and advances	973,950	1,200,281
	<u>4,662,120</u>	<u>4,427,531</u>
In foreign currency:		
FC accounts	489,794	382,968
Other loans and advances	1,059,094	1,549,948
	<u>1,548,888</u>	<u>1,932,915</u>
Gross loans and advances	6,211,008	6,360,446
<i>Less: Allowance for impairment (Note 10(b))</i>	<u>(145,865)</u>	<u>(63,685)</u>
Balance as of 31 December	<u>6,065,142</u>	<u>6,296,761</u>

As of 31 December 2025, the Bank had placements in the amount of RSD 3,688,170 thousand, which included placements in REPO transactions. Other placements comprise dinar-denominated loans granted to other banks for a period of one day (overnight).

The balance of foreign currency funds under the line item “foreign currency accounts” includes balances held in nostro accounts with correspondent banks. The line item “other foreign currency placements” includes funds placed with foreign banks for periods longer than one day.

b) Maturity Structure of Loans and Advances

The maturity structure of gross loans and advances to banks and other financial organizations, based on the remaining maturity period, outstanding as of 31 December 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Up to 180 days	6,065,142	6,296,761
Over a year	-	-
Balance as of 31 December	<u>6,065,142</u>	<u>6,296,761</u>

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17. LOANS AND ADVANCES TO CUSTOMERS

a) Summary per Type of Customers

	<u>2025</u>	<u>2024</u>
Short-term loans in Dinars:		
- Corporate customers	621,874	683,825
- Retail customers	616	2,568
	<u>622,491</u>	<u>686,393</u>
Long-term loans in Dinars:		
- Corporate customers	3,900,797	4,529,330
<i>of which in dinars</i>	2,32,882	2,156,355
<i>of which in dinars with a foreign currency clause</i>	1,579,915	2,372,976
- Retail customers	1,189,387	662,679
	<u>5,090,183</u>	<u>5,192,010</u>
Short-term loans in foreign currency:		
- Corporate customers	-	-
- Retail customers	-	-
	<u>-</u>	<u>-</u>
Long-term loans in foreign currency:		
- Corporate customers	-	-
- Retail customers	126,401	66,883
	<u>126,401</u>	<u>66,883</u>
Receivables for accrued interest:		
- Corporate customers	13,407	22,038
- Retail customers	4,022	4,392
	<u>17,492</u>	<u>26,430</u>
Deferred receivables for accrued interest:		
- Corporate customers	220	231
- Retail customers	81	72
	<u>300</u>	<u>303</u>
Deductible items in dinars - accrued expenses and deferred income:		
- Corporate customers	(4,403)	(5,937)
- Retail customers	(713)	(836)
	<u>(5,117)</u>	<u>(6,773)</u>
Gross loans and advances	<u><u>5,851,750</u></u>	<u><u>5,965,246</u></u>
<i>Less: Allowance for impairment (Note 10(b))</i>	<u>(169,884)</u>	<u>(107,100)</u>
Balance as of 31 December	<u><u>5,681,866</u></u>	<u><u>5,858,145</u></u>

As of 31 December 2025, total dinar-denominated loans also include loans indexed to a foreign currency clause in the gross amount of RSD 5,851,750 thousand (31 December 2024: RSD 5,965,246 thousand).

Short-term loans were granted to corporate clients for financing business activities in the fields of trade, manufacturing, and other purposes, with interest rates ranging from 5.40% to 6.5% per annum for loans with a foreign currency clause, and from 7.67% to 9.31% per annum for dinar-denominated loans.

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Interest rates on short-term dinar loans to retail customers ranged from 7.50% to 9.50% per annum. Interest rates on long-term loans to retail customers ranged from 7.70% to 10.00% per annum for cash and refinancing loans denominated in dinars.

b) Structure of Loan Portfolio by Loan Type

The structure of the gross loan portfolio by loan type, as of 31 December 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Overdraft on current accounts	353	7,237
Cash loans	42,706	69,118
Loans for working capital	3,008,585	3,458,762
Investment loans	316,473	301,195
Housing loans	1,271,153	660,450
Other loans	1,212,479	1,468,482
Balance as of 31 December	<u>5,851,750</u>	<u>5,965,246</u>

Other gross loans in the amount of RSD 1,212,479 thousand as of 31 December 2025 (31 December 2024: RSD 1,468,482 thousand) mainly relate to loans granted to corporate customers for the financing of their business activities.

c) Maturity Structure of Loan Portfolio

The maturity structure of the gross loan portfolio, based on the remaining maturity period, outstanding as of 31 December 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Up to 30 days	136,984	150,182
From 1 to 3 months	587,312	37,536
From 3 to 12 months	601,509	882,862
Over 1 year	4,525,944	4,894,665
Balance as of 31 December	<u>5,851,750</u>	<u>5,965,246</u>

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18. INTANGIBLE ASSETS

	<u>License and software</u>	<u>Total</u>
COST		
Balance as of 1 January 2024	310,807	310,807
Additions during the year	49,652	49,652
Balance as of 31 December 2024	360,459	360,459
Additions during the year	39,594	39,594
Balance as of 31 December 2025	400,053	400,053
ACCUMULATED AMORTISATION		
Balance as of 1 January 2024	258,383	258,383
Amortisation charge (Note 11)	18,880	18,880
Balance as of 31 December 2024	277,263	277,263
Amortisation charge (Note 11)	22,907	22,907
Balance as of 31 December 2025	300,170	300,170
CARRYING VALUE AS OF:		
- as of 31 December 2025	99,883	99,883
- as of 31 December 2024	83,196	83,196

The carrying value of intangible assets as of 31 December 2025 comprises software in the amount of RSD 88,207 thousand (31 December 2024: RSD 70,841 thousand) and licenses in the amount of RSD 11,676 thousand (31 December 2024: RSD 12,355 thousand). Based on management's assessment, intangible assets as of 31 December 2025 are not impaired.

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19. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

a) Property, Plant and Equipment

	Equipment	PPE under construction	Leased PPE	Leasehold improvements	Total
COST					
As of 1 January 2024	158,673	0	168,189	41,891	368,753
Additions during the year	20,287	13,553	184,150	3,261	221,250
Disposals	(5,843)	(12,901)	(161,616)	-	(180,360)
As of 31 December 2024	173,117	652	190,723	45,152	409,643
Additions during the year	36,188	36,849	11,571	1,313	85,921
Disposals	(6,828)	(37,501)	(10,862)	-	(55,191)
As of 31 December 2025	202,477	-	191,432	46,465	440,374
ACCUMULATED AMORTISATION					
As of 1 January 2024					
Depreciation charge (Note 12)	110,436	-	131,905	38,124	280,465
Disposals	13,509	-	50,254	1,747	65,510
As of 31 December 2024	(3,585)	-	(142,880)	-	(146,465)
Depreciation charge (Note 12)	120,360	-	39,278	39,871	199,510
Disposals	13,942	-	54,419	1,875	70,236
	(2,662)	-	(10,862)	-	(13,523)
As of 31 December 2025	131,641	-	82,836	41,746	256,223
CARRYING VALUE					
AS OF:	70,837	-	108,596	4,719	184,151
- As of 31 December 2025					
- As of 31 December 2024	52,757	652	151,445	5,281	210,133

The carrying value of equipment as of 31 December 2025 mostly relates to computer and telecommunication equipment and office furniture.

The most significant increase in property, plant and equipment relates to recognition of effects under IFRS 16- Lease.

Based on the Bank's management estimate, property, plant and equipment at 31 December 2025 are not impaired.

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b) Breakdown of right-of-use assets

	<u>2025</u>	<u>2024</u>
Office space and parking spots	177,272	176,048
Vehicles	4,323	6,844
Premises - ATM machines	3,464	3,464
Other leases	6,373	4,366
Gross balance as of 31 December	<u>191,432</u>	<u>190,722</u>
<i>Less: allowance for impairment</i>	<u>(82,834)</u>	<u>(39,276)</u>
Net balance as of 31 December	<u>108,598</u>	<u>151,446</u>

Movements in right-of-use assets in 2025 and 2024 are presented in table below:

	Office space and parking spots	Vehicles	Premises - ATM machines	Other leases	Total
GROSS CARRYING VALUE					
As of 1 January 2024	<u>155,228</u>	<u>6,844</u>	<u>1,715</u>	<u>4,401</u>	<u>168,189</u>
Additions during the year	178,035	-	1,749	4,366	184,150
Contracts no longer active	<u>157,215</u>	<u>-</u>	<u>-</u>	<u>4,401</u>	<u>161,616</u>
As of 31 December 2024	<u>176,049</u>	<u>6,844</u>	<u>3,464</u>	<u>4,366</u>	<u>190,723</u>
Additions during the year	3,210	-	-	8,361	11,571
Contracts no longer active	<u>1,986</u>	<u>2,521</u>	<u>-</u>	<u>6,354</u>	<u>10,862</u>
As of 31 December 2025	<u>177,272</u>	<u>4,323</u>	<u>3,464</u>	<u>6,373</u>	<u>191,432</u>
ACCUMULATED AMORTISATION					
As of 1 January 2024	<u>(123,488)</u>	<u>(2,778)</u>	<u>(3,559)</u>	<u>(2,078)</u>	<u>(131,904)</u>
Depreciation charge (Note 12)	(42,766)	(1,711)	(1,157)	(4,620)	(50,254)
Contracts no longer active	<u>138,480</u>	<u>-</u>	<u>-</u>	<u>4,401</u>	<u>142,881</u>
As of 31 December 2024	<u>(27,774)</u>	<u>(4,489)</u>	<u>(4,716)</u>	<u>(2,297)</u>	<u>(39,276)</u>
Depreciation charge (Note 12)	(43,640)	(1,130)	(1,155)	(8,495)	(54,419)
Contracts no longer active	<u>-</u>	<u>2,521</u>	<u>-</u>	<u>8,340</u>	<u>10,862</u>
As of 31 December 2025	<u>(71,415)</u>	<u>(3,097)</u>	<u>(5,871)</u>	<u>(2,452)</u>	<u>(82,834)</u>
Carrying value as of:					
- As of 31 December 2025	<u>105,858</u>	<u>1,226</u>	<u>(2,407)</u>	<u>3,921</u>	<u>108,598</u>
- As of 31 December 2024	<u>148,274</u>	<u>2,356</u>	<u>(1,252)</u>	<u>2,069</u>	<u>151,447</u>

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20. OTHER ASSETS

	<u>2025</u>	<u>2024</u>
<i>Other receivables</i>		
<i>In Dinars</i>		
Receivables from employees	7,015	7,015
Paid advances	10,894	48,790
Receivables for overpaid taxes	-	5
Funds in transit accounts	-	45
Other receivables	40,848	41,746
	<u>58,756</u>	<u>97,601</u>
<i>In foreign currency</i>		
Paid advances	7,990	4,528
Receivables from employees	17,635	17,595
Other receivables	49,969	54,783
	<u>75,593</u>	<u>76,906</u>
<i>Prepayments and accrued income</i>		
Prepaid expenses		
- in dinars	7,656	6,525
	<u>142,006</u>	<u>181,032</u>
Other assets, gross		
Less: Allowance for impairment (Note 10(b))	(26,543)	(24,684)
Less: Allowance for impairment of paid advances	(4)	(41,816)
	<u>115,458</u>	<u>114,532</u>
Balance as of 31 December	<u>115,458</u>	<u>114,532</u>

21. DEPOSITS AND OTHER FINANCIAL LIABILITIES TO BANKS, OTHER FINANCIAL ORGANISATIONS AND CENTRAL BANK

	<u>2025</u>	<u>2024</u>
In Dinars		
Transaction accounts	5,373	6,930
Other deposits	260,000	200,000
Accrued interest liability	1,797	1,885
	<u>267,170</u>	<u>208,815</u>
In foreign currency		
Transaction accounts	15,813	25,689
Other deposits	1,566	23,687
Other liability	-	11,244
	<u>17,379</u>	<u>60,620</u>
Balance as of 31 December	<u>284,549</u>	<u>269,435</u>

Other deposits mostly pertain to Association of Serbian Insurers.

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22. DEPOSITS AND OTHER FINANCIAL LIABILITIES TO CUSTOMERS

	<u>2025</u>	<u>2024</u>
In Dinars		
Transaction accounts	5,180,933	5,649,470
Savings deposits	3,715,119	3,027,564
Special-purpose deposits	387,005	378,457
Other deposits	3,258,556	2,327,351
Interest payables on loans, deposits, and other financial liabilities	72	22
Accrued interest liabilities	32,149	44,921
	<u>12,573,834</u>	<u>11,427,785</u>
In foreign currency		
Transaction accounts	2,954,467	3,148,224
Savings deposits	3,175,109	2,954,622
Special-purpose deposits	108,455	143,944
Other deposits	10,443	130,000
Other financial borrowings	38,443	105,760
Interest payables on loans, deposits, and other financial liabilities	-	-
Accrued interest liabilities	72,589	45,774
	<u>6,359,507</u>	<u>6,528,324</u>
Balance as of 31 December	<u>18,933,341</u>	<u>17,956,109</u>

On fixed-term deposits in Dinars and foreign currency of customers, the Bank pays interest at rates ranging from 1.00% to 4.50% per annum, depending on the currency and the period the funds have been deposited for.

A vista saving deposits in RSD do not earn interest, as well as vista saving deposits in USD and vista saving deposits in EUR.

The interest rates on the short-term retail customers' deposits in Dinars range from 1.00% to 4.50% per annum, depending on the period the funds have been deposited for.

The interest rates on the short-term retail customers' deposits in foreign currency range from 2.00% to 3.00% per annum, depending on the currency and the period the funds have been deposited for.

Long-term deposits placed by retail customers in foreign currency earn interest at rates ranging from 3.00% to 3.30% per annum for deposits in EUR, depending on the period that the funds have been deposited for.

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23. PROVISIONS

	<u>2025</u>	<u>2024</u>
Provision for credit risk- weighted off-balance sheet items (a)	599	903
Provisions for employee benefits for retirement severance payments (b)	17,921	14,617
Provisions for legal costs (c)	<u>974</u>	<u>1,077</u>
Balance as of 31 December	<u><u>19,494</u></u>	<u><u>16,597</u></u>

According to the Bank's internal policy, the provision for commitments and other credit risk-weighted off-balance sheet items (guarantees, acceptances, undrawn credit facilities etc.) is established when it is probable that an outflow of resources will be required to settle the obligation arising from the Bank's commitment, and when the objective evidence of such probability exists.

Evidence based on which the Bank performs the individual assessment of impairment are: payments effected on the Bank's accounts with respect to commitments arising from guarantees, bills of guarantees, etc., and that the customer has been classified in accordance with the Bank's classification criteria into the categories G and D.

Individual assessment of impairment of off-balance sheet items is performed in the same manner as for the balance sheet assets.

Contingent liabilities for which the Bank does not expect any outflow of resources and/or it estimates that in the case of an outflow of resources all receivables will be fully collected are not provided for.

Furthermore, the Bank does not calculate the provision for risk-weighted off-balance sheet items (undrawn credit facilities) for all unfunded commitments subject to unconditional cancellation by the Bank due to deterioration in the borrower's financial position.

Provisions for employee benefits for retirement severance payments were established in accordance with independent actuary's report as of 31 December 2025, and are stated in the amount of the present value of the future defined benefit obligation.

When determining the present value of expected outflows, a discount rate of 6.0% was used, an assumption of average annual salary growth of 8.5% per year, employee turnover rate of 4.0% and a disability rate of 0.1% per year.

The Bank established a provision for legal costs in which it acted as a defendant and for which adverse outcome was expected according to the estimate of the Legal Department.

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a) Movements in provisions during the year were as follows:

	<u>2025</u>	<u>2024</u>
Provision for credit risk- weighted off-balance sheet items (a)		
<i>Balance as of 1 January</i>	903	297
Provisions recognized during the year (Note 9(a))	1,914	1,983
Reversal of provisions	(2,218)	(1,376)
Foreign exchange differences and other changes	-	-
	<u>599</u>	<u>903</u>
Provisions for employee benefits for retirement severance payments (b)		
<i>Balance as of 1 January</i>	14,617	14,695
Provisions recognized during the year (Note 10)	3,596	(78)
Payments made during the year charged against provisions	(292)	-
	<u>17,921</u>	<u>14,617</u>
Provisions for legal costs (c)		
<i>Balance as of 1 January</i>	1,077	35,263
Provisions recognized during the year (Note 13)	-	70
Payments arising from lost legal disputes	(103)	(34,256)
	<u>974</u>	<u>1,077</u>
Balance as of 31 December	<u>19,494</u>	<u>16,597</u>

24. OTHER LIABILITIES

	<u>2025</u>	<u>2024</u>
Trade payables	17,434	13,825
Liabilities for value added tax	2,053	2,079
Liabilities for other taxes and contributions	-	518
Accrued liabilities for other accrued expenses	3,514	4,753
Deferred other income	22,396	23,439
Liabilities towards employees	50,230	40,200
Liabilities arising from the lease in accordance with IFRS 16	112,960	153,784
Other liabilities	103,287	45,801
Balance as of 31 December	<u>311,873</u>	<u>284,399</u>

Other liabilities in the amount of RSD 103,287 thousand as of 31 December 2025 mostly relate to accrued liabilities in RSD (for loan repayment by physical and legal entities).

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The maturity structure of lease liabilities is presented in the following table:

	<u>2025</u>	<u>2024</u>
Maturity:		
Up to a year	3,834	10,287
Up to 2 years	16,373	11,696
Up to 3 years	-	17,435
Up to 4 years	92,753	-
Up to 5 years	-	114,366
Over 5 years	-	-
Total	<u>112,960</u>	<u>153,784</u>

The structure of lease-related expenses in 2025 and 2024 is presented in the following table:

	<u>2025</u>	<u>2024</u>
Interest expenses on lease liabilities	4,928	4,333
Depreciation expenses of right-of-use assets	54,419	60,757
Lease expenses	711	668
Total	<u>60,058</u>	<u>65,758</u>

During 2025, the Bank made payments under operating lease agreements in accordance with IFRS 16 in the amount of RSD 64,287 thousand (2024: RSD 71,045 thousand), which primarily related to the lease of office spaces used by the Bank.

25. EQUITY

	<u>2025</u>	<u>2024</u>
Share capital - ordinary shares	4,632,407	4,632,407
Reserves	-	-
Accumulated loss	(115,469)	(1,700,848)
Profit(loss) for the year	1,609,774	1,585,379
Balance as of 31 December	<u>6,126,712</u>	<u>4,516,938</u>

During 2018 the shareholders of the Bank changed. As disclosed in Note 1, the company registered in Serbia "AZRS INVEST" d.o.o. Belgrade became the Bank's owner and, accordingly, as of 31 December 2021, it is the sole shareholder participating with 100% in share capital of the Bank. The ultimate owner of "AZRS INVEST" d.o.o. Belgrade.

As of 31 December 2025, subscribed and fully paid in share capital of the Bank consists of 9,264,813 ordinary shares (31 December 2024: 9,264,813 ordinary shares), with the nominal value per share of RSD 500.

On 28 April 2025, the Bank's General Assembly adopted a decision on the appropriation of the Bank's profit for the financial year 2024 in the amount of RSD 1,585,379 thousand, which was used to partially cover losses incurred in prior years.

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26. OFF-BALANCE SHEET ITEMS

	<u>2025</u>	<u>2024</u>
Guarantees and other irrevocable commitments (a)	2,304,415	2,766,380
Other off-balance sheet items (b)	<u>12,416,365</u>	<u>11,875,165</u>
Balance as of 31 December	<u>14,720,780</u>	<u>14,641,545</u>
a) Guarantees and other irrevocable commitments		
	<u>2025</u>	<u>2024</u>
Payable guarantees:		
- in dinars	237,883	374,878
- in foreign currency	-	-
	<u>237,883</u>	<u>374,878</u>
Performance guarantee:		
- in dinars	2,065,869	2,390,248
- in foreign currency	663	1,255
	<u>2,066,532</u>	<u>2,391,502</u>
Total guaranties and assumed liabilities	2,304,415	2,766,380
Swap transactions and purchase of FC for dinars	-	-
Irrevocable liabilities	-	-
Balance as of 31 December	<u>2,304,415</u>	<u>2,766,380</u>

The Bank establishes a provision for potential losses from other credit risk-weighted off- balance sheet items in accordance with the accounting policy disclosed in Note 4 to the financial statements

b) Other Off-balance Sheet Items

	<u>2025</u>	<u>2024</u>
In RSD		
Loro guarantees	22,460	29,155
Revocable commitments	1,732,445	788,452
Collateral assets, mortgages and pledges	4,200,237	5,377,339
Accounting write-off	2,700,146	2,397,715
Other off-balance sheet items	<u>3,761,078</u>	<u>3,282,504</u>
Balance as of 31 December	<u>12,416,365</u>	<u>11,875,165</u>

Revocable commitments in the amount of RSD 1,732,445 thousand as of 31 December 2025 mainly relate to

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long-term framework credit lines approved to corporate customers.

Within the line item collateral assets, mortgages and pledges, all collateral held by the Bank in respect of granted loans is recorded (not only first-ranking mortgages).

As of 31 December 2025, in accordance with the Decision of the National Bank of Serbia on the accounting write-off of bank balance sheet assets dated 10 August 2017, effective from 30 September 2017, the Bank transferred all non-performing loans—where impairment had been recognized through an allowance equal to 100% of their gross carrying amount—from the balance sheet to off-balance sheet records in the amount of RSD 22,019 thousand (31 December 2024: RSD 33,759 thousand) (Note 10(b)).

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27. RELATED PARTY DISCLOSURES

A number of banking transactions are entered into with the shareholder and other related parties in the ordinary course of business which is presented in the following tables. These transactions were carried out at commercial terms and conditions and at the market rates.

Related parties of the Bank until 26 July 2018 were members of the Group to which the Bank belonged - VTB Group, and onwards from that date, the Bank's related party is "AZRS INVEST" d.o.o. Belgrade.

On 26 July 2018 the Central Securities Depository and Clearing House changed the ownership of the 100% of the shares of VTB Banka a.d. Belgrade and the sole owner of Bank's shares became company "AZRS INVEST" d.o.o. Belgrade, with registration number 20988592. The ownership change was made on the basis of the previously obtained approval from the National Bank of Serbia in accordance with the Decision G 2182 dated 22 March 2018. A new business name - API Bank a.d. Belgrade - was established according to amendments to the Articles of Association, Memorandum of Association and a Decision adopted by the General Assembly dated 24 September 2018.

Parties related with the Bank are persons who can have a significant impact on making financial and business decisions of the Bank. Parties related with the Bank are management of the Bank, the Board of Directors and the Executive Board members, their close relatives and legal entities in their ownership or under their control, as well as legal entities whose financial or business decisions are influenced by these persons.

- a) Outstanding balance of receivables and payables as of 31 December 2025 and 2024 resulting from transactions with shareholders and other Bank's related parties are presented in the following table:

	<u>2025</u>	<u>2024</u>
Placements with banks:		
Nostro accounts	-	-
Other placements	-	-
Loans:	-	-
Loans approved to the Bank's management	-	-
Less: Allowance for impairment	-	-
	-	-
Total	<u>-</u>	<u>-</u>
Deposits and borrowings:		
Transaction deposits of shareholders	2,040	113
Subordinated loans from shareholders	-	-
Deposits of individuals related to the Bank in the sense of the Law that governs banks' operations	-	-
Balance as of 31 December	<u>2,040</u>	<u>113</u>

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- b) Summary of transactions with related party "AZRS INVEST" d.o.o. Belgrade in 2025 and 2022 is presented in the following table

	<u>2025</u>	<u>2024</u>
Income	45	52
Expenses	(18)	(292)
Receivables	-	-
Payables	-	-
Equity	<u>4,632,407</u>	<u>4,632,407</u>

- c) Salaries and other benefits of the Executive Board members and other key management personnel of the Bank (stated in the gross amount) in 2025 and 2024 are presented in the following table:

	<u>2025</u>	<u>2024</u>
Members of the Executive Board	(43,207)	(41,443)
Members of the Board of Directors	(32,753)	(32,520)
Directors of Departments	(65,669)	(59,206)
Member of Audit Committee	<u>(1,737)</u>	<u>(1,734)</u>
Balance as of 31 December	<u>(143,366)</u>	<u>(134,903)</u>

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28. RISK MANAGEMENT

Risk is inherent in banking activities, but it is managed through a process of ongoing identification, measurement and monitoring, establishing risk limits and applying other controls.

Owing to the nature of its activities, the Bank is exposed to the following major risks: credit risk, liquidity risk, interest rate risk and market risk (which includes the currency risk and other market risks).

The Bank is also subject to operational risks (including the legal risk, risks arising from the introduction of new products, activities, processes and systems, as well as the risk of entrusting activities to third parties, i.e. outsourcing and the information system risk), interest risk in the banking book, exposure risk to one entity or a group of related parties, risk of the Bank's investments in other legal entities and property, plant and equipment, as well as the impact of risk related to the country of origin of the entity to which the Bank is exposed and the risk of early repayment, which the Bank continuously monitors.

The Board of Directors and the Executive Board are ultimately responsible for the overall approach to risk management, as well as approval of the strategy and principles of risk management. In addition, the Bank has established separate independent bodies for managing and monitoring risks.

The Bank's bodies, authorized for risk management, constantly monitor changes in the legislation, while analysing their influence on the level of risks at the level of the Bank. They undertake necessary measures to bring the Bank's business activities and procedures in line with new procedures within the scope of controlled risk.

Risk Management Sector

In order to establish an integrated system of risk management and enable functional and organizational segregation of risk management activity and regular operating activities, the Bank has established the Risk Management Sector.

Liquidity risk management, as well as management of interest rate risk in the banking book, foreign exchange and other market risks, managing the risk of the Bank's exposure to a single entity or a group of related parties, management of investments in other legal entities and in fixed assets, management of the risk of exposure towards the country of a client's origin, operational risk and development of internal methodology for the evaluation, measurement and management of the risks that the Bank is exposed to, are included in the scope of activities of this Sector.

Credit risk management and providing recommendations for the Bank's exposures that are under the influence of credit risk, as well as monitoring and collection of the non-performing assets, i.e. bad assets within the department for operations with non-standard assets are also included in the scope of this Sector's activities.

Treasury and Liquidity Sector and Assets and Liabilities Managing Committee (Asset-Liability Committees (ALCOs))

The Treasury and Liquidity Sector is responsible for managing assets and liabilities and the overall financial structure of the Bank. Furthermore, it is responsible for the funding and liquidity of the Bank. The Assets and Liabilities Managing Committee (Asset-Liability Committees (ALCOs)) is responsible for monitoring and managing liquidity risk.

Risk management processes throughout the Bank are audited at least annually by the internal audit function, which examines both the adequacy of the procedures and the Bank's compliance with the adopted procedures. Internal audit discusses the results of own assessments with the Bank's management and reports its findings and recommendations to the Audit Committee.

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Risk Management and Reporting Systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Bank also runs worst case scenarios that would arise in the event of the extreme events, which are unlikely to occur.

Monitoring and control of the risks is primarily based on establishing limits. The limits reflect the business strategy and market environment of the Bank, as well as the level of risks the Bank is willing to accept. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information collected from all operating activities is examined and processed in order to identify, analyse and control early risks. This information is presented and explained to the Board of Directors, Executive Board, Risk Management Sector and heads of all business units. The reports contain the total credit exposure, investment forecasts, departure from established limits, market risk measurement, liquidity ratios and changes in risk profiles.

The Bank's management assesses the adequacy of impairment of placements on quarterly basis. The Bank quarterly presents to the Audit Committee an extensive report that includes all the relevant information needed to estimate the risks the Bank is exposed to.

Special reports on risk management are prepared for each level in the Bank to ensure that all organizational units have access to comprehensive, necessary and updated information.

28.1. Credit Risk

Credit risk is the risk from occurrence of adverse effects to the financial performance and equity of the Bank due to inability of credit beneficiaries to fulfil contractual obligations to the Bank.

The Bank's credit risk is caused by the debtor's credit capacity, good credit history, as well as quality of collaterals, and is being identified, measured, estimated and monitored in accordance with the internal by-laws for credit risk management, as well as in accordance with decisions that regulate the classification of the balance sheet assets and off-balance sheet items, i.e. capital adequacy of the Bank.

Risk management policy, the procedures for managing credit risk and procedures for granting, effecting and collecting the placements, the process of credit risk management of individual placements and risks at the portfolio level, i.e., the procedures of identification, measurement and monitoring (control) of placements, especially those with increased risk levels, have been defined. In accordance with the aforementioned procedures, the Bank engages in activities with customers who have the appropriate creditworthiness and the risk levels estimated as acceptable, considering the ratio and connection of the categories of risk and profitability.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, as well as by monitoring exposures in relation to these risks. Exposure to credit risk is continuously monitored by periodical assessments of the credit beneficiaries' abilities to settle their liabilities to the Bank and other creditors.

The Bank has established a credit quality review process to ensure early identification of possible changes in the creditworthiness of counterparties, including regular collateral review and revision.

Counterparty limits are established by the use of a credit risk classification system, which classifies every

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counterparty according to certain credit rank as well as according to the internal methodology, which defines the level of exposure that the Bank is willing to accept toward an individual customer or the group of related parties. The classification of counterparties is subject to regular reviews.

The credit quality review process allows the Bank to assess the potential loss as a result of the risk to which it is exposed and take corrective actions.

According to the Bank's policy, making decisions on exposure to credit risk is centralized and concentrated in the Credit Committee for corporate and retail customers. Decisions of the Credit Committee are made upon consideration of proposals provided by competent sectors included in the process of granting loans and the Risk Management Sector.

The terms for approval of each corporate loan are determined individually depending on client type, loan's purpose, estimated creditworthiness, offered collateral and current market situation. Type of collateral that accompanies each loan is also determined according to the client creditworthiness analysis, type of credit risk exposure, term of the placement as well as the amount of a particular loan. All of the Bank's placements are based on relevant approvals, which determine the terms and other conditions for their implementation.

Reporting on credit risk is based on permanent monitoring at the level of the total portfolio of the Bank as well as at the individual client level. In accordance with the shareholder's request, credit risk is reported on monthly basis, when the overview of portfolio, defaults, movements in provisions and equity of the Bank is presented.

The Bank assesses impairment of financial assets as described in Note 2.1(a) IFRS 9 "Financial Instruments": Impairment - Financial Assets and Contract Assets.

Credit-related Risks

The Bank issues guarantees and letters of credit to its customers, and, consequently, it has a contingent liability to perform payments in favour of third parties. Thus, the Bank is exposed to credit-related risks, which can be mitigated by control processes and procedures used for mitigating credit risks.

Derivative Financial Instruments

Credit risk arising from derivative financial instruments is, at any time, limited to the instruments with positive fair value, as recorded in the balance sheet. Such credit risk is limited by determining the maximum fair value of the total derivatives' portfolio, as well as determination of the maximum positive fair value of each individual transaction. The Bank is not exposed to this risk, since it does not have significant derivative financial instruments.

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a) Maximum Exposure to Credit Risk by Balance Sheet Assets and Off-balance Sheet Items

The table below represents the maximum credit risk exposure as of 31 December 2025 and 2024, presented in the gross amount, without taking into account collaterals:

	<u>2025</u>	<u>2024</u>
	<u>Net maximum exposure</u>	<u>Net maximum exposure</u>
The exposure related to balance sheet assets		
Securities *	-	-
Loans and advances to banks and other financial institutions	6,065,142	6,296,761
Loans and advances to customers	5,681,866	5,858,145
Other assets	115,458	114,532
Total balance sheet assets	<u>11,862,466</u>	<u>12,269,438</u>
The exposure related to off-balance sheet items		
Payment guarantees	237,873	374,874
Performance bonds	2,065,942	2,390,604
Undrawn commitments	1,732,445	788,452
Total off-balance sheet items	<u>4,036,260</u>	<u>3,553,930</u>
Balance as of 31 December	<u><u>15,898,726</u></u>	<u><u>15,823,368</u></u>

As presented in the previous table, as of 31 December 2025, 35.74% of the maximum exposure to credit risk relates to loans and advances to customers (31 December 2024: 37.02%), 10.90% relates to undrawn commitments (31 December 2024: 4.98%), and 38.15% relates to loans and advances to banks and other financial institutions (31 December 2024: 39.79%).

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The table below shows balance and off-balance sheet items classified under credit risk levels - 1, 2 and 3

	As of 31 December 2025		
	Gross exposure	Allowance for impairment and provisions	Net exposures
Loans and advances to banks and other financial organisations			
Performing placements	6,211,008	(145,866)	6,065,142
Level 1	6,020,935	(12,815)	6,008,120
Level 3	190,073	(133,051)	57,022
Loans and advances to customers and other assets			
Performing placements	5,494,295	(63,730)	5,430,565
Level 1	4,580,946	(40,162)	4,540,784
Level 2	913,349	(23,568)	889,781
NPLs - Level 3	495,751	(128,992)	366,759
Collectively assessed	14,620	(6,406)	8,214
Individually assessed	481,131	(122,586)	358,545
Securities - Level 1*	-	-	-
Total balance sheet exposures	12,201,054	(338,588)	11,862,466
Off-balance sheet exposures			
Performing placements	4,036,859	(599)	4,036,260
Level 1	3,981,651	(599)	3,981,052
Level 2	55,208	-	55,208
Placements in default status - Level 3	-	-	-
Collectively assessed	-	-	-
Individually assessed	-	-	-
Total off-balance sheet exposures	4,036,859	(599)	4,036,260

Concentration of risk is managed by setting the limits by customer/counterparty, by geographical region and by industry sector. In order to avoid excessive risk concentration, the Bank's policies and procedures contain specific guidelines for the development and preservation of diversified portfolio. Accordingly, the Bank controls and manages identified concentrations of credit risks.

The analysis of the Bank's credit risk exposure by industry sectors with the balance as of 31 December 2025 and 2024 is presented in Note 20(d).

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The structure of the Bank's credit exposure, presented at the net carrying amount of total risk exposures as of 31 December 2025, grouped by geographic regions, is shown in the following table:

	Serbia	Europe	Other	Total
Loans and advances:				
- Banks and financial institutions	4,671,816	6,257	1,387,069	6,065,142
- Corporate customers	4,352,903	-	-	4,352,903
- Retail customers	1,184,295	81,117	46,553	1,311,965
- Entrepreneurs	16,998	-	-	16,998
Guarantees and other irrevocable commitments	4,035,626	-	634	4,036,260
Balance as of 31 December 2025	14,261,638	87,374	1,434,256	15,783,268
Balance as of 31 December 2024	13,840,523	16,782	1,851,531	15,708,836

Analysis of the Bank's exposure to credit risk, by industry sectors, before and after impairment of financial assets and provisions for risks, as of 31 December 2025 and 2024, is presented in the following table:

	Gross maximum exposure - 2025	Net maximum exposure - 2025	Gross maximum exposure - 2024	Net maximum exposure - 2024
Manufacturing industry	3,112,256	3,058,163	3,589,608	3,533,304
Transport and storage	62,341	61,702	243,518	219,011
Trade	1,137,479	1,111,495	1,332,877	1,314,953
Finances	6,211,008	6,065,142	6,360,445	6,296,761
Retails	1,319,792	1,311,965	735,757	727,570
Entrepreneurs	17,000	16,998	29,623	29,452
Other	202,881	121,543	33,863	33,855
Total	12,062,757	11,747,008	12,325,691	12,154,906

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b) Portfolio Quality

The Bank manages the quality of financial assets using the internal classification of placements.

Category	Placements made to customers			Placements made To banks			Total in 2025	Total in 2024
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Placements made to customers and banks	Placements made to customers and banks
A	5,299,675	381,027	-	5,058,018	-	-	10,738,720	8,794,735
B	2,688,436	322,751	5,548	374,387	135,761	-	3,526,883	5,569,960
V	508,134	71,305	263,128	-	452,769	-	1,295,336	1,015,065
G	1,122	192,142	31,512	-	-	-	224,776	491,294
D	51	-	123,775	-	-	190,073	313,899	9,470
Total	8,497,418	967,225	423,963	5,432,405	588,530	190,073	16,099,614	15,880,524

The following tables show the portfolio quality (gross placement and off-balance sheet exposure) based on the Bank's classification system as of 31 December 2025 and 2024.

The structure of allowances for impairment and provisions, established in accordance with the Bank's internal methodology, was as follows as of 31 December 2025 and 2024:

Category	Allowances for impairment and provisions for customers			Allowances for impairment and provisions for banks			Total in 2025	Total in 2024
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Placements made to customers and banks	Placements made to customers and banks
A	8,889	6,511	-	3,381	-	-	18,781	18,663
B	13,890	457	-	2,991	1,100	-	18,438	31,322
V	17,851	2,701	20,100	-	5,343	-	45,995	40,693
G	7	13,881	3,739	-	-	-	17,627	77,689
D	-	-	82,454	-	-	133,051	215,505	3,322
Total	40,637	23,550	106,293	6,372	6,443	133,051	316,346	171,689

	Placements made to customers and banks			Total in 2025	Total in 2024
	Level 1	Level 2	Level 3		
Performing receivables	9,870,706	1,290,811	297,824	11,459,341	11,821,155
Past due receivables	31,058	-	799	31,857	
- 1-30 days	-	4,616	124	4,741	197,679
- 31-60 days	-	175,125	35,747	210,872	356
- 61-90 days	-	-	40,198	40,198	37,136
- over 90 days	-	-	-	-	98,580
Total	9,901,763	1,470,553	374,692	11,747,008	12,154,906

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The structure of risk-weighted on-balance sheet assets and off-balance sheet items, as well as impairment allowances and provisions determined in accordance with the Bank's internal methodology as of 31 December 2025 and 2024, is presented in the following tables.

	<u>Individual assessment</u>		<u>Group assessment</u>		<u>Total in 2025</u>	
	<u>Balance sheet assets</u>	<u>Allowance for impairment</u>	<u>Balance sheet assets</u>	<u>Allowance for impairment</u>	<u>Balance sheet assets</u>	<u>Allowance for impairment</u>
As of 31 December 2025						
Retail customers	17,531	(889)	1,302,262	(6,938)	1,319,793	(7,827)
Banks and other corporate customers	585,658	(235,798)	10,140,307	(72,121)	10,725,965	(307,919)
Entrepreneurs	-	-	17,000	(2)	17,000	(2)
	603,188	(236,687)	11,459,569	(79,061)	12,062,757	(315,748)
	<u>Individual assessment</u>		<u>Group assessment</u>		<u>Total in 2025</u>	
	<u>Off-Balance sheet items</u>	<u>Provisions</u>	<u>Off-Balance sheet items</u>	<u>Provisions</u>	<u>Off-Balance sheet items</u>	<u>Provisions</u>
Retail customers						
Banks and other corporate customers	-	-	3,914	-	3,914	-
Entrepreneurs	-	-	4,032,945	(599)	4,032,945	(599)
	-	-	-	-	-	-
	-	-	4,036,859	(599)	4,036,859	(599)
Total	603,188	(236,687)	15,496,428	(79,660)	16,099,616	(316,347)

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As of 31 December 2024	Individual assessment		Group assessment		Total in 2024	
	Balance sheet assets	Allowance for impairment	Balance sheet assets	Allowance for impairment	Balance sheet assets	Allowance for impairment
Retail customers	1	(1)	735,757	(8,187)	735,757	(8,188)
Banks and other corporate customers	706,473	(96,276)	10,853,838	(66,151)	11,560,311	(162,427)
Entrepreneurs	-	-	29,623	(170)	29,623	(170)
	706,474	(96,276)	11,619,217	(74,509)	12,325,691	(170,785)

	Individual assessment		Group assessment		Total in 2024	
	Off-Balance sheet items	Provisions	Off-Balance sheet items	Provisions	Off-Balance sheet items	Provisions
Retail customers	-	-	3,542	-	3,542	-
Banks and other corporate customers	-	-	3,551,291	(903)	3,551,291	(903)
Entrepreneurs	-	-	-	-	-	-
	-	-	3,554,833	(903)	3,554,833	(903)
Total	706,474	(96,276)	15,174,050	(75,412)	15,880,524	(171,688)

An allowance for impairment on a group and individual level is calculated according to the National Bank of Serbia Decision on Classification of Balance Sheet Assets and Off- balance Sheet Items, IFRS 9 “Financial Instruments” and the Bank’s methodology for calculating allowance for impairment of financial assets on the basis of the internal procedure for calculating allowance for impairment.

The impairment assessment is performed on group and individual levels. The group assessment is performed for Level 1 and 2 placements, whereas the individual assessment is carried out when there is objective evidence of impairment of placements, i.e. for Level 3 placements.

The amount of the impairment loss is individually assessed as the difference between the carrying amount and the present value of estimated future cash flows, determined by discounting the expected cash inflow, using the latest effective interest rate, except for loans to private individuals for which the impairment is determined based on experience.

The major factors considered in the individual assessment of impairment of financial assets are default in servicing the debt principal or interests overdue for more than 90 days for material receivables, observed deterioration of the client’s financial position, downgrade, breach of the original terms of the loan contract, amended terms of loan repayment or evidence of bankruptcy likelihood.

Impairment of materially less significant placements are assessed collectively for each segment separately (groups: corporate loans, corporate off-balance sheet items, retail loans, retail cards and overdraft, state and financial institutions), due to their similar characteristics in terms of credit risk based on statistical analysis of historical patterns of cash flows of that part of the portfolio. Elements of group calculation are: PD (probability of default - classification based on the creditworthiness adjusted for default in settlement of liabilities on the assessment date and for forward looking information), LGD, discount factor, collateral and calculation of exposure (EAD).

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The amount of impairment of balance sheet assets is determined as the difference between the carrying amount and the present value of expected future cash flows regarding this claim. Impairment of loans, which reduces the value of placements, is recorded in the allowance account in the balance sheet, while the impairment of financial assets measured at fair value through other comprehensive income is recorded under reserves (equity) and recognised as an expense in the income statement.

Rescheduled and Restructured Loans

In order to protect against the risk of default in operations with debtors, the Bank takes the following measures to regulate receivables: rescheduling, restructuring, taking over properties in order to collect receivables, initiating court proceedings and other measures. The Bank grants rescheduling and restructuring to debtors with problems in operations in accordance with the conditions from the Decision on classification of balance sheet assets and off-balance sheet.

As of 31 December 2025, the Bank had 6 restructured loans granted to corporate customers and 5 granted to retail customers.

As of 31 December 2024, the Bank had 4 restructured loans granted to corporate customers and 5 granted to retail customers.

As of 31 December 2025	Rescheduled		Restructured	
	Gross	Net	Gross	Net
Corporate customers	-	-	261,275	241,512
Retail customers	-	-	18,224	17,092
Total	-	-	279,499	258,604

As of 31 December 2024	Rescheduled		Restructured	
	Gross	Net	Gross	Net
Corporate customers	-	-	105,096	104,517
Retail customers	-	-	1,310	658
Total	-	-	106,406	105,175

Collaterals and Other Credit Enhancements

The amount and type of the collateral required depends on an assessment of the credit risk of each customer. Terms of protection with respect to each placement are determined by the analysis of customers' creditworthiness, type of exposure to the credit risk, placements' maturity, as well as by the amount of the particular loan.

Using its internal methodology, the Bank determines the types of collaterals and the parameters of their valuation. Standard collaterals accepted by the Bank are as follows:

- For corporate loans - real estate mortgages, pledges over inventories and receivables, and
- For retail customers - promissory notes, joint and several guarantee, attachment of salary and authorization for account debit.

The Bank's management monitors the movements in the fair value of collaterals, demands additional

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collaterals in accordance with the relevant contracts, and monitors the fair value of collateral arrived at by considering the adequacy of the allowance for impairment.

The fair value of collateral in the form of mortgages as of 31 December 2025 amounts to RSD 4,449,287 thousand (31 December 2024: RSD 2,478,766 thousand), while collateral in the form of cash deposits amounts to RSD 448,827 thousand (31 December 2024: RSD 429,002 thousand).

c) Default Receivables

The Bank pays special attention to default receivables by monitoring total outstanding balance and the trend of these loans and receivables. Corporate customers' loans get default status when they get NPL status. Retail customers' loans get default status in case of delay in payment of more than 90 days.

Default receivables are monitored at the Bank level, and in accordance with the product criteria (for retail customers) and the industrial sector the customers belongs to, as well as the maturity structure (for corporate clients and entrepreneurs).

In accordance with regulations, default receivables of corporate clients and entrepreneurs are monitored at the client level, and default receivables of retail customers are monitored at the individual level.

	<u>Gross exposure</u>	<u>Default receivables</u>
Corporate sector	4,514,957	121,378
Retail sector	1,319,792	2,072
Entrepreneurs' sector	17,000	-
Finance and insurance sector	6,211,008	-
Total as of 31 December 2025	<u>12,062,757</u>	<u>123,450</u>
Total as of 31 December 2024	<u>12,325,691</u>	<u>124,390</u>

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28.2 Liquidity Risk

Liquidity risk is the risk of adverse effects on the Bank's financial result and equity due to its inability to fulfil its liabilities when due arising from:

- Withdrawal of the existing sources of financing, i.e., inability to obtain new sources of funding (liquidity risk of sources of funding) and/or
- Difficulties in converting assets into liquid assets due to disturbances in the market (market liquidity risk).

The main objective of liquidity risk management is to maintain the level of liquid assets in order to settle the outstanding liabilities arising with respect to the balance sheet and off-balance sheet activities at the Bank level in a proper and timely manner.

Liquidity risk management involves the management of all assets and liabilities of the Bank which may affect the Bank's inability to meet its outstanding liabilities.

In order to decrease or limit this risk, the Bank's management strives to arrange diversified funding sources in addition to its core deposit base, to manage balance sheet assets from the liquidity standpoint, and to monitor future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows, and the availability of high grade collaterals which could be used to secure additional funding, if required.

The Bank has established a unique process of liquidity risk management that identifies and assesses the impact of the Bank's activities on its exposure to liquidity risk, i.e., identifies and assesses their impact on the Bank's performance and equity.

The Bank's liquidity risk management involves an integrated process that includes:

1. Identifying the liquidity risk;
2. Measurement or liquidity risk assessment;
3. Mitigation of liquidity risk;
4. Monitoring and control of liquidity risk; and
5. Reporting on liquidity risk

Identification of causes or early warning signals of liquidity crisis identification is implemented by the Treasury and Liquidity Sector, in cooperation with the Risk Management Sector and the Financing and Planning Sector, based on the information provided by the organizational units responsible for cooperation with corporate and retail clients, as well as by bodies responsible for liquidity risk management (the Board of Directors and/or Executive Board) and the members of the Assets&Liabilities Committee (the "ALCO Committee").

Measurement or liquidity risk assessment is a quantitative and/or a qualitative assessment of the identified liquidity risk and it is the responsibility of the Risk Management Sector. Measurement and liquidity risk assessment involve the application of the GAP analysis, ratio analysis and stress testing.

Mitigation of liquidity risk implies determining measures and rules for mitigating risks by establishing a system of limits, i.e., maintaining the acceptable level of risk for the Bank's risk profile. The acceptable level of the Bank's risk exposure depends on: structure of assets and their ability to be converted into liquid assets, concentration of the funding sources, as well as the currency structure of assets and sources of funding, based on which limiting the adverse effects to the financial result and the capital of the Bank is

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enabled, i.e. the sufficient level of liquid funds to meet the outstanding liabilities and to finance the increase in assets is provided.

Mitigation of liquidity risk involves defining:

1. The limits of exposure to liquidity risk (basic and additional limits); and
2. Safeguards against liquidity risk.

Monitoring of liquidity risk defines the process of analysis of the status, changes and trends in liquidity risk exposure. The Risk Management Sector manages the liquidity risk by using defined internal limits within regulatory limits and prescribed measures for protection from critically low liquidity level, i.e. monitors compliance with the defined limits.

The Treasury and Liquidity Sector, in cooperation with other organizational units, carries out the measures for reducing/mitigating the liquidity risk and notifies the Risk Management Sector and ALCO Committee. The ALCO Committee decides whether and up to what extent the proposed measures will be carried out, i.e., whether the liquidity risk exposure is acceptable, considering the effects on the Bank's risk profile indicators - liquidity appetite.

The method of handling and resolving temporary and long-term liquidity crises is defined in more details by the Liquidity Crisis Plan and recovery options, further described through the Bank's Recovery Plan for 2025.

For the purpose of managing the Bank's short-term liquidity the analyses of the maturity of inflows and outflows on the basis of different items of assets and liabilities are used. Managing medium-term and long-term liquidity is performed by projections of the balance sheet structure based on the planned operating activities and the Strategy of the Bank.

The ALCO Committee is responsible for liquidity risk management, establishing the control mechanisms for monitoring liquidity risk exposure, as well as for adopting relevant conclusions for minimizing risk exposure, adopting draft decisions for decision-making of the Bank's Executive Board - especially the matters regarding liquidity policy and raising funds, as well as other matters related to managing the Bank's assets and liabilities, which are significant for the financial stability of the Bank.

The Bank manages its assets and liabilities in such a way that it can fulfil its due obligations at all times, as well as to have customers disposing with their pecuniary assets in the Bank in accordance with the agreed deadlines.

Main liquidity parameters are monitored daily by the Treasury and Liquidity Sector in order to coordinate inflows and outflows of pecuniary assets, so that daily liquidity parameters remain within the limits prescribed by the National Bank of Serbia.

The coordination of maturity of placements with their sources is the basis for adequate management and provision of necessary liquidity level. The decision-making process on maturity of placements is based on the information on the maturity of deposits, especially on the one referring to the movement in the deposits of important clients, particularly their short-term needs. When deciding, the Bank is making sure that pecuniary assets from short-term sources of funding are not used for long-term placements.

The level of the Bank's liquidity is presented by the liquidity ratio, the narrow liquidity ratio and the liquidity coverage ratio (LCR).

The liquidity ratio is the ratio of the sum of the first and second degree of the Bank's liquid assets (cash, assets on accounts with other banks, deposits with the National Bank of Serbia, cheques and other monetary receivables in the process of realization, irrevocable credit lines approved to the Bank, quoted financial instruments and other receivables due within a month from the date of calculating liquidity ratios), on one hand, and the sum of the Bank's sight liabilities or liabilities without determined maturity and liabilities with fixed maturity up to one month from the date of calculation of the liquidity ratio, on the other hand.

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The narrow liquidity ratio of the Bank is the ratio between the sum of the Bank's liquid first-degree receivables, on one hand, and the sum of the Bank's sight liabilities or liabilities without determined maturity and the Bank's liabilities with maturity within one month from the date of liquidity ratio calculation, on the other hand.

The liquidity coverage ratio (LCR) is the ratio between the protective layer of the Bank's liquidity and net outflows of liquid assets that would occur within the ensuing 30 days from the day of calculating this ratio under the assumed stress conditions, in aggregate in all the currencies and it is maintained at the level not lower than 100%.

The liquidity ratios in 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Average during the period	4.78	3.51
Highest	7.30	5.57
Lowest	3.43	2.69
As of 31 December	3.55	3.28

As of 31 December 2025, the narrow liquidity ratio amounted to 2.44, while the LCR (Liquidity Coverage Ratio) stood at 645.74%, which is above the prescribed minimum threshold.

During 2025 and 2024, the Bank maintained liquidity above the minimum regulatory limits prescribed by the National Bank of Serbia.

Sources of funding are continuously monitored in order to maintain diversification by currency, geographic origin, provider, product type, and maturity.

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The table below presents Bank's financial liabilities based on expected cash flows.

As of 31 December 2025	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Deposits and other financial liabilities to banks, other financial organizations and central bank	82,715	-	201,791	44	-	284,550
Deposits and other financial liabilities to customers	12,028,024	737,493	5,017,947	1,125,422	24,455	18,933,341
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	311,873	-	-	-	-	311,873
Total	12,422,612	737,493	5,219,738	1,125,466	24,455	19,529,764
As of 31 December 2024						
Deposits and other financial liabilities to banks, other financial organizations and central bank	67,550	-	201,885	-	-	269,435
Deposits and other financial liabilities to customers	12,350,185	469,996	3,875,742	1,259,902	284	17,956,109
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	284,399	-	-	-	-	284,399
Total	12,702,134	469,996	4,077,627	1,259,902	284	18,509,943

The Bank has short-term limits approved by domestic banks that operate in the banking sector of the Republic of Serbia in the amount of EUR 3,000,000.

The maturity structure of commitments for undrawn loans and limits, received guarantees and letters of

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credit based on the remaining contractual maturity dates as of 31 December 2025 and 2024 is presented in the table below:

	<u>Up to a year</u>	<u>From 1 to 5 years</u>	<u>Total</u>
<u>As of 31 December</u>			
<u>2025</u>			
Guarantees	1,600,283	703,532	2,303,815
Committed obligations under undrawn loans and credit lines	<u>67,846</u>	<u>1,664,599</u>	<u>1,732,445</u>
Total	<u>1,668,129</u>	<u>2,368,131</u>	<u>4,036,260</u>
<u>As of 31 December</u>			
<u>2024</u>			
Guarantees	1,497,701	1,267,777	2,765,478
Committed obligations under undrawn loans and credit lines	<u>79,283</u>	<u>709,169</u>	<u>788,452</u>
Total	<u>1,576,984</u>	<u>1,976,946</u>	<u>3,553,930</u>

The Bank does not expect that all of the irrevocable commitments will be withdrawn before they expire.

The table below presents an analysis of the maturity profile of the Bank's assets and liabilities based on expected payment dates. The expected cash flows for asset positions correspond to the contractual cash flows.

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28.2. Liquidity Risk (Continued)

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
ASSETS						
Cash and balances with central bank	13,530,672	-	-	-	-	13,530,672
Loans and advances to banks and other financial organisations	5,950,527	114,615	-	-	-	6,065,142
Loans and advances to customers	143,373	826,954	1,562,166	2,239,921	909,452	5,681,866
Intangible assets	-	-	-	-	99,883	99,883
Property, plant and equipment	-	-	-	-	184,151	184,151
Investment properties						
Current tax assets	280,906	-	-	-	-	280,906
Deferred tax assets	-	-	-	-	2,462	2,462
Other assets	115,303	-	-	120	35	115,458
Total assets	20,020,781	941,569	1,562,166	2,240,041	1,195,983	25,960,540
LIABILITIES AND EQUITY						
Deposits and other financial liabilities to banks, other financial organisations and central bank	84,549	-	200,000	-	-	284,549
Deposits and other financial liabilities to customers	12,120,146	717,840	4,985,034	1,109,662	659	18,933,341
Subordinated liabilities	-	-	-	-	-	-
Provisions	-	-	-	19,494	-	19,494
Current tax liabilities	284,571	-	-	-	-	284,571
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	311,873	-	-	-	-	311,873
Total liabilities	12,801,139	717,840	5,185,034	1,129,156	659	19,833,828
Equity	-	-	-	-	-	6,126,712
Total liabilities and equity	12,801,139	717,840	5,185,034	1,129,156	659	25,960,540
Maturity mismatch as of:						
- 31 December 2025	<u>7,219,642</u>	<u>223,729</u>	<u>(3,622,868)</u>	<u>1,110,885</u>	<u>1,195,324</u>	
- 31 December 2024	<u>3,972,338</u>	<u>218,554</u>	<u>(3,225,728)</u>	<u>2,571,715</u>	<u>980,059</u>	

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28.3. Interest Rate Risk

Interest rate risk is defined as the risk of the possible occurrence of adverse effects to the financial result and equity of the Bank based on the items in the banking book due to the changes in interest rates.

The subjects of the interest rate risk management are all items in the banking book which may cause an adverse effect to the result and capital of the Bank due to the change in interest rates.

The Bank controls interest risk by monitoring the relation between interest-bearing assets/liabilities and their participation in the total assets/liabilities. The Assets and Liabilities Managing Committee monitors the risk of changes in interest rates on all interest-bearing items of assets, liabilities and off-balance sheet items, interest rates' ranges and impact of changes in interest rates on the Bank's revenue, expenses and capital.

By entering into variable interest rates' agreements, the Bank largely impacts on the decrease in risk of changes of interest rates. In practice, the Bank's exposure to interest risk is limited, due to the possibility of harmonizing rates of the loans and deposits, upon the written agreement of retail customers for changing the obligatory agreement elements.

The Bank has established a unique process of interest rate risk management that identifies and assesses the impact of the Bank's activities on its interest rate risk exposure, i.e. identifies and assesses their impact on the Bank's performance and equity.

The Bank's interest rate risk management implies an integrated process that includes:

1. Identifying the interest rate risk;
2. Measurement or interest rate risk assessment;
3. Mitigation of interest rate risk;
4. Monitoring and control of interest rate risk; and
5. Reporting on interest rate risk.

Identification of the interest rate risk comprehensively identifies causes that lead to the occurrence of the interest rate risk/factors in a timely manner, which involves the determination of the current exposure to interest rate risk (interest-bearing assets and liabilities) and optional risk and exposure to interest rate risk on the bases of new business products and activities, on positions carried in the banking book.

Identification of the interest rate risk causes/factors is performed by the Treasury and Liquidity Sector in cooperation with the Risk Management Sector and the Finance and Planning Sector.

Measurement of interest rate risk is a quantitative and a qualitative assessment of the interest risk exposure using the GAP analysis, ratio analysis, Black-Scholes model (for risk options) and stress testing, which are conducted at least on a monthly basis in the ordinary course of business and are the responsibility of the Risk Management Sector.

The Risk Management Sector analyses the impact of changes in interest rates or interest rate repricing pursuant to the Methodology for interest sensitive asset and liability items on a monthly basis and measures the effects of a standard interest rate shock of 200bp on the economic value of the Bank in relation to the Basel limit of 20% of regulatory capital (Tier 1 + Tier 2), which at the same time represents the maximal limit of the acceptable risk by the Bank.

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Mitigation of interest rate risk represents the determination of measures and policies to mitigate interest rate risk, i.e., maintaining the risk at acceptable level for the Bank's risk profile.

By monitoring the interest rate risk the process of current status, changes and trends in risk exposure is defined. The Risk Management Sector monitors compliance with the defined limits.

In 2025, the Bank continued the control activities and measuring the interest rate risk applying the standard interest rate shock of 200bp to the items in the banking book on the major currencies individually and for all other currencies on a group basis; the results are presented in the table below.

The Bank's exposure to risk of changes in interest rate (Repricing Gap Report) as of 31 December 2025 with comparative presentation of effects for 2024 is presented in the table below.

**Change in economic value in the
banking book - total (in aggregate)**

Period of time	Margine gap		Ponder	Effect on economic value in the banking book	
	Total in RSD000	Total in EUR000		Total in RSD000	Total in EUR000
Up to 1 m	11,857,056	101,099	0.11%	13,043	111
1 - 3 m	(118,427)	(1,010)	0.60%	(711)	(6)
3 - 6 m	(954,115)	(8,135)	0.96%	(9,160)	(78)
6 - 12 m	(3,697,157)	(31,524)	1.93%	(71,355)	(608)
1 - 2 y	(86,079)	(734)	-4.19%	3,607	31
2 - 3 y	(138,242)	(1,179)	1.99%	(2,751)	(23)
3 - 4 y	(23,881)	(204)	7.05%	(1,684)	(14)
4 - 5 y	773	7	11.57%	89	1
5 - 7 y	(176)	(2)	10.15%	(18)	(0)
7 - 10 y	(483)	-	13.26%	(64)	-
10 - 15 y	-	-	0.00%	-	-
Total	6,839,269	58,319		(69,003)	(588)

Result of test stressing as of 31 December 2025

Capital requirement as of 31 December 2025:	4.416.713	37.659
The effects of a standard interest rate shock of 200bp	-1.55%	-1.55%

Result of test stressing as of 31 December 2024

Capital requirement as of 31 December 2024:	2.848.362	24.342
The effects of a standard interest rate shock of 200bp	-2.29%	-2.29%

Standard interest rate shock of 200bp on the banking book positions of all major currencies individually (EUR and RSD) and for other currencies in total (USD, CHF, GBP, and RUB) was applied for calculation of the Bank's exposure to interest rate risk.

Interest sensitive positions of the banking book are positioned in time zones in a way presented in the following tables while weighting factors used are based on estimated interest rate rise of 200bp and

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estimated modified duration for each time zone taken from Basel documents named “Principles for the Management and Supervision of Interest Rate Risk”.

Positions with fixed interest rate are placed in time zones according to a time to maturity, while positions with variable interest rate are placed in time zones according to date of next interest rate change (repricing).

The Risk Management Sector conducts at least monthly the stress testing of materially significant risks, including the effects of changes in interest rates, in accordance with the nature and level of risks the Bank is exposed to, on income and economic value of the Bank, i.e., the impact on the regulatory capital and capital adequacy, using the interest rate repricing analysis, as presented in the table below:

<u>Scenario</u>	Change in market interest rates	Interest rate risk 2025
1	1%	294
2	2%	588
3	-1%	-294
4	-2%	-588

<u>Scenario</u>	Change in market interest rates	Interest rate risk 2024
1	1%	248
2	2%	495
3	-1%	-248
4	-2%	-495

According to the results of stress testing changes the economic value of the banking book for 200 bp, i.e. for standard shock as defined by the Basel Committee, at the end of the year would be as follows:

1. According to the impact of the standard shock on the economic value individually by more important currencies (materially significant), would have a positive effect of 0.22% in relation to regulatory capital for a change of 200 bp
2. According to the impact of the standard shock on the economic value individually by more important currencies (materially significant), would have a positive effect of 0.11% compared to regulatory capital for a change of 100 bp.

28.4. Market Risks

Market risk is the possibility of adverse effects to the financial result and capital of the Bank arising from changes in the value of balance sheet and off-balance sheet items of the Bank due to fluctuations in market prices.

Market risks include: foreign currency risk, price risk (on debt and equity securities) and commodity risk.

The Bank is not exposed to the risk of changes in equity instruments price and the price of goods. Except for the concentration of foreign currency risk, the Bank has no significant concentration of market risk for other items.

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28.4.1. Foreign Currency Risk

Foreign currency risk is the risk of adverse effects to the financial result and capital of the Bank due to changes in foreign exchange rates. The Bank is exposed to the foreign currency risk based on the items recorded in the banking and trading books.

The ALCO Committee has established the limits for foreign currency position for each materially significant foreign currency. The positions are monitored on a daily basis to ensure positions are maintained within the established limits.

In accordance with the National Bank of Serbia's requirements, the Bank regularly maintains its foreign currency position - foreign currency risk indicator within maximal regulatory limits, determined in relation to the regulatory capital. The foreign currency risk indicator is the ratio between the total open net foreign currency position (including the absolute value of the net open position in gold) and the Bank's capital, which are calculated in accordance with the decision regulating the Bank's capital adequacy.

The Bank maintains the relation between assets and liabilities in such a manner that its total net open foreign currency position (including the absolute value of the net open position in gold) at the end of each working day does not exceed 20% of the capital.

During 2025 the Bank strictly paid attention to reconcile the foreign currency risk indicator with the prescribed limit, where this indicator was mostly at the level below the limit for the whole period during the year.

The objective of foreign currency risk management is to ensure the safe operations of the Bank, by minimizing the adverse effects of the exchange rates fluctuations to the financial result and capital of the Bank, for the positions maintained in the banking and trading books.

The Bank has established a unified process of currency risk management which identifies and assesses the impact of the Bank's activities on its exposure to foreign exchange risk, i.e. identifies and assesses their impact on the result and equity.

The Bank's foreign currency risk management involves an integrated process that includes:

1. Identifying the foreign currency risk;
2. Measurement or foreign currency risk assessment;
3. Mitigation of foreign currency risk;
4. Monitoring and control of foreign currency risk; and
5. Reporting on foreign currency risk.

By identifying foreign currency risk, the Bank in a comprehensive and timely manner identifies the causes/factors that lead to emergence of foreign currency risk, which includes determining the current exposure and currency risk exposure arising from new business products and activities. This activity is the responsibility of the Risk Management Sector, in cooperation with the Financing and Planning Sector and the Treasury and Liquidity Sector.

Measurement of the foreign currency risk represents a quantitative and qualitative assessment of the Bank's exposure to foreign currency risk using the GAP analysis (currency structure), ratio analysis, VaR methodologies of the Group, Black-Scholes model (delta-weighted position) and stress testing. The Risk Management Sector applies on a daily basis the measurement techniques for foreign currency risk indicators

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and OCP exposures and the stress testing is performed at least quarterly.

The Risk Management Department conducts stress testing of the Bank's exposure to changes in foreign exchange rates at least on a quarterly basis and reports the results of these tests to the Bank's Executive Board, the ALCO Committee, the Audit Committee, and the Board of Directors.

The following tables present the currencies in which the Bank has significant exposure of its non-trading monetary assets and liabilities to foreign currency risk as of 31 December 2025 and 2024.

The analysis presented calculates the effect of the reasonable changes in the exchange rates in relation to RSD, with other variables held constant. Negative values refer to potential decreases in the result of operations (profit/loss) or equity, while the positive values refer to their increase.

	Change in exchange rate (%)	Effect to result before tax
	<u>2025</u>	<u>2025</u>
<u>Currency</u>		
EUR	-20%	-1,099
CHF	-20%	-28,262
USD	-20%	-45,423
RUB	-20%	-89,369
	Change in exchange rate (%)	Effect to result before tax
	<u>2024</u>	<u>2024</u>
<u>Currency</u>		
EUR	-20%	-775
CHF	-20%	-27,749
USD	-20%	-29,832
RUB	-20%	-92,319

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Foreign Currency Risk (Continued)

The following table presents the Bank's exposure to foreign currency risk (including a foreign currency clause) as of 31 December 2025.

The table includes assets and liabilities at their carrying amounts.

ASSETS	EUR	USD	CHF	RUB	Other currencies	Total sub- balance sensitive to changes in foreign exch. rate	Sub- balance not sensitive to changes in foreign exchange rate	Total
Cash and balances with central bank	1,902,991	146,032	3,307	10,202		2,062,532	11,468,140	13,530,672
Pledged financial assets								
Securities	-			-		-		-
Loans and advances to banks and other financial organizations	456,588	9,005	1,969	1,004,995	6,495	1,479,052	4,586,090	6,065,142
Loans and advances to customers	2,932,819	-	-	-	-	2,932,819	2,749,047	5,681,866
Intangible assets						-	99,883	99,883
Property, plant and equipment						-	184,151	184,151
Investment property						-	-	-
Current tax assets							280,906	280,906
Deferred tax assets							2,462	2,462
Non-current assets held for sale							-	-
Other assets	57,119	-		-	-	57,119	58,339	115,458
Total assets	5,349,517	155,037	5,276	1,015,197	6,495	6,531,522	19,429,018	25,960,540
Off-balance sheet items - purchase EUR for RSD, sale EUR for RUB	-	-	-	-	-	-		

Foreign Currency Risk (Continued)

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EQUITY AND LIABILITIES	EUR	USD	CHF	RUB	Other currencies	Total sub- balance sensitive to changes in foreign exch. rate	Sub- balance not sensitive to changes in foreign exchange rate	Total
Deposits and other financial liabilities to banks, other financial organisations and central bank	16,787			592		17,379	267,170	284,549
Deposits and other financial liabilities to customers	5,171,465	143,603	4,432	1,050,320	1,873	6,371,693	12,561,648	18,933,341
Changes in the fair value of items that are hedged								
Subordinated liabilities								
Provisions	473					473	19,021	19,494
Current tax liabilities						-	284,571	284,571
Deferred tax liabilities								
Other liabilities	162,716				26	162,742	149,131	311,873
Total liabilities	5,351,441	143,603	4,432	1,050,912	1,899	6,552,287	13,281,541	19,833,828
Equity	-	-	-	-	-	-	6,126,712	6,126,712
Total liabilities and equity	5,351,441	143,603	4,432	1,050,912	1,899	6,552,287	19,408,253	25,960,540
Off-balance sheet items - purchase EUR for RSD, sale EUR for RUB	-	-	-	-	-	-	-	-
Net foreign exchange position as of -31 December 2025	(1,924)	11,434	844	(35,715)	4,596	(37,639)		
-31 December 2024	(111,227)	(2,739)	781	35,850	(910)	(114,876)		

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28.5. Exposure Risk (Concentration Risk)

Concentration risk is the risk that directly or indirectly arises from the Bank's exposure to the same or a similar source of risk, i.e., the same or similar type of risk.

The concentration risk relates to:

- Large exposures;
- Exposure group with the same or similar risk factors, such as economic sectors, geographic regions, product types and the like; and
- Credit protection instruments, including the maturity and currency mismatch between the large exposures and credit protection instruments of these exposures.

Monitoring the Bank's exposure risk to a single party or a group of related parties falls within the competence of an organizational unit responsible for approving the placements. Monitoring the Bank's exposure to this risk is a compulsory part of the procedures in the phase of granting loans in the sense that the committee approving the Bank's placements has the information regarding the total amount of the Bank's exposure to a single party or a group of related parties in relation to the Bank's capital.

Control of concentration risk is done by establishing appropriate exposure limits that allow diversification of the loan portfolio. In addition to the regulatory-defined method of measuring concentration risk (over the limit), the Bank uses two commonly used measures of concentration: the concentration ratio and the *Herfindahl-Hirschman Index (HHI)*.

Mitigation of concentration of risks is conducted by the Bank by active management of the credit portfolio, as well as by adapting the established limits.

In 2025 the Bank maintained the exposure risk indicators within the prescribed values. By implementing appropriate activities anticipated by the relevant procedures and decisions on credit approval, the Bank has strived to ensure the scope and the structure of its operations and risky placements to be reconciled with the performance indicators prescribed by the National Bank of Serbia.

In accordance with the Risk management policies and regulations, the Board of Directors approves the exposures and limits, i.e. the loan concentration on certain legal entities or a group of related parties, and persons related to the Bank.

Additional supervision of the exposure risk indicators is performed in the Risk Management Sector, which reports to the Bank's management. The procedures of exposure risk management are subject to controls of the internal audit and compliance function.

The Risk Management Sector is in the process of implementation of the Methodology of the manner of determination, revision and abolishing of the internal limits to banks and other financial institutions (counterparty risk).

Counterparty risk is monitored through the process of managing credit risk and market risks. The Risk Management Sector monitors the exposure to financial institutions in terms of internal and regulatory limits on concentration risk. The movement reports are presented to the Treasury and Liquidity Sector and the ALCO Committee.

The Risk Management Sector creates quarterly reports on the concentration of receivables in relation to individual borrowers, groups of related borrowers, industries, countries or geographical areas and in relation to other parameters of importance for managing credit risk, on which it regularly reports to the Bank's Executive Board in the prescribed form.

28.6. Investment Risk

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The Bank's investment risks include equity investments of the Bank in the other legal entities' capital and in property, plant and equipment.

In accordance with the National Bank of Serbia legislation, the Bank monitors its permanent investments and their relation to the regulatory capital. The Bank also ensures that the investment of the Bank in a single non-financial sector entity does not exceed 10% of its capital, while the total investments of the Bank in non-financial entities and in property, plant and equipment cannot exceed 60% of its capital.

Exposure to the risk of investments into other legal entities and property, plant and equipment is monitored by the organizational unit or the Bank's body competent for procurement of tangible assets and investing in legal entities familiar with the current exposure and the amount of capital for the purposes of acting in timely manner in accordance with the prescribed limits.

Additional supervision of the exposure risk indicators is performed in the Risk Management Sector, which reports to the Bank's management on the matter. The procedures of investment risk management are subject to controls of the internal audit and compliance function.

In 2025 the Bank maintained the permanent investments indicator within the prescribed limits and ensured that investments were reconciled with the ratios prescribed by the National Bank of Serbia.

As of 31 December 2025, the Bank did not have investments into non-financial sector entities, while the indicator of investments into property, plant and equipment amounted to 8.30% of the Bank's regulatory capital.

28.7. Country Risk

The risk related to the Bank's exposure to counterparty's country of origin includes adverse effects which may influence financial result and capital of the Bank, as the Bank might not be able to collect receivables from this counterparty, as a result of political, economic or social situation in the country of origin.

Country risk includes the following risks:

- **Political and economic risk**, which means the probability of loss due to the inability to collect Bank's receivables due to the limitations established by acts of government or other authority in the country of origin of the debtor, as well as general and systemic conditions in that country; and
- **Transfer risk**, which implies the possibility of realizing a loss due to the inability to collect receivables denominated in a currency that is not the official currency of the debtor's country of origin. This may result from imposed limitations on payment of obligations to foreign creditors in a particular currency which is determined by the acts of government and other debtors of the country of origin.

The Risk Management Sector is responsible for managing the Bank's exposure to country risk.

The Bank's limits of exposure to the country risk are determined individually by debtors' country of origin. In case of a concentration of exposures by geographic regions, limits are established on a regional basis.

In determining the level of the allowance for impairment and provision for risks per states, the Bank takes into account the country risk.

The Bank conducts the major part of its business operations and in particular granting activities on the territory of the Republic of Serbia and to the local customers, while it is exposed to the country risk in the portion of assets it keeps on the accounts with foreign banks.

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The Bank has implemented the policy of the country risk management in such a way that it constantly monitors its exposure to this type of the risk compared to adopted limits which are determined based on the rating of countries determined by competent institutions (OECD), regularly informing the management on such exposures.

The Bank also mitigates the country risk by deploying the policy of placing funds abroad, primarily by depositing funds on a short-term basis with the first-class foreign banks.

28.8. Operational Risk

Operational risk is the risk of adverse effects to the financial result and capital of the Bank due to failures in performance of operating activities (unintentional and intentional) in the work of employees, inadequate internal procedures and processes, inadequate management of the information and other systems in the Bank, as well as due to unforeseen external events. This definition includes legal risk, but excludes strategic and reputation risk.

Operational risk also includes: legal risk, risks from introduction of new products, activities, processes and systems, as well as the risk of entrusting activities to third parties (externalization - outsourcing) and information system risk.

Furthermore, operational risk includes regulatory (compliance) risk, as a part of the unique procedure of the Risk Management Sector and Department for Operations Compliance Control and AML, according to their competencies, in the sense of creating a joint base of operational and regulatory risks, monitoring unique limits of risk appetite, as well as management and reporting on risks the Bank is exposed to in its operations.

The operational risk management process assumes the involvement of the Board of Directors, Executive Board, Operational Risks Management Committee, Audit Committee and all other organizational units of the Bank.

The Bank has established a unified process of operational and regulatory risk management, which identifies and assesses the impact of the Bank's activities on its exposure to the above mentioned risks, i.e., identifies and assesses their impact on the result and equity of the Bank.

The Bank's operational and regulatory risk management involves an integrated process that includes:

1. Identifying the risk;
2. Measurement or risk assessment;
3. Mitigation of the risk;
4. Monitoring and control of the risk; and
5. Reporting on the risk.

By identifying the operational and regulatory risk, the Bank identifies the causes/factors that lead to the arising of the risk in a comprehensive and timely manner, further implementing risk classification for data collection on operational and regulatory risks and losses (OR base), which involves determining the current exposure and the exposure to the risk of introducing the products/services of the Bank and/or outsourcing of activities/services to third parties.

The database containing the information on events based on which losses occurred or may have occurred, in accordance with the prescribed limit, as a consequence of operational or regulatory risk by categories determined in accordance with the loss sources and other criteria for description and classification of events, is loaded with data entry based on the identified risks by types of activities, by the employees responsible for certain operational processes in the Bank by reporting on the risks to the Risk Management Sector for further processing.

The Bank identifies the operational risk retroactively (through entries in the data base on events) and

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proactively through the periodical self-assessments of the operational risk.

Measurement and assessment of operational risk exposure represents the quantitative and/or qualitative assessment of risk identified by the Risk Management Sector, through the application of the methodology for self-assessment of the risks, analysis of the impact on business operations and exposure indicators using the basic indicator - at least annually, as well as by the frequency of movement of key risk indicators (KRI) and stress testing on a quarterly basis.

On assuming the operational risk the Bank is guided by the following principles:

- The analysis of key risk indicators that lead to the occurrence of the operational risk events; and
- The current exposure to operational risk is measured and exposure is assessed based on the introduction of new products and activities and entrusting the activities/services to third parties for the purposes of minimizing the operational risk event.

By the process of mitigating the operational risk, the Bank determines the measures for mitigating the operational risk, which include the following:

- Defining exposure limits;
- Defining key indicators for monitoring and control of exposure; and
- Application of mechanism for transfer of risk.

The Bank has defined and adopted the Policy on Business Continuity and revised Business Continuity Plan (BCP), which also includes Disaster Recovery Plan (DRP), that, along with the accompanying appendices enable smooth and continuous operations of all relevant systems and processes of the Bank, as well as limiting the loss in emergency situations. These plans were adequately tested during 2025.

The process of monitoring and reporting on the effects of the realization of implemented measures and techniques for mitigating the operational risk is performed by the Risk Management Sector through regular reporting to the Operational and Compliance Risk Management Committee and the Executive Board. The Department for Operations Compliance Control and AML performs identification, monitoring and reporting on the effects of realisation of the applied measures and regulatory (compliance) risk mitigation techniques.

The system of reporting on operational risk includes the timely reporting on operational risk events by type of event and lines of business, causes and sources of events, importance of events, exposure trend, measures intended to be undertaken or have been undertaken in order to mitigate and limit the consequences of the events and activities the Bank entrusted to third parties, as well as limits for the new products.

Decision on outsourcing or the change of the provider of a service and introduction of a new product, and procedures for its change is in the hands of the Executive Board of the Bank, based on the Operational and Compliance Risk Management Committee proposal.

Measurement and management of the process of outsourcing is based on the identification and assessment of all the risks associated with the activities of the assignment of activities to third parties (externalization), which may have an impact on: the continuity of operations of the Bank; costs, financial results, liquidity, solvency and capital; the Bank's risk profile; service quality and reputation of the Bank. The introduction of new products/services is treated in an analogous way.

During 2025 the Risk Management Sector reported to the Executive Board of the Bank by submitting periodical reports on the recorded operational events that may have adverse effects to the capital and capital adequacy with the proposal of measures to be undertaken for their elimination/mitigation.

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On a quarterly basis, data on capital requirement for operational risk under the BIA approach with data on exposure indicator that enters into the basis for calculation are submitted to the National Bank of Serbia. In addition, at the request of the National Bank of Serbia, the data about the Base of operational events and the Minutes of meetings of the Operational and Compliance Risk Management Committee are submitted.

In 2025, operational risk events were recorded in the Base of operational losses.

28.9. Risk of Early Repayment

The risk of early repayment is the risk that the Bank will realize a financial loss if customers repay their obligations to the Bank or require repayment before or after the expected deadline.

The effect on the net interest income, i.e., annual profit/(loss) before income tax and equity, assuming that 10% of the financial instruments are to be prepaid at the beginning of the year, with other variables held constant, is as follows:

	Effect to the net interest income	Effect to the net interest income
	<u>2025</u>	<u>2024</u>
<u>Currency</u>		
EUR	(4.925)	(5.304)
Other currencies	(13.260)	(15.911)

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29. INFORMATION SYSTEM RISK

The information system (IS) risk, as a component of the operational risk, is the possibility of adverse effects on the financial performance and capital, achieving the business results, business operations in accordance with the regulations and reputation of the Bank due to inadequate management of the information system or any other system weakness that adversely affects the functionality or safety of the system and/or jeopardizes business continuity.

The Bank manages IS risks through an integrated process of Bank's operational risk and business continuity management, which defines the identification, assessment, analysis and monitoring of operational risks and the associated risks - the IS risk, as well as measures for their mitigation, prevention and control in accordance with the legal regulations and internal documents.

The information system risk assessment is carried out at least once a year as part of a comprehensive self-assessment of operational risks in the Bank on processes that contain an information component and according to the dynamics of the assessment of the Business Impact Analysis, which includes a procedure in which the Bank's organizational units in cooperation with the Risk Management Department review the information risk register system and state the extent to which they are exposed to certain types of information system risks.

IS risk assessment allows process owners to timely identify and assess the risks that affect the processes for which they are responsible. After the completion of the regular risk assessment of IS, the Risk Management Sector creates the IS risk assessment report as an integral part of self-assessment of operational risk in the Bank, which is submitted to the Bank's bodies for review and approval.

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30. FAIR VALUE MEASUREMENT

The fair value presented in financial statements is the amount for which an asset may be exchanged, or a liability settled, between informed, willing parties in an arm's length transaction. Fair value is calculated using market information available as at the reporting date as well as the individual assessment methods of the Bank.

The fair value of a financial instrument presented at nominal value is approximately equal to its carrying value. This includes cash as well as liabilities and receivables without defined maturity or fixed interest rate.

For other liabilities and receivables the expected future cash flows are discounted up to their present value by means of current interest rate. Considering that the variable interest rates are contracted for the majority of Bank assets and liabilities, changes in the current interest rates lead to changes in the contracted interest rates.

Quoted market prices are used for trading securities. The fair value of other securities is calculated as net present value of the future expected cash flows.

Fair value of irrevocable commitments and contingent liabilities equals their carrying value.

Measurement of Financial Instruments

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

- Level 1: Quoted market prices (uncorrected) in active markets for identical instrument.
- Level 2: Assessment techniques based on the observable inputs that are not the quoted prices from the level 1, whether directly (as prices) or indirectly (derived from prices). This category includes instruments valued through their use: quoted prices in active markets for similar instruments; stated prices for same or similar instruments in the markets considered as less active; or other assessment techniques in which all important inputs are directly or indirectly observable from the market data.
- Level 3: Assessment techniques used for non-observable inputs. This category includes all instruments relative to which the valuation techniques include inputs not based on observable data and non-observable inputs that have a significant effect on the valuation of the instruments. This category includes instruments valued on the basis of quoted prices of similar instruments with significant non-observable adjustments or assumptions necessary to maintain the difference between the instruments.

Fair value of financial assets and liabilities traded in active markets is based on quoted market prices or prices quoted by dealers. For all other financial instruments the Bank determines fair value by means of assessment techniques.

Assessment techniques include net present value and discounted cash flow models, comparisons with similar instruments for which there is an observable market price and other assessment models. Assumptions and inputs used in assessment techniques include risk free and benchmark interest rates, loan margins and other premiums used in assessment of discount rate, bond and share prices, foreign currency exchange rates, capital and capital indexed prices and expected oscillations of the prices and correlations.

The aim of assessment techniques is to determine the fair value which reflects the price of a financial instrument as at the reporting date that would be defined by market participants in free transactions carried out at an arm's length.

The Bank uses widely accepted assessment models in determining the fair value of common and simpler

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financial instruments such as interest rates and currency swaps which make use only of observable market data and require little judgement and assessment by the management. Quoted prices and model inputs are usually (relatively) available in the market for quoted debt and proprietary securities, trading derivatives and simple derivatives such as interest rate swaps.

The availability of the observable market prices and model inputs decreases the need for assessment by management and reduces the uncertainty arising from determining the fair value. The availability of the observable market data and inputs varies based on the product and market and is prone to change due to particular occurrences and general condition of the future markets.

The following table presents the fair value of financial instruments not measured at fair value and analyses them according to the fair value hierarchy within which the fair value measurement takes place:

	<u>As of 31 December 2025</u>		<u>As of 31 December 2024</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Financial (monetary) assets				
Cash and balances with central bank	13,530,672	13,530,672	10,724,141	10,724,141
Securities	-	-	-	-
Loans and advances to banks and other financial organisations	6,065,142	6,008,120	6,296,761	6,185,032
Loans and advances to customers	5,681,866	5,301,913	5,858,145	5,198,124
Other assets	115,458	114,532	114,532	114,532
Total	<u>25,393,138</u>	<u>24,955,237</u>	<u>22,993,579</u>	<u>22,221,829</u>
Financial (monetary) liabilities				
Deposits and other financial liabilities to banks and other financial organisations	284,549	284,549	269,435	269,435
Deposits and other financial liabilities to customers	18,933,341	18,933,341	17,956,109	17,956,109
Subordinated liabilities	-	-	-	-
Other liabilities	311,873	311,873	284,399	284,399
Total	<u>19,529,763</u>	<u>19,529,763</u>	<u>18,509,943</u>	<u>18,509,943</u>

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Fair Value Hierarchy Analysis

As of 31 December 2025	Fair value			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through other comprehensive income				
Loans and advances to banks and other financial organizations	6,008,120			6,008,120
Loans and advances to customers	4,210,821	834,511	256,580	5,301,913
Total	10,218,941	834,511	256,580	11,310,033
Liabilities				
Deposits and other financial liabilities to banks and other financial organisations	284,549			284,549
Deposits and other financial liabilities to customers	18,933,341			18,933,341
Subordinated liabilities	-			-
Total	19,217,890			19,217,890
As of 31 December 2024	Fair value			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through other comprehensive income				
Loans and advances to banks and other financial organizations	6,185,032			6,185,032
Loans and advances to customers	4,367,034	409,953	421,137	5,198,124
Total	10,552,066	409,953	421,137	11,383,156
Liabilities				
Deposits and other financial liabilities to banks and other financial organisations	269,435			269,435
Deposits and other financial liabilities to customers	17,956,109			17,956,109
Subordinated liabilities	-			-
Total	18,225,544			18,225,544

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Where possible, fair value of loans and advances is based on the observable market transactions. If observable market transactions are not available, fair value is assessed by means of assessment models such as cash flow discount techniques.

Assessment technique inputs include the expected credit losses over the course of loan duration, interest rates, advances, and source data or secondary market data. For collateral dependant reduced (impaired) loans, fair value is measured based on the value of the related collateral. Model inputs may include data by third party brokers based on the OTC trading activity, and information obtained from other market participants which include observable primary and secondary transactions.

In order to improve the accuracy of assessment of retail loans and smaller commercial loans, homogenous loans are grouped into portfolios according to similar characteristics such as origin, LTV ratios, quality of collateral, type of product and debtor, advances and non-performance rates, and standard probability.

Fair value of clients and banks' deposits is determined by using discounted cash flows technique by applying rates offered for deposits of similar maturity and conditions. Fair value of a vista deposits is the amount for payment as at the reporting date.

Table below presents Bank classification for each class of financial assets and liabilities at carrying value and their fair value as of 31 December 2025:

	Measured at fair value	FVOCI securities	At amortised cost	Total carrying value	Fair value
Cash and balances with central bank	13,530,672	-	-	13,530,672	13,530,672
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Loans and advances to banks and other financial organizations	-	-	6,065,142	6,065,142	6,065,142
Loans and advances to customers	-	-	5,681,866	5,681,866	5,681,866
Other assets	-	-	115,458	115,458	115,458
Total assets	13,530,672	-	11,862,466	25,393,13-	25,393,138
Deposits and other financial liabilities to banks and other financial organisations	-	-	284,549	284,549	284,549
Deposits and other financial liabilities to customers	-	-	18,933,341	18,933,341	18,933,341
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	311,873	311,873	311,873
Total liabilities	-	-	19,529,763	19,529,763	19,529,763

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

Table below presents Bank classification for each class of financial assets and liabilities at carrying value and their fair value as of 31 December 2024:

	<u>Measured at fair value</u>	<u>FVOCI securities</u>	<u>At amortised cost</u>	<u>Total carrying value</u>	<u>Fair value</u>
Cash and balances with central bank	10,724,141	-	-	10,724,141	10,724,141
Financial assets at fair value through other comprehensive income	-	-	-	-	-
Loans and advances to banks and other financial organizations	-	-	6,296,761	6,296,761	6,185,032
Loans and advances to customers	-	-	5,858,145	5,858,145	5,198,124
Other assets	-	-	114,532	114,532	114,532
Total assets	<u>10,724,141</u>	<u>-</u>	<u>12,269,438</u>	<u>22,993,579</u>	<u>22,221,829</u>
Deposits and other financial liabilities to banks and other financial organisations	-	-	269,435	269,435	269,435
Deposits and other financial liabilities to customers	-	-	17,956,109	17,956,109	17,956,109
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	284,399	284,399	284,399
Total liabilities	<u>-</u>	<u>-</u>	<u>18,509,943</u>	<u>18,509,943</u>	<u>18,509,943</u>

Methodology and assumptions used in determining fair value of those financial instruments not yet recorded at fair value in the financial statements are described below.

Assets whose Fair Value Approximates their Carrying Value

For financial assets and liabilities that are liquid or have short term maturity (less than one year), the assumption is that their carrying value approximates their fair value. This assumption is also applied to a vista deposits, non-term savings accounts, and financial instruments with variable rate.

Financial Instruments with Fixed Rate

Fair value of financial assets and liabilities with fixed rate recorded at amortised value is assessed by comparison with market interest rates at initial recognition based on the current market rates offered for similar financial instruments.

The assessed fair value of deposits with fixed interest rate is based on the discount of cash flows by applying the prevailing interest rates to money market debt with similar risk and maturity.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

31. INTERNAL ASSESSMENT OF CAPITAL ADEQUACY

Internal assessment of capital adequacy is the process of assessment of all significant risks to which the Bank is or might be exposed in its operations. The process of internal assessment of capital adequacy includes the following phases:

- a) Identification of the material significance of the risk;
- b) Calculation of the amount of internal capital requirements for individual risks;
- c) Determining total internal capital requirements; and
- d) Comparison of the following elements:
 - I. The amount of capital calculated in accordance with the National Bank of Serbia's Decision governing the banks capital adequacy and available internal capital;
 - II. Minimum capital requirements calculated in accordance with the National Bank of Serbia's Decision governing the banks capital adequacy and internal capital requirements for individual risks; and
 - III. Sum of minimal capital requirements calculated in accordance with the National Bank of Serbia's Decision governing the banks capital adequacy and total internal capital requirements.

The analysis of the risk profile of the Bank identified the risks for which the Bank will calculate capital requirements in the process of internal capital adequacy assessment, such as: credit risk, market risk, operational risk, liquidity risk, interest rate risk in the banking book, concentration risk, strategic risk, credit and foreign exchange risk and other material risks.

For other types of risks the Bank is exposed to in its operations, the Bank will calculate capital requirements if they are identified as material, by applying adequate linear percentage on the basis of the subjective assessment of the management of the Bank. The Bank manages the above mentioned risks using the techniques for mitigation/risk transfer and has set forth certain procedures for risk management and other internal regulations.

Determination of the total internal capital available for risk coverage is performed by adding up capital requirements for individual materially significant risks.

Comparison of the amount of the required internal capital to the amount of capital calculated in accordance with the National Bank of Serbia's Decision governing the capital adequacy is performed quarterly, through the preparation and analysis of reports regarding the process of internal assessment of capital adequacy. The report is prepared by the Risk Management Sector.

The Risk Management Sector informs the Executive Board, the Assets and Liabilities Management Committee, the Audit Committee and the Bank's Board of Directors on the calculated internal assessment of capital adequacy.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

32. CAPITAL MANAGEMENT

a) Regulatory Capital

The Bank permanently manages its capital, which is a broader concept than “equity” stated in the balance sheet, in order to:

- Comply with the capital requirements set by the National Bank of Serbia;
- Ensure the ability to continue as a going concern on a long-term basis, together with providing a profit to shareholders and benefits to other stakeholders; and
- Maintain an adequate capital base to support the development of its business

The Bank’s management monitors regularly the Bank’s capital adequacy ratios and other performance indicators established by the National Bank of Serbia and delivers to the National Bank of Serbia quarterly reports on achieved (realised) indicators.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of its activities. The Bank’s capital management strategy defines the relationship to capital in a way that ensures capital management on an ongoing and long-term basis.

The aim of the strategy of capital management is to ensure by its implementation the forming and maintenance of an adequate level and structure of internal capital, as well as strengthening the capital base of the Bank. The Bank’s capital management strategy remained unchanged compared to the previous year.

The National Bank of Serbia has defined the following capital limits:

- The minimum amount of the regulatory capital of EUR 10 million in dinar counter value at the official middle exchange rate; and
- The capital adequacy ratio of at least 8%.

In accordance with the Decision on Bank Capital Adequacy (“Official Gazette of the Republic of Serbia”, No. 113/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020, 59/2021, 67/2022, 137/2022, 48/2023, 110/2023, 102/2024, 41/2025, 70/2025, 101/2025 and 104/2025), the methodology for calculating the capital adequacy ratio has been prescribed. The Bank’s capital adequacy ratio represents the ratio of the Bank’s capital to its risk-weighted assets. The Bank’s capital comprises the sum of Tier 1 capital and Tier 2 capital, reduced by the deductions from capital as defined by above Decision.

Risk-weighted assets represent the sum total of credit risk-weighted balance sheet assets and capital requirement for market risks and capital requirement for operational risk determined in the manner prescribed by the aforementioned decision, multiplied by the reciprocal value of the capital adequacy ratio.

For the calculation of the credit and market (foreign currency) risk-weighted assets the Bank uses the standardised approach (SA), while for the calculation of the exposure indicators (operating risk) it uses the method of basic indicators (BIA). Credit risk-weighted assets of the Bank are the sum of credit risk-weighted balance sheet assets and credit risk-weighted off-balance sheet items.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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Risk-weighted balance sheet items of the Bank, in terms of credit risk exposure, represent the sum total of gross carrying values of the Bank's balance sheet items less allowances for impairment and the required reserve for estimated losses. Risk-weighted off-balance sheet items of the Bank, in terms of credit risk exposure, represent the sum total of gross carrying values of the Bank's off-balance sheet items less provision for losses on off-balance sheet items and the required reserve for estimated losses, multiplied by the appropriate credit conversion factors.

In accordance with the Decision on Capital Adequacy of Banks, the Bank is obliged to, in addition to the minimum amount of capital of EUR 10 million, maintain at all times its capital at the level sufficient to cover all risks the Bank is exposed to or may be exposed to in its operations, at least in the amount of the of the following capital requirements:

- Capital requirement for credit risk, capital requirement risk of the decrease of the value of purchased receivables and capital requirement for counterparty risk for all the Bank's transactions and capital requirement for settlement/delivery risk for activities from the trading book;
- Capital requirement for price risk for activities from the trading book;
- Capital requirement for foreign exchange risk and commodity risk for all transactions of the Bank;
- Capital requirement for credit valuation adjustment risk for all the operations of the Bank (CVA); and
- Capital requirement for operational risk for all activities of the Bank.

For the purposes of determining the regulatory capital and the capital adequacy ratio, the Bank's core (basic) capital at the reporting date 31 December 2025 includes the paid-in share capital, while supplementary capital comprises subordinated liabilities. Deductions from capital are accumulated losses, loss for year, intangible assets and gross amount of receivables from a debtor - physical body (other than a farmer) originated from consumer, cash or other loans recorded on accounts 102, 107 and 108 where the debt before the loan was approved was higher than the percentage determined in accordance with the decision governing the classification of the bank's balance sheet assets and off-balance sheet items, or this percentage will be higher due to the loan approval, this deduction being applied regardless of whether after the loan approval the borrower's credit level has become lower than that percentage.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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The table below summarizes the structure of the Bank's regulatory capital as of 31 December 2025 and 2024, as well as the capital adequacy ratio:

	As of 31 December 2025	As of 31 December 2024
Regulatory capital		
Core capital		
Share capital	4,632,407	4,632,406
Loss from prior periods	(115,469)	(1,700,848)
Profit/(Loss) for the year	1,609,774	1,585,379
Revaluation reserves	-	-
Intangible assets	(99,883)	(83,196)
	<u>4,417,055</u>	<u>2,848,362</u>
Supplementary capital - subordinated liabilities	-	-
Total core and supplementary capital	4,417,055	2,848,362
<i>Deductible items from capital:</i>		
Gross amount of receivables from natural persons	-340	-
Required reserve for estimated losses on balance sheet assets and off-balance sheet items	-	-
	<u>4,416,715,00</u>	<u>2,848,362</u>
Total capital (1)	4,416,715,00	2,848,362
Risk assets - risk-weighted exposure		
Credit risk exposure	5,359,310	5,786,254
Operational risk exposure	3,562,555	2,128,510
Market risk exposure	-	114,876
Adjustment risk exposure	-	-
	<u>8,921,865</u>	<u>8,029,640</u>
Total (2)	8,921,865	8,029,640
Capital adequacy ratio - Basic share capital	49.50%	35.47%
Capital adequacy ratio - Basic core capital	49.50%	35.47%
Capital adequacy ratio (1/2 x 100)	49.50%	35.47%

As of 31 December 2025, the Bank's regulatory capital amounted to RSD 4,416,713 thousand, or EUR 37,659 thousand translated at the official middle exchange rate ruling at the balance sheet date (31 December 2024: RSD 2,848,362 thousand, or EUR 24,342 thousand). The Bank's capital adequacy ratio of 35.47% exceeds the prescribed minimum of 8% (i.e. 12.30% acc. to supervisory decision of the National Bank of Serbia dated 12 September 2025).

Tier 1 Leverage Ratio, representing the ratio of core capital and the amount of the Bank's exposure as of 31 December 2025 amounted to 14.44%.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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Pursuant to the National Bank of Serbia's Official Letter on the Bank's Supervision Assessment and Accompanying Recommendations, the Bank is required, on an individual basis, to maintain a Common Equity Tier 1 capital adequacy ratio of 6.91%, a Tier 1 capital adequacy ratio of 9.23%, and a total capital adequacy ratio of 12.30%. These represent the total supervisory capital requirements, which must be increased by the applicable combined capital buffer requirement as at the relevant date.

As of 31 December 2025, the overall capital requirement amounted to 15.78% of risk-weighted assets, calculated as the sum of total supervisory capital requirements and the combined capital tier requirement at that date.

Pursuant to the Decision of the National Bank of Serbia on Capital Adequacy, as of 31 December 2025, the Bank had sufficient level of capital to meet the minimum requirements prescribed by the National Bank of Serbia.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

a) Performance Indicators - Compliance with Legal Requirements

The Bank is obliged to reconcile the scope and the structure of its operations and risky placements with the performance indicators prescribed by the Law on Banks and the relevant decisions of the National Bank of Serbia issued on the basis of the aforementioned Law.

The Bank's performance indicators as of 31 December 2025 were as follows:

Business indicators	Prescribed	Realised
1. Regulatory capital	Minimum EUR 10 million	EUR 37,659 thousand
2. Capital adequacy indicator	Minimum 8%	49.50%
3. Core share capital adequacy indicator	Minimum 4,5%	49.50%
4. Core capital adequacy indicator	Minimum 6%	49.50%
5. Investments of the Bank	Maximum 60% equity	8.30%
6. Exposure to one person or to a group of related persons	Maximum 25% equity	10.33%
7. Sum of all large exposures in relation to capital	Maximum 400%	49.75%
8. Liquidity indicators as of:		
- in the first month of last quarter of 2025	Minimum 1	4.51
- in the second month of last quarter of 2025	Minimum 1	5.35
- in the third month of last quarter of 2025	Minimum 1	3.55
9. Narrower liquidity indicator	Minimum 0,5	2.44
10. Liquid asset coverage indicator (LCR)	Minimum 100%	645.74%
11. Currency risk indicator	Maximum 20% equity	0.96%

As of 31 December 2025, the Bank complied all its performance indicators with the prescribed ones.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2025

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33. COMMITMENTS AND CONTINGENT LIABILITIES**a) Litigations**

As of 31 December 2025, the Bank acts as a defendant in 51 litigations. The total estimated amount of the related claims equals RSD 2.207 thousand.

According to the estimate of the Legal Department and the legal advisers of the Bank positive outcome is expected for certain number of the litigations, while uncertain outcome is expected for certain number of the litigations. As disclosed in the Note 28 to the financial statements, as of 31 December 2025, the Bank booked the provision for possible losses that may arise from the above litigations in the total amount of RSD 974 thousand.

The Bank's management believes that no material losses shall arise based on the outcome of the remaining litigations in progress in excess of the amount for which the provisions were made.

b) Tax Risks

Tax system in the Republic of Serbia is undergoing continuous amendments. Tax period in the Republic of Serbia is considered to be open for the five-year period. In different circumstances, tax authorities could have different approach to some problems, and could detect additional tax liabilities together with related penalty interest and fines. The Bank's management believes that tax liabilities recognised in the accompanying financial statements are fairly presented.

34. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

The Bank, in accordance with Article 18 of the Law on Accounting, has performed reconciliation of its placements and liabilities with its debtors and creditors, and appropriate supporting documentation exists.

The reconciliation was performed as of 31 October 2025.

Out of the total amount of receivables subject to reconciliation, unreconciled receivables amount to RSD 12,837 thousand, representing 0.06%.

Out of the total amount of liabilities subject to reconciliation, unreconciled liabilities amount to RSD 179 thousand, representing 0.00%.

Given that the statements of open items included a clause stating that "if the recipient does not return the statement within a specified period, the balances of receivables and liabilities shall be deemed agreed," the Bank considers that the balances are reconciled even for those statements that were not returned.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2025

All amounts are stated in RSD thousand, unless otherwise stated

35. EXCHANGE RATES

The official median exchange rates of the National Bank of Serbia, determined at the Interbank Foreign Currency Market, used in the translation of balance sheet items denominated in foreign currencies, as of 31 December 2025 and 2024 into the functional currency (RSD), for the major foreign currencies were as follows:

In RSD	2025	2024
EUR	117.2820	117.0149
USD	99.9165	112.4386
CHF	126.0013	124.5237
RUB	1.2599	1.0557

36. IMPACT OF GLOBAL MACROECONOMIC INSTABILITY ON THE BANK'S OPERATIONS

In early March 2022, increased volatility in global financial and commodity markets occurred due to the escalation of the conflict in Ukraine, which is ongoing and has been accompanied by the imposition of sanctions on certain Russian companies and individuals. In addition, in October 2023, a conflict began in the Middle East between Israel and Palestine.

These events have led to multiple challenges affecting the stability of the global economy, including rising inflation rates, energy instability, and uncertainty in the global banking sector, which may have significant financial effects on many entities. This includes entities with physical operations in the affected regions and sectors, as well as indirect stakeholders (e.g. suppliers and customers, investors, and lenders).

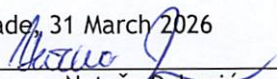
The Bank has immaterial direct exposure to Russia and Ukraine, as well as to countries in the Middle East, and accordingly, there were no adverse effects in 2025 and 2024. The Bank does not expect a significant impact arising from direct exposure to these countries in the foreseeable future. Despite the limited direct exposure, due to the continuation of conflicts and ongoing macroeconomic instability, additional adverse effects on the global economy may be expected, particularly in relation to energy prices, foreign exchange rate movements, interest rates, capital market activity, supply chain disruptions, and increased inflationary pressures, which may indirectly affect the Bank's operations.


The Bank's management continuously monitors and assesses the potential impact of global macroeconomic instability and takes all necessary measures to ensure the stability of the Bank's operations. However, future effects cannot be predicted with reasonable certainty.

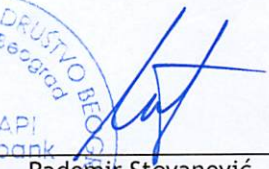
37. EVENTS AFTER THE REPORTING PERIOD

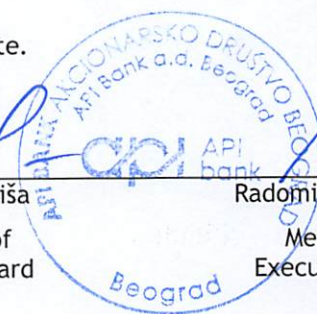
There were no significant events after the Balance Sheet date.

Belgrade, 31 March 2026


Nataša Đoković
Responsible for financial
statements
preparation


Valentina Keiša
President of
Executive Board


Radomir Stevanović
Member of
Executive Board





2025
ANNUAL REPORT

March, 2026

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1. Introductory Address by the President of the Executive Board

Dear Clients and Partners,

The past year was a successful one for API Bank, as confirmed by the profit achieved in the amount of EUR 16.1 million before tax, i.e. EUR 13.7 million after taxation. The Bank maintained a high level of liquidity and remained strongly capitalized, with a capital adequacy ratio of 49.53%, thus ensuring a stable foundation for further growth and development. At the end of 2025, total assets increased by 11% compared to the same period of the previous year.

During the year, we remained a reliable partner to our clients, providing modern banking services aligned with their needs and expectations. Continuous business improvements were achieved through modernization of technological infrastructure, automation, and optimization of internal processes. In addition, the information security system was further strengthened, while the product offering was expanded through the launch of the Visa Infinite debit card.

In the upcoming period, we will continue to focus on further improving customer services and building a positive and supportive working environment. Our priorities include strengthening the loan and deposit portfolio, enhancing transactional activities, and implementing e-wallet, Google Pay, and Apple Pay services, while maintaining healthy and stable financial indicators. Our clients remain at the center of all our business activities, with the goal of justifying the trust of existing clients while attracting new ones through a modern

offering and a high level of personalized service. Professionalism, flexibility, timely adaptation to regulatory and technological changes, and a responsible approach to risk management will remain among the Bank's key priorities.

It is important to emphasize that during 2025 we implemented numerous projects and initiatives aimed at supporting the local community. Particular attention was dedicated to young people, children, and persons with disabilities through cooperation with organizations such as BELhospice, HISBAS, Association MNRO Zvezdara, Centar Zvezda, and Dečje srce. At the same time, we remained committed to promoting a healthy lifestyle. The API Bank team competed in the Belgrade Table Tennis League and participated in the "Belgrade Business Run".

We are entering 2026 with clear goals and a commitment to further improve the quality of our services and remain a stable and reliable partner to our clients and business associates. New challenges lie ahead, but I believe that through dedication, loyalty, and professionalism, we will successfully respond to them.

Respectfully,

Valentina Keisha,
President of Executive Board

2. General Information About API Bank a.d. Belgrade

API BANK a.d. BELGRADE, formerly VTB Banka (hereinafter: the “Bank”), was established on 11 July 2008 under the Decision of the National Bank of Serbia No. 2158 dated 3 March 2008.

On 26 July 2018, a change in ownership of 100% of the shares of VTB Banka a.d. Belgrade was carried out, whereby the sole shareholder became “AZRS INVEST” d.o.o. Belgrade, a Serbian company owned by the Russian investor Andrey Zakharovich Shlyakhovoy. By the decision of the Shareholders’ Assembly dated 24 September 2018, the new business name of the Bank was determined as API Bank a.d. Belgrade.

The change of the Bank’s business name to API Bank a.d. Belgrade was registered with the Serbian Business Registers Agency on 18 October 2018.

API Bank a.d. Belgrade is registered in the Republic of Serbia for performing payment transactions and credit and deposit operations in the domestic market, as well as international payment operations, and in accordance with the Law on Banks, it is required to operate in accordance with the principles of liquidity, safety, and profitability.

The Bank’s registered office is located in Belgrade, Bulevar Vojvode Bojovića No. 6-8.

As at 31 December 2025, the Bank’s branch network consisted of: Branch in Belgrade, Balkanska Street No. 2; Branch in Belgrade, Makedonska Street No. 44; and Branch in Novi Sad, Narodnog fronta Street No. 12.

The Bank has no sub-branches and did not repurchase its own shares.

The governing bodies of the Bank are the Shareholders’ Assembly, the Board of Directors, and the Executive Board.

As at 31 December 2025, the Board of Directors consisted of five members and was chaired by Mr. Vladislav Shlyakhovoy.

The Executive Board members are Valentina Keiša, who also serves as President, and Radomir Stevanović, member.

Other bodies established by the Bank in accordance with the Law on Banks include the Asset and Liability Management Committee, Credit Committees, and the Audit Committee.

As at 31 December 2025, the Bank employed 99 employees (31 December 2024: 96 employees).

In the qualification structure of employees at the end of 2025, employees with university degrees accounted for 61%, while employees younger than 40 years represented 29% of total staff.

The Bank invests in the development of employees’ skills and knowledge through external and internal training programs in order to equip employees with the competencies required for the adequate execution of their tasks and responsibilities. Particular attention is devoted to internal communication so that all employees are informed about strategic goals and results, the most important challenges and activities, and so that all employees can adequately respond to the Bank’s requirements and recognize their role within the organization.

3. Macroeconomic environment and banking sector

3.1. Gross domestic product

According to the estimate of the Statistical Office of the Republic of Serbia (SORS), gross domestic product in the fourth quarter of 2025 recorded real growth of 2.2% compared to the same period of the previous year.

The seasonally adjusted data series indicates GDP growth of 1.0% in the Q4 2025 compared to the previous quarter.

Observed by economic activities, in the fourth quarter of 2025, compared to the same period of the previous year, the most significant real growth in gross value added was recorded in the construction sector, amounting to 10.6%. A real decline in gross value added was recorded in the sectors of industry, water supply and wastewater management by 3.4%, and agriculture, forestry and fisheries by 0.3%.

Observed by expenditure components of gross domestic product, in the Q4 2025, compared to the same period of the previous year, real growth was recorded across all aggregates: household final consumption expenditure increased by 3.7%, final consumption expenditure of non-profit institutions serving households (NPISH) by 4.5%, government final consumption expenditure by 4.2%, gross fixed capital formation by 8.9%, exports of goods and services by 5.3%, and imports of goods and services by 7.6%.

3.2. Industrial production

Industrial production in the Republic of Serbia in January 2026 is lower by 9.1% compared to January 2025, and compared to the average in 2025 it is lower by 14.4%. The current seasonally adjusted index for January 2026, compared to December 2025, shows a growth of 1.6% for the industry as a whole, and a growth of 3.0% for the processing industry.

Observed by sector, in January 2026, compared to January 2025, the following trends were recorded: Mining - a 2.3% decrease, Manufacturing industry - a 12.4% decrease, and the Electricity, gas, steam and air conditioning supply sector - a 0.8% decrease.

3.3. Foreign trade exchange

Total foreign trade in goods of the Republic of Serbia for the period January–December 2025 amounted to:

- USD 84,541.6 million – representing an increase of 12.9% compared to the same period of the previous year;
- EUR 74,927.4 million – representing growth of 7.7% compared to the same period of the previous year.

Exports of goods amounted to USD 37,314.4 million, representing an increase of 12.9% compared to the same period of the previous year, while imports of goods amounted to USD 47,227.2 million, which is 11.7% higher than in the corresponding period of the previous year.

Exports of goods, expressed in euros, amounted to EUR 33,068.0 million, representing growth of 8.4% compared to the same period of the previous year. Imports of goods amounted to EUR 41,859.4 million, representing an increase of 7.2% compared to the same period of the previous year.

The trade deficit amounted to USD 9,912.9 million, representing an increase of 7.5% compared to the same period of the previous year. Expressed in euros, the deficit amounted to EUR 8,794.4 million, which is an increase of 2.9% compared to the corresponding period of the previous year.

Export coverage of imports amounted to 79.0%, which is higher than in the same period of the previous year, when it amounted to 78.2%.

Foreign trade in goods was highest with countries with which Serbia has signed free trade agreements. European Union member states accounted for 58.3% of total trade.

Serbia's second most important trade partners are the CEFTA countries, with which a trade surplus of USD 3,352.5 million was achieved, primarily as a result of exports of cereals and cereal products, road vehicles, beverages, oil and petroleum products, as well as medical and pharmaceutical products. For the observed period, Serbia's exports to amounted to USD 5,512.0 million, while imports amounted to USD 2,159.5 million. Export coverage of imports amounted to 255.2%. Expressed in euros, exports amounted to EUR 4,879.7 million, while imports amounted to EUR 1,921.6 million (resulting in a surplus of EUR 2,958.1 million and export coverage of imports of 253.9%).

3.4. Inflation

According to the final data published by the Statistical Office of the Republic of Serbia, year-on-year inflation slightly slowed in December compared to November and amounted to 2.7%.

According to the estimate of the Statistical Office of the Republic of Serbia, average annual inflation in 2025 amounted to 3.8%.

On a monthly basis, consumer prices increased by 0.1% in December, primarily due to price growth within core inflation (consumer price index excluding food, energy, alcohol, and cigarettes) of 0.4%, as well as cigarette price adjustments of 2.4%, while lower prices of food and non-alcoholic beverages (-0.5%) and petroleum products (-1.1%) had an offsetting effect.

Prices of food and non-alcoholic beverages recorded a monthly decline for the fourth consecutive month, reflecting continued decreases in the prices of fruit, fresh meat, and processed food products, while vegetable prices increased in line with seasonal trends. Compared to December 2024, prices of food and non-alcoholic beverages were on average lower by 0.9%.

Energy prices decreased by 0.1% on a monthly basis under the influence of lower petroleum product prices. On a year-on-year basis, energy prices recorded growth of 4.6% in December.

The monthly increase in prices within core inflation was almost equally driven by increases in both product and service prices. On a year-on-year basis, core inflation slightly declined compared to November and amounted to 4.0%.

In the coming months, inflation is expected to remain stable at a similar level, around the National Bank of Serbia's target rate of 3% (with an allowed deviation band of ± 1.5 percentage points).

3.5. Employment and Salaries

The average gross salary calculated for November 2025 amounted to RSD 154,772, while the average salary net of taxes and social contributions (net salary) amounted to RSD 111,987.

The growth in gross salaries in the period January–November 2025 compared to the same period of the previous year amounted to 11.2% in nominal terms and 7.0% in real terms, while the average net salary increased by 11.2% nominally and 8.2% in real terms.

Compared to the same month of the previous year, the average gross salary for November 2025 increased by 11.4% nominally and by 8.4% in real terms, while the average net salary increased by 11.2% nominally and by 8.2% in real terms.

The median net salary for November 2025 amounted to RSD 86,702, meaning that 50% of employees earned salaries up to the stated amount.

3.6. Exchange Rates

In December 2025, the Serbian dinar appreciated nominally against the euro by 0.1%, while, observed from the beginning of the year, the dinar recorded nominal depreciation against the euro of 0.2%.

In December, the National Bank of Serbia recorded net sales of EUR 725 million on the interbank foreign exchange market. During 2025, the National Bank of Serbia net sold EUR 580 million in order to maintain the relative stability of the dinar exchange rate against the euro.

In this way, despite strong pressures on the domestic foreign exchange market, the National Bank of Serbia succeeded in preserving the relative stability of the dinar exchange rate against the euro throughout 2025 as well.

4. Financial Position and Operating Result

ASSETS

In RSD thousand

ASSETS	2025	2024	Δ abs	Δ %
Cash and balances with central bank	13,530,672	10,724,141	2,806,531	26%
Loans and advances to banks and other financial organisations	6,065,142	6,296,761	(231,619)	-4%
Loans and advances to customers	5,681,866	5,858,145	(176,279)	-3%
Intangible assets	99,883	83,196	16,687	20%
Property, plant and equipment	184,151	210,133	(25,982)	-12%
Current tax assets	283,368	37,476	245,892	656%
Other assets	115,458	114,532	926	1%
TOTAL ASSETS	25,960,540	23,324,384	2,636,156	11%

The Bank ended 2025 with total assets amounting to RSD 25,960,540 thousand, representing an increase of 11% compared to the previous year.

The largest share in the Bank's total assets relates to the position Cash and balances with the central bank (52%), followed by Loans and receivables from banks and other financial institutions (23%), as well as Loans and receivables from customers (22%).

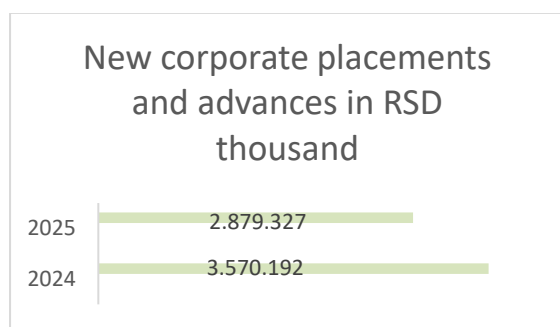
In absolute amounts, the highest year-on-year increase was recorded in the position Cash and balances with the central bank.

The increase in Cash and balances with the central bank mainly relates to the increase in funds denominated in RSD. From a structural perspective, the largest portion of this position consists of excess liquidity deposits (81%), followed by mandatory reserves in EUR

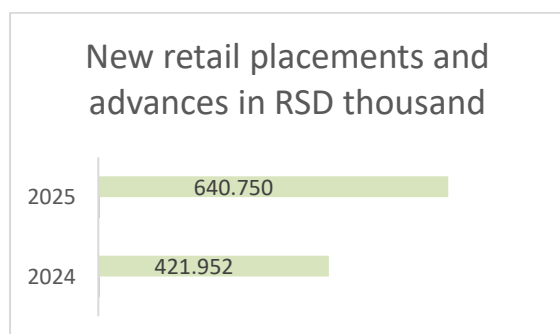
(13%) and current and giro accounts (3%).

The item Loans and advances to banks and other financial organisations mainly comprises receivables from the National Bank of Serbia arising from REPO placements (61%), as well as other foreign currency placements (17%).

During the reporting year, the Bank granted loans to corporate clients in the total amount of RSD 2,879,327 thousand, the largest portion of which related to liquidity and working capital loans. Observed by currency structure, 69% of newly approved loans relate to RSD-denominated loans, while 31% relate to loans with a foreign currency clause, thereby once again supporting the business development of its clients.



On the other hand, the growth of the loan portfolio in the retail banking segment was marked by the disbursement of newly approved loans in the total amount of RSD 640,750 thousand. The largest portion of these placements related to housing loans (98%), while a smaller portion was granted through cash loans (2%).



The item Property, plant and equipment mainly consists of computer and telecommunication equipment, as well as office furniture.

EQUITY AND LIABILITIES

In RSD thousand

EQUITY AND LIABILITIES	2025	2024	Δ abs	Δ %
Deposits and other financial liabilities to banks, other financial organisations and central bank	284,549	269,435	15,114	6%
Deposits and other financial liabilities to other customers	18,933,341	17,956,109	977,232	5%
Provisions	19,494	16,597	2,897	17%
Current tax liabilities	284,571	280,906	3,665	1%
Deferred tax liabilities	0	0	0	0%
Other liabilities	311,873	284,399	27,474	10%
TOTAL LIABILITIES	19,833,828	18,807,446	1,026,382	5%
Share capital	4,632,407	4,632,407	0	0%
Loss	(115,469)	(1,700,848)	1,585,379	-93%
Profit	1,609,774	1,585,379	24,395	2%
Reserves	0	0	0	0%
TOTAL EQUITY	6,126,712	4,516,938	1,609,774	36%
TOTAL LIABILITIES AND EQUITY	25,960,540	23,324,384	2,636,156	11%

The item Deposits and other financial liabilities to banks, other financial organisation and the central bank mainly comprises liabilities denominated in RSD (94%), while 6% relates to liabilities denominated in foreign currencies.

Within the structure of total liabilities, the item Deposits and other financial liabilities to other customers accounts for 95% (73% of total liabilities). More specifically, transaction deposits account for 43% of this item.

With regard to the sector structure of the customer deposit portfolio, 53% relates to deposits from individuals, while deposits from corporate entities account for 47%.

As at 31 December 2025, the Bank's subscribed and paid-in capital consisted of 9,264,813 ordinary shares

(31 December 2024: 9,264,813 ordinary shares), with a nominal value of RSD 500 per share.

During the reporting year, the Bank focused its resources on further strengthening relationships with clients, which was reflected in a 5% year-on-year increase in the item "Deposits and other financial liabilities to customers."

As at 31 December 2025, the Bank's regulatory capital amounted to RSD 4,416,713 thousand (31 December 2024: RSD 2,848,362 thousand), i.e. EUR 37,659 thousand at the official middle exchange rate as at the reporting date, and exceeded the minimum capital requirement of EUR 10 million prescribed by the Law on Banks.

INCOME STATEMENT

During 2025, the Bank achieved the best operating results in its history, reflected in profit before tax amounting to RSD 1,894,222 thousand, and profit after tax

amounting to RSD 1,609,774 thousand (2024: profit before tax of RSD 1,875,388 thousand and profit after tax of RSD 1,585,379 thousand).

In RSD thousand				
Income Statement	2025	2024	Δ abs	Δ %
Interest income	1,175,533	1,072,772	102,761	10%
Interest expense	(282,739)	(276,801)	(5,938)	2%
Net interest income	892,794	795,971	96,823	12%
Fee and commission income	3,175,494	2,599,915	575,579	22%
Fee and commission expense	(814,952)	(644,186)	(170,766)	27%
Net fee and commission income	2,360,542	1,955,729	404,813	21%
Net gain on derecognition of financial instruments measured at fair value	0	0	0	0%
Net foreign exchange gains and effects of contracted foreign currency clause	(2,101)	(11,043)	8,942	(81%)
Net impairment loss on financial assets not measured at fair value through profit or loss	(565,941)	(145,736)	(420,205)	288%
Other operating income	12,701	11,007	1,694	15%
TOTAL NET OPERATING INCOME	2,697,995	2,605,928	92,067	4%
Salaries, compensations and other personal expenses	(406,267)	(353,733)	(52,534)	15%
Amortisation and depreciation expenses	(93,144)	(84,390)	(8,754)	10%
Other income	15,429	15,555	(126)	(1%)
Other expenses	(319,791)	(307,972)	(11,819)	4%
PROFIT/(LOSS) BEFORE TAX	1,894,222	1,875,388	18,834	1%
Income tax	(284,571)	(280,906)	(3,665)	1%
Profit from deferred taxes	123	(9,103)	9,226	(101%)
PROFIT/(LOSS) FOR THE YEAR	1,609,774	1,585,379	24,395	2%

The Bank's operations during 2025 were marked by a year-on-year increase in total net operating income of 4%.

Net interest income recorded a year-on-year growth rate of 12%, while the largest absolute increase was achieved in net fee and commission income.

Within the structure of total operating income, interest income accounted for 27%, while fee and commission income accounted for 73%.

Net interest income reached the level of RSD 892,794 thousand, with the largest share generated from transactions with the National Bank of Serbia (50%), followed by interest income from corporate entities (26%), interest income from other banks (20%), and interest income from retail customers (4%).

With regard to interest expenses, the largest share during 2025 related to interest expenses to retail customers (75%), followed by interest expenses to corporate entities (25%).

Net fee and commission income reached the level of RSD 2,360,542 thousand, which is RSD 404,813 thousand higher compared to the previous year.

Observed by types of financial instruments, interest income was primarily generated from Loans and receivables from customers (26%), Other placements and deposits with the National Bank of Serbia (34%), Loans and receivables from banks (20%), REPO placements with the National Bank of Serbia (15%), Loans and receivables from retail customers (4%), and Mandatory reserve with the National Bank of Serbia (1%).

Salary expenses, salary compensations and other employee-related expenses amounted to RSD 406,267 thousand. The largest share relates to salary and salary compensation expenses (57%), as well as taxes and social security contributions on salaries and salary compensations (22%), while the remaining portion relates to provisions for unused vacation benefits and other employee-related expenses.

OFF-BALANCE SHEET ITEMS

In RSD thousand	2025	2024	Δ abs	Δ %
Guarantees and other contingent liabilities	2,304,415	2,766,380	(461,966)	(17)%
Other off-balance sheet items	12,416,365	11,875,165	541,200	5%
Balance as of 31 December	14,720,780	14,641,545	79,235	1%

The Bank's business development is also reflected in the growth of off-balance sheet items, which reached the level of RSD 14,720,780 thousand at the end of 2025.

In absolute terms, growth was primarily recorded within the position Other off-

balance sheet items, mainly driven by increases in collateral instruments, mortgages, and pledges.

The decrease in the position Guarantees and other contingent liabilities mainly relates to the expiration of issued guarantees.

5. Risk Management

Risk is inherent in banking operations; however, it is managed through a process of continuous identification, measurement and monitoring, establishment of risk limits, and implementation of other control mechanisms.

Due to the nature of its operations, the Bank is exposed to the following most significant types of risks:

- credit risk,
- liquidity risk,
- interest rate risk, and
- market risk (which includes foreign exchange risk and other market risks).

The Bank is also exposed to operational risk, which includes legal risk, risks arising from the introduction of new products, activities, processes and systems, as well as risks related to entrusting activities to third parties, i.e. outsourcing, and information system risk.

Significant risks for the Bank also include interest rate risk in the banking book, concentration risk arising from exposure to a single entity or a group of related parties, risks related to the Bank's investments in other legal entities and fixed assets, as well as country risk relating to the country of origin of entities to which the Bank is exposed, and prepayment risk, all of which the Bank must continuously monitor.

The Bank's Board of Directors and Executive Board are responsible for the overall risk management approach, as well as for approving the risk management strategy and principles.

In addition, the Bank has established separate independent bodies responsible for risk management and monitoring.

The Bank's bodies responsible for risk management continuously monitor changes in regulations, analyze their impact on the Bank's risk exposure, and undertake measures to align operations and procedures with new regulations within the framework of controlled risk management.

For the purpose of establishing a unified risk management system and ensuring the functional and organizational separation of risk management activities from regular business operations, the Bank established a Risk Management Department. The responsibilities of this department include management of the Bank's liquidity risk, foreign exchange and other market risks, interest rate risk in the banking book, concentration risk arising from exposure to a single entity or a group of related parties, risks related to investments in other legal entities and fixed assets, country risk relating to the country of origin of entities to which the Bank is exposed, operational risks, as well as the development of internal methodologies for the assessment, measurement and management of risks to which the Bank is exposed in the course of its operations. The department is also responsible for credit risk management and for providing recommendations regarding exposures affected by credit risk.

The Treasury and Liquidity Department is responsible for the management of the Bank's assets and liabilities, as well as its overall financial structure. In addition, this department is responsible for the Bank's funding and liquidity management.

The Asset and Liability Management Committee (hereinafter: the “ALCO Committee”) monitors the Bank’s exposure to risks arising from the structure of its balance sheet liabilities, receivables and off-balance sheet items, and adopts and proposes measures for managing foreign exchange risk, interest rate risk and liquidity risk.

Internal Audit reviews the Bank’s risk management process at least once a year, examines the adequacy of procedures, as well as the Bank’s compliance with applicable regulations. Internal Audit discusses the results of its work with the Bank’s management and reports its findings and recommendations to the Audit Committee.

The Bank’s risks are measured using methods that reflect both expected losses that may arise under normal circumstances and unexpected losses, which represent estimates of ultimate losses based on statistical models. The models use probabilities derived from historical data, adjusted to reflect the current economic environment. The Bank also applies stress-testing and worst-case scenario methodologies related to extreme events with a low probability of occurrence.

Risk monitoring and control are primarily based on the establishment of limits. These limits reflect the Bank’s business strategy and market environment, as well as the level of risk the Bank is willing to accept. In addition, the Bank monitors and measures its capacity to maintain acceptable levels of risk exposure, taking into account total exposure to all types of risks and activities.

Information collected from all business activities is reviewed and processed in order to identify, analyze and control new risks. Such information is presented and explained to the Board of Directors, Executive Board,

Risk Management Department and managers of all business units. Reports include total credit exposure, loan portfolio forecasts, deviations from established limits, market risk measurements, liquidity ratios and changes in the risk profile.

The Bank’s management assesses the adequacy of impairment allowances for placements on a quarterly basis. A comprehensive risk report containing all necessary information for the assessment and evaluation of the risks to which the Bank is exposed is submitted quarterly to the Audit Committee. Separate risk management reports are prepared for each level within the Bank in order to ensure that all business units have access to comprehensive, relevant and up-to-date information.

5.1. Credit Risk

Credit risk is the risk of adverse effects on the Bank’s financial result and capital arising from a debtor’s failure to meet its obligations toward the Bank.

The Bank’s credit risk depends on the borrower’s creditworthiness, the borrower’s timely fulfillment of obligations toward the Bank, as well as the quality of collateral securing the Bank’s receivables. Credit risk is identified, measured, assessed and monitored in accordance with the internal regulations governing credit risk management, as well as decisions regulating the classification of the Bank’s balance sheet assets and off-balance sheet items and capital adequacy requirements.

The Risk Management Policy, credit risk management procedures, and procedures for the approval, disbursement and collection of placements define the process of managing credit risk at the level of individual placements as well as at the

portfolio level, including risk identification procedures, The procedures for the measurement and monitoring (control) of placements are defined in particular for placements with an elevated level of risk. In accordance with these procedures, the Bank engages with clients that possess adequate creditworthiness and for whom the assessed level of risk is considered acceptable, taking into account the relationship between risk categories and profitability.

The Bank controls and manages credit risk through the establishment of limits defining the level of risk it is willing to accept with respect to individual clients, geographic regions and industries, as well as through monitoring exposure to such risks. Risk exposure is continuously monitored through periodic assessments of borrowers' ability to fulfill obligations toward the Bank and other creditors. The Bank has established a credit quality monitoring process in order to ensure timely identification of potential changes in clients' creditworthiness, including regular monitoring of collateral. Client limits are determined using a credit risk classification system, which classifies each client into a specific credit rating category, as well as through an internal methodology defining the level of exposure the Bank is prepared to accept toward an individual debtor or a group of related parties.

Client classification is subject to regular review. The credit quality monitoring process enables the Bank to assess potential losses arising from the risks to which it is exposed and to undertake corrective measures.

Decision-making regarding exposure to credit risk is centralized and concentrated within the Corporate and Retail Credit Committee, in accordance with the Bank's policy. Decisions of the Credit Committee are adopted after consideration of proposals submitted by the competent departments

involved in the credit process and by the Risk Management Department.

The terms and conditions for approval of each corporate placement are determined individually, depending on the type of client, the intended purpose of the placement, the assessed creditworthiness, the collateral offered, as well as the current market situation. Collateral requirements accompanying each placement are also determined based on the client's credit profile, the type of credit risk exposure, the maturity of the placement and the amount involved. All Bank placements are based on relevant approvals that define the terms and other conditions of their implementation.

Credit risk reporting is performed on a continuous basis at both the total portfolio level and the individual client level. In accordance with shareholder requirements, credit risk reporting is performed monthly and includes an overview of the portfolio, overdue receivables, movements in impairment allowances and provisions, as well as the Bank's capital position.

The Bank issues guarantees and letters of credit to its clients, under which the Bank assumes a potential obligation to make payments to third parties. In this manner, the Bank is exposed to risks similar to credit risk, which are mitigated through control processes and procedures applied for credit risk management.

Credit risk arising from derivative financial instruments is, at any time, limited to instruments with positive fair value recorded in the balance sheet. Derivative credit risk is limited through the determination of the maximum possible fair value of the overall derivatives portfolio, as well as the maximum possible positive fair value of each individual transaction.

The Bank is not materially exposed to this risk, given that it does not hold significant derivative financial instruments.

An overview of exposure to credit risk, presented on a net basis and without taking into account collateral, as at 31 December 2025 and 2024, is provided in the table below:

As at 31 December 2025, 21.89% of net exposure to credit risk related to loans and receivables from customers (31 December 2024: 25.12%), 6.67% related to undrawn committed obligations (31 December 2024: 3.38%), and 23.36% related to loans and receivables from banks and other financial institutions (31 December 2024: 27.00%).

5.2. Liquidity Risk

Liquidity risk represents the possibility of adverse effects on the Bank's financial result and capital arising from the Bank's inability to meet its due obligations, either due to the withdrawal of existing funding sources or the inability to obtain new funding sources (funding liquidity risk), or due to difficulties in converting assets into liquid funds as a result of market disruptions (market liquidity risk).

The primary objective of liquidity risk management is to maintain an adequate level of liquid assets in order to ensure the timely and orderly settlement of due obligations arising from both on-balance sheet and off-balance sheet activities at the Bank level.

Liquidity risk management includes the management of all asset and liability positions of the Bank that may affect the Bank's ability to fulfill its due obligations

In order to reduce or limit this risk, the Bank's management seeks to diversify funding sources, manage assets with due

consideration of their liquidity, and monitor future cash flows and the Bank's daily liquidity position. This includes the assessment of expected cash flows and the availability of highly rated collateral that may be used to secure additional funding if required.

The Bank has established a unified liquidity risk management process through which the impact of the Bank's activities on its exposure to liquidity risk is identified and assessed, including the impact on the Bank's financial result and capital.

Liquidity risk management within the Bank represents an integrated process that includes:

- identification of liquidity risk;
- measurement and assessment of liquidity risk;
- mitigation of liquidity risk;
- monitoring and control of liquidity risk; and
- reporting on liquidity risk.

The identification of causes and early warning indicators of a liquidity crisis is performed by the Treasury and Liquidity Department in cooperation with the Risk Management Department and the Finance Department, based on information provided by the organizational units responsible for corporate and retail banking activities, as well as by the holders of the liquidity risk management system (the Board of Directors and/or Executive Board) and members of the ALCO Committee.

The measurement and assessment of liquidity risk represent quantitative and/or qualitative evaluations of identified liquidity risk and fall within the responsibility of the Risk Management Department. Liquidity risk measurement and assessment include the

application of GAP analysis, ratio analysis and stress testing.

Liquidity risk mitigation involves defining measures and rules for mitigating risk through the establishment of a system of limits, thereby maintaining risk at a level acceptable for the Bank's risk profile.

The acceptable level of the Bank's exposure to liquidity risk depends on the structure of assets and their ability to be converted into liquid funds, the concentration of funding sources, as well as the currency structure of assets and funding sources. These factors enable the limitation of adverse effects on the Bank's financial result and capital, while ensuring a sufficient level of liquid assets for the settlement of due obligations and the financing of asset growth.

Liquidity risk mitigation includes the definition of:

- liquidity risk exposure limits (basic and additional limits); and
- liquidity risk protection measures.

Liquidity risk monitoring defines the process of analyzing the status, changes and trends in exposure to liquidity risk. The Risk Management Department manages liquidity risk by applying defined internal limits within the framework of regulatory limits and prescribed measures for protection against critically low liquidity levels, while continuously monitoring compliance with the established limits.

The Treasury and Liquidity Department, in cooperation with other organizational units, implements measures aimed at reducing and mitigating liquidity risk and informs the Risk Management Department and the ALCO Committee about the results of the implemented measures. The ALCO Committee adopts decisions regarding whether, and to what extent, the proposed

measures will be implemented, i.e. whether the level of exposure to liquidity risk is acceptable, taking into account its impact on the indicators of the Bank's risk profile and liquidity appetite.

The procedures for managing and resolving temporary and long-term liquidity crises are further defined in the Liquidity Contingency Plan and recovery options, which are more closely described in the Bank's Recovery Plan for 2025. For the purpose of managing the Bank's short-term liquidity, maturity analyses of inflows and outflows arising from various asset and liability positions are used. Medium-term and long-term liquidity management is conducted through projections of the balance sheet structure based on the Bank's planned business activities and strategic objectives.

The ALCO Committee is responsible for liquidity risk management, establishing control mechanisms for monitoring exposure to liquidity risk, and adopting relevant conclusions aimed at minimizing risk exposure. It also proposes decisions for adoption by the Executive Board of the Bank, particularly regarding liquidity policy, funding collection, and other matters related to the management of the Bank's assets and liabilities that are significant for the Bank's financial stability.

The Bank manages its assets and liabilities in a manner that ensures it is able to meet all of its obligations at all times and enables its clients to access their funds in accordance with agreed maturities.

The Treasury and Liquidity Department monitors key liquidity parameters on a daily basis, seeking to balance cash inflows and outflows so that the daily liquidity indicator remains within the limits prescribed by the National Bank of Serbia.

The basis for quality liquidity management and maintaining the required level of liquidity lies in the alignment of the maturities of placements with their funding sources. Decisions regarding the maturity structure of placements are based on information concerning deposit maturities, particularly information relating to the movements and short-term needs of significant depositors. When making such decisions, the Bank pays particular attention to the need to maintain adequate liquidity levels, particularly ensures that short-term funding sources are not used for long-term placements.

The Bank's liquidity level is measured through the liquidity ratio, the narrow liquidity ratio, as well as the Liquidity Coverage Ratio (LCR).

As at 31 December 2025, the narrow liquidity ratio amounted to 2.44, while the LCR ratio amounted to 646%, both of which were above the prescribed regulatory thresholds.

Funding sources are continuously monitored in order to maintain diversification by currency, geographic origin, funding provider, product type and maturity structure.

5.3. Interest Rate

Interest rate risk is defined as the risk of potential adverse effects on the Bank's financial result and capital arising from positions in the banking book due to changes in interest rates.

The subject of interest rate risk management includes all positions in the banking book that may cause negative effects on the Bank's result and capital as a consequence of interest rate changes.

The Bank controls interest rate risk by monitoring the relationship between interest-bearing assets and liabilities, as well as their share in total assets and liabilities. The Asset and Liability Management Committee monitors the risk arising from changes in interest rates on interest-bearing asset, liability and off-balance sheet positions, interest rate spreads, and the effects of interest rate changes on the Bank's income, expenses and capital.

By contracting variable interest rates, the Bank significantly reduces exposure to interest rate risk. In practice, the Bank's exposure to interest rate risk is limited, considering the possibility of adjusting interest rates on loans and deposits, subject to the written consent of clients (individuals) regarding amendments to mandatory contractual elements.

The Bank has established a unified interest rate risk management process through which the impact of the Bank's activities on its exposure to interest rate risk is identified and assessed, including the impact on the Bank's result and capital.

The Bank considers interest rate risk management to be a process that includes:

- identification of interest rate risk;
- measurement and assessment of interest rate risk;
- mitigation of interest rate risk;
- monitoring and control of interest rate risk; and
- reporting on interest rate risk.

The Bank comprehensively and timely identifies significant sources of interest rate risk, which includes determining current exposure to interest rate risk (interest-bearing asset and liability positions), option

risk, as well as exposure arising from new business products and activities related to positions recorded in the banking book.

The Treasury and Liquidity Department, in cooperation with the Risk Management Department and the Finance Department, identifies the causes and factors of interest rate risk.

The measurement of the Bank's interest rate risk represents a quantitative and qualitative assessment of exposure to interest rate risk through the application of GAP analysis and ratio analysis, the calculation of net interest income under stress scenarios, the Black-Scholes model (for option risk), and stress testing are performed at least on a monthly basis under regular operating conditions and fall within the responsibility of the Risk Management Department.

The Risk Management Department analyzes the impact of interest rate changes, i.e. interest rate repricing, on interest-sensitive asset and liability positions on a monthly basis and measures the effects of a standard interest rate shock of 200 and 300 basis points (bp) on the Bank's economic value in relation to the Basel limit of 20% of regulatory capital (Tier 1 + Tier 2), which also represents the maximum acceptable risk threshold of the Bank.

Interest rate risk mitigation involves defining measures and rules aimed at maintaining risk at a level acceptable for the Bank's risk profile.

Interest rate risk monitoring defines the process of monitoring the status, changes and trends in exposure to interest rate risk. The Risk Management Department monitors compliance with established limits.

During 2025, in calculating exposure, the Bank continued implementing activities related to the control and measurement of interest rate risk by applying a standard

interest rate shock of 200 basis points (bp) and 300 basis points (bp) to banking book positions for all significant currencies individually (EUR, RSD and RUB), as well as collectively for other currencies (USD, CHF, GBP and CNY).

As at 31 December 2025, the Bank's exposure to interest rate risk affecting the economic value of capital amounted to 1.55% (31 December 2024: 2.28%).

The Risk Management Department performs stress testing of materially significant risks at least quarterly, including the effects of changes in interest rates, in accordance with the nature and level of risks to which the Bank is exposed, assessing the impact on the Bank's income and economic value, as well as on regulatory capital and capital adequacy, through the application of interest rate repricing.

5.4. Market Risks

Market risks represent the possibility of adverse effects on the Bank's financial result and capital arising from changes in the value of balance sheet and off-balance sheet positions due to movements in market prices.

Market risks include:

- foreign exchange risk,
- price risk (related to debt and equity securities), and
- commodity risk.

The Bank is not exposed to the risk of changes in equity instrument prices or commodity prices. Apart from the concentration of market risk related to foreign currencies, the Bank does not have significant concentrations of market risk in other positions.

Foreign exchange risk is the risk of adverse effects on the Bank's financial result and capital arising from changes in exchange rates. The Bank is exposed to this risk through positions held in both the banking book and the trading book. The ALCO Committee has approved limits for positions in each materially significant currency used in the Bank's operations. Positions are monitored on a daily basis to ensure that the values of such positions remain within the established limits.

The foreign exchange risk indicator represents the ratio between the total net open foreign exchange position (including the absolute value of the net open gold position) and the Bank's capital, calculated in accordance with the relevant Decision, which is calculated in accordance with the Decision governing the Bank's capital adequacy.

In accordance with the regulations of the National Bank of Serbia governing the Bank's capital adequacy, the Bank continuously maintains its foreign exchange position and foreign exchange risk indicator within the legally prescribed maximum relative to capital, i.e. at the end of each day the indicator may not exceed 20% of the Bank's capital.

During 2025, this indicator remained below the prescribed threshold throughout the entire year.

The objective of foreign exchange risk management is to ensure the safe operation of the Bank by minimizing the adverse effects of exchange rate movements on the Bank's financial result and capital, for positions held both in the banking book and the trading book. The Bank has established a foreign exchange risk management process through which the impact of the Bank's activities on its exposure to foreign exchange

risk is identified and assessed, including the impact on the Bank's result and capital.

Foreign exchange risk management within the Bank represents an integrated process that includes:

- identification of foreign exchange risk;
- measurement and assessment of foreign exchange risk;
- mitigation of foreign exchange risk;
- monitoring and control of foreign exchange risk; and
- reporting on foreign exchange risk.

The Risk Management Department, in cooperation with the Finance Department and the Treasury and Liquidity Department, comprehensively and timely identifies the causes and factors leading to foreign exchange risk, including the determination of current exposure as well as exposure arising from new business products and activities.

The measurement of foreign exchange risk represents a quantitative and qualitative assessment of the Bank's exposure to foreign exchange risk through the application of currency structure analysis, Value at Risk (VaR) methodology and stress testing. The Risk Management Department applies daily measurement techniques for the foreign exchange risk indicator and net open currency position exposure, while stress testing is performed on a quarterly basis.

The Risk Management Department performs stress tests of the sensitivity of the Bank's positions to changes in exchange rates at least quarterly and reports the results to the Executive Board, ALCO Committee, Audit Committee, Board of Directors and the Bank's shareholder.

As at 31 December 2025, the foreign exchange risk indicator amounted to 0.96% (31 December 2024: 4.03%).

5.5. Concentration Risk

Concentration risk is the risk arising directly or indirectly from the Bank's exposure to the same or similar source of risk, or to the same or similar type of risk.

Concentration risk relates to:

- large exposures;
- groups of exposures with the same or similar risk factors, such as economic sectors, geographic areas, product types and similar categories; and
- credit protection instruments, including maturity and currency mismatches between large exposures and the credit protection instruments related to such exposures.

Monitoring of the Bank's exposure to the risk arising from exposure to a single entity or a group of related parties falls within the responsibility of the organizational unit responsible for approving placements by product. Monitoring of this risk is an integral part of the approval process, ensuring that the body or committee approving placements has access to information regarding the total exposure of the Bank to a client or group of related parties and the relationship of such exposure to the Bank's capital.

The Bank controls concentration risk through the establishment of appropriate exposure limits that enable diversification of the credit portfolio. In addition to regulatory methods for measuring concentration risk

(limit breaches), the Bank also applies the Herfindahl-Hirschman Index (HHI).

The Herfindahl-Hirschman Index represents the sum of the squares of all percentage shares of exposures in regulatory capital.

The more diversified the credit portfolio is (i.e. the lower the concentration), the lower the value of the index.

During 2025, the Bank ensured compliance with concentration risk indicators by implementing appropriate activities prescribed by relevant procedures and credit approval decisions, thereby maintaining the alignment of its placements and investments with the prudential indicators prescribed by the National Bank of Serbia.

In accordance with applicable regulations and the Risk Management Policies, the Board of Directors grants approval for the Bank's exposure to risk arising from individual clients, groups of related parties and parties related to the Bank.

Additional supervision of the Bank's exposure indicators is performed by the Risk Management Department, which regularly reports to the Bank's governing bodies. The procedures relating to the management of this risk are also subject to review by Internal Audit and the Compliance Function.

Through its credit risk and market risk management processes, the Bank also monitors counterparty risk. The Risk Management Department monitors exposures to financial institutions from the perspective of internal and regulatory concentration risk limits and reports movements in such exposures to the Treasury and Liquidity Department and the ALCO Committee.

Through quarterly reports on concentration of receivables by individual debtors, groups of related debtors, industries, countries, geographic regions and other parameters relevant for credit risk management, the Risk Management Department regularly reports to the Executive Board of the Bank in the prescribed reporting format.

5.6. Bank Investment Risks

Bank investment risks include risks arising from investments in:

- equity interests in other legal entities,
- real estate,
- plant and equipment (fixed assets).

In accordance with the regulations of the National Bank of Serbia, the Bank monitors the level of its investments and the amount of its regulatory capital, ensuring that investments in a single entity outside the financial sector do not exceed 10% of the Bank's capital, and that total investments in entities outside the financial sector together with investments in the Bank's fixed assets do not exceed 60% of the Bank's capital. Exposure to risks arising from the Bank's investments in other legal entities and fixed assets is monitored in such a manner that the organizational unit or body of the Bank responsible for the acquisition of fixed assets and investments in legal entities is informed about the current level of exposure and the amount of capital, in order to ensure timely actions in accordance with prescribed limits.

The Risk Management Department performs additional monitoring of the Bank's exposure indicators and reports thereon to the Bank's governing bodies. The procedures relating to

the management of these risks are also subject to review by Internal Audit and the Compliance Function.

During 2025, the Bank ensured compliance with investment risk indicators and maintained the alignment of its investments with the prudential indicators prescribed by the National Bank of Serbia.

As at 31 December 2025, the Bank had no investments in entities outside the financial sector, while the indicator of investments in fixed assets amounted to 8.30% of the Bank's regulatory capital.

5.7. Country Risk

Country risk relating to the country of origin of an entity to which the Bank is exposed represents the risk of adverse effects on the Bank's financial result and capital arising from the Bank's inability to collect receivables from such entity due to political, economic or social circumstances in the entity's country of origin.

Country risk includes the following risks:

- political and economic risk, representing the probability of losses arising from the inability to collect the Bank's receivables due to restrictions imposed by governmental and other authorities of the debtor's country of origin, as well as due to general and systemic conditions in that country; and
- transfer risk, representing the possibility of losses arising from the inability to collect receivables denominated in a currency other than the official currency of the debtor's country of origin, due to restrictions on the settlement of obligations toward foreign creditors in a specific currency imposed by

governmental or other authorities in the debtor's country of origin.

The Risk Management Department is responsible for managing the country risk to which the Bank is exposed. The Bank establishes country risk exposure limits individually for each debtor's country of origin and, where concentration of exposure by geographic regions is identified, limits are also established at the regional level. When determining the level of impairment allowances and provisions by country, the Bank also takes country risk into consideration.

The Bank predominantly places funds with clients from the Republic of Serbia, while its exposure to country risk primarily relates to funds temporarily held in accounts with foreign banks. The Bank manages country risk through a policy of continuous monitoring of exposure relative to established limits, which are determined based on country ratings assigned by competent institutions (OECD), with regular reporting to the Bank's governing bodies regarding existing exposures. The Bank also minimizes country risk through its policy on placements abroad, primarily by placing funds in short-term deposits with foreign banks.

5.8. Operational Risk

Operational risk is the risk of potential adverse effects on the Bank's financial result and capital arising from failures (intentional or unintentional) in employee performance, inadequate internal procedures and processes, inadequate management of information and other systems within the Bank, as well as unforeseen external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational risk also includes legal risk, risks arising from the introduction of new products, activities, processes and systems, as well as risks related to entrusting activities to third parties (outsourcing) and information system risk.

Within the operational risk management framework, compliance risk is also included as an integral part of the unified procedures of the Risk Management Department, the Compliance Function and the Anti-Money Laundering Department, in accordance with their respective responsibilities, through the establishment of a joint Operational and Compliance Risk Database, monitoring of unified risk appetite limits, as well as management and reporting on the risks to which the Bank is exposed in the course of its operations.

The process of operational risk management involves the Board of Directors, Executive Board, Audit Committee and all organizational units of the Bank.

The Bank has established a unified process for managing operational risk and compliance risk through which the impact of the Bank's activities on its exposure to these risks is identified and assessed, including the impact on the Bank's result and capital.

Operational risk and compliance risk management within the Bank represent an integrated process that includes:

- risk identification;
- risk measurement and assessment;
- risk mitigation;
- risk monitoring and control; and
- risk reporting.

Through the identification of operational and compliance risks, the Bank comprehensively and timely identifies the causes and factors leading to the occurrence of such risks, including the classification of risks for the purpose of collecting data on operational and compliance risks and losses (Operational Risk Database – ORD), which includes determining current exposure as well as exposure arising from the introduction of new products/services and/or outsourcing of activities/services to third parties.

The database of events that have resulted, or could have resulted, in losses above the prescribed threshold as a consequence of operational or compliance risk is maintained according to categories determined by sources of loss and other criteria for the description and classification of such events, is populated through the entry of data based on identified risks by business line, by persons responsible for specific business processes within the Bank, through reporting such risks to the Risk Management Department for further processing.

The Bank identifies operational risk both retrospectively (through entries into the event database) and proactively through periodic operational risk self-assessments.

The measurement and assessment of exposure to operational risk represent quantitative and/or qualitative evaluations of identified risks performed by the Risk Management Department through the application of risk self-assessment methodologies, business impact analysis and exposure indicators using the Basic Indicator Approach at least annually, as well as through monitoring the frequency of movements in Key Risk Indicators (KRI) and quarterly stress testing.

When assuming operational risk, the Bank is guided by the following principles:

- analysis of key risk indicators leading to operational risk events;
- measurement of current exposure to operational risk and assessment of exposure arising from the introduction of new products and activities, as well as outsourcing of activities/services to third parties, with the aim of implementing measures to minimize operational risk events.

Through the operational risk mitigation process, the Bank defines measures for reducing operational risk exposure. Such measures include:

- defining exposure limits;
- defining key indicators for monitoring and controlling exposure; and
- applying risk transfer mechanisms.

The Bank has adopted a Business Continuity Policy and a revised Business Continuity Plan (BCP) for unforeseen events, which includes a Disaster Recovery Plan (DRP). Together with the related appendices, these plans ensure the uninterrupted and continuous functioning of all significant systems and processes of the Bank, as well as the limitation of losses in emergency situations. These plans were adequately tested during 2025.

The Risk Management Department monitors and reports on the effects of implemented operational risk mitigation measures and techniques through regular reporting to the Executive Board. The Compliance Function and the Anti-Money Laundering Department identify, monitor and report on the effects of implemented measures and techniques for mitigating compliance risk.

The operational risk reporting system includes timely reporting on operational risk events by event type and business line, causes and sources of events, materiality of events, trends in exposure, measures planned or undertaken to mitigate and limit the consequences of such events, activities outsourced to third parties, as well as limits relating to new products.

The measurement and management of the outsourcing process are based on the identification and assessment of all risks associated with activities entrusted to third parties (outsourcing), which may affect the Bank's operations may affect: the continuity of the Bank's operations; costs, financial performance, liquidity, solvency and capital of the Bank; the Bank's risk profile; as well as the quality of services provided and the Bank's reputation. The same approach is applied in the case of introducing new products and services.

During 2025, reported operational risk events were recorded in the Operational Loss Database.

5.9. IT Risks

Information system risk, as an integral part of operational risk, represents the possibility of adverse effects on the Bank's financial result and capital, achievement of business objectives, compliance with regulations, and reputation arising from inadequate management of the information system or other systemic weaknesses that negatively affect system functionality or security and/or jeopardize business continuity.

The Bank manages information system risk through an integrated process of operational risk management and business continuity management, which defines the

identification, assessment, analysis and monitoring of operational risk and related risks – including information system risk – as well as measures for their mitigation, prevention and control in accordance with applicable regulations and internal policies.

The assessment of information system risk is performed at least annually as part of the comprehensive operational risk self-assessment within the Bank, covering processes that include an information technology component, and in accordance with the schedule defined by the Business Impact Analysis process. This process involves organizational units of the Bank, in cooperation with the Risk Management Department, reviewing the information system risk register and assessing the degree of exposure to specific types of information system risk.

The assessment of information system risk enables process owners to timely identify and assess risks affecting the processes for which they are responsible. Following the regular assessment of information system risk, the Risk Management Department prepares a report on information system risk assessment, as an integral part of the Bank's operational risk self-assessment process, which is submitted to the Bank's governing bodies for consideration and adoption.

6. Corporate Governance

The Bank has adopted and implemented a governance system aimed at integrating the Bank's strategies, policies and procedures with the principles and values set forth in the Code of Ethics. By operating in accordance with the principles of responsible corporate governance based on high ethical standards, the Bank protects the interests of its shareholders, clients, employees and the wider community.

The Bank's governance structure is organized as a two-tier system consisting of the Board of Directors and the Executive Board. The Board of Directors consists of five members, including the President of the Board.

The Board of Directors: convenes meetings of the Bank's Shareholders' Assembly; prepares draft decisions for the Shareholders' Assembly and is responsible for the implementation of such decisions; adopts proposals for the Bank's Business Policy and Strategy and submits them to the Shareholders' Assembly for approval; adopts the Risk Management Strategy and Policy, as well as the Bank's Capital Management Strategy; determines the Bank's general terms and conditions of business, including amendments thereto; appoints and dismisses the Chairperson and members of the Executive Board; appoints and dismisses members of the Audit Committee, Credit Committee and Asset and Liability Management Committee; determines the exposure and borrowing limits within which the Executive Board may independently decide; grants prior approval for the Bank's exposure to an individual entity or group of related parties exceeding 10% of the Bank's capital, as well as for increases in such exposure above 20% of the Bank's capital; supervises the work of the Executive Board; establishes the internal control system and supervises its effectiveness; adopts the program and plan of the Bank's Internal Audit function and its methodology; reviews reports of external and internal auditors, reports on Internal Audit activities and operations, and approves the annual report on adequacy of risk management and internal controls; adopts quarterly and annual reports of the Executive Board on the Bank's operations, including quarterly risk management reports, and submits the adopted financial statements to the Shareholders' Assembly

for final approval; adopts rules of procedure governing its own work and the work of committees; adopts the Bank Recovery Plan; informs the National Bank of Serbia and other competent authorities of identified irregularities; determines the Bank's internal organization and organizational structure; adopts the Remuneration Policy and other employee compensation policies; and performs other duties in accordance with the Bank's Articles of Association.

The Executive Board of the Bank consists of two members, including the President. The President of the Executive Board represents and acts on behalf of the Bank. The Executive Board organizes and supervises the Bank's day-to-day operations and is responsible for the implementation and effective functioning of the Bank's internal control system.

The Executive Board of the Bank: implements the decisions of the Shareholders' Assembly and the Board of Directors; proposes to the Board of Directors the Bank's Business Policy and Strategy, as well as the Risk Management Strategy and Policy and the Capital Management Strategy; implements the Bank's Business Policy and Strategy through appropriate business decisions; implements the Risk Management Strategy and Policies and the Capital Management Strategy; analyzes the risk management system and reports to the Board of Directors at least quarterly on the level of risk exposure and risk management activities; decides on the Bank's placements and borrowings up to the limits determined by the Board of Directors; decides, subject to prior approval of the Board of Directors, on any increase in the Bank's exposure to a related party and informs the Board of Directors thereof; ensures the security and regular monitoring of the Bank's information technology systems and treasury

operations; informs the Board of Directors of all actions that are not in compliance with regulations and other internal acts of the Bank; submits to the Board of Directors, at least once during each business quarter, an overview of business activities, the balance sheet and the income statement of the Bank; promptly informs the Board of Directors and the National Bank of Serbia of any deterioration in the Bank's financial condition or the existence of a risk of such deterioration; ensures that all employees are familiar with regulations and other internal acts of the Bank governing their work responsibilities; adopts rules of procedure governing its own operations; and decides on all matters that are not within the competence of the Shareholders' Assembly and the Board of Directors.

The Shareholders' Assembly of the Bank, consisting of a single shareholder, performs the following activities in accordance with the Bank's Articles of Association:

- adopts the Bank's Business Policy and Strategy;
- adopts the Bank's Articles of Association and approves amendments thereto;
- adopts the Bank's financial statements and decides on the allocation and distribution of profit or the coverage of losses;
- decides on increases of the Bank's capital, investments of capital into another bank or other legal entities, as well as on the level of investments in the Bank's fixed assets;
- appoints and dismisses the Chairperson and members of the Board of Directors;
- determines the remuneration of members of the Board of Directors;
- decides on status changes and termination of the Bank's operations; and
- appoints and dismisses the external auditor.

The Bank's Audit Committee consists of three members, including the Chairperson. The Audit Committee assists the Board of Directors in supervising the work of the Executive Board and the Bank's employees.

In accordance with the Law on Banks, the Audit Committee is required to:

- 1) review the annual reports and other financial statements of the Bank submitted to the Board of Directors for consideration and approval;
- 2) review and adopt proposals for the Bank's strategies and policies relating to risk management and the internal control system, which are submitted to the Board of Directors for consideration and approval;
- 3) review and supervise the implementation and adequate application of the adopted risk management strategies and policies, as well as the implementation of the internal control system;
- 4) report to the Board of Directors at least once a month on its activities and identified irregularities, and propose measures for eliminating such irregularities and improving risk management policies and procedures and the internal control system;
- 5) review the Bank's investments and activities upon the proposal of the Board of Directors, Executive Board or the Bank's external auditor;
- 6) propose the Bank's external auditor to the Board of Directors and the Shareholders' Assembly;

- 7) review, together with the Bank's external auditor, the annual audit of the Bank's financial statements;
- 8) propose to the Board of Directors that certain matters relating to external and internal audit be included in the agenda of the Shareholders' Assembly meeting.

7. Contribution to the Community

The Bank adheres to the highest international standards and values in the creation of financial products and services, while continuously developing and implementing activities related to environmental protection and the protection of human and labor rights.

During 2025, the Bank continued its corporate social responsibility activities aimed at raising awareness among employees and the wider community in which it operates. The Bank gives priority to projects that generate greater social and environmental value.

Waste management includes the separation of waste into commercial waste and waste electrical and electronic equipment. All electronic waste (old computers, printers and fax devices) continues to be disposed of properly through companies authorized for handling this type of waste.

Care for employee satisfaction and motivation remains one of the Bank's highest priorities, through the provision of equal opportunities, protection of employee rights and transparent communication.

The Bank's approach to these complex matters is defined through its strategic documents relating to various areas of responsibility toward employees, including: the Code of Business Ethics, Recruitment Procedure, Learning and Development

Procedure, Remuneration Policy, Bonus Management Policy, and Occupational Health and Safety Rulebook.

As a responsible employer, and with the objective of ensuring and improving a motivating work environment, the Bank focuses on the following priority areas:

- Gender Equality and Equal Rights

Recognizing the benefits of diversity, the Bank applies these principles both in the recruitment process and in its day-to-day relations with employees and management practices. Particular attention is devoted to workplace equality and providing equal opportunities for women and men with respect to career advancement and personal development. Within the Bank, there is no differentiation based on gender in the employment process.

The Bank provides a working environment free from discrimination and harassment, thereby protecting employee dignity and promoting a safe and professional workplace that fosters teamwork, diversity and trust.

The focus is on creating a work environment in which employees are free to express their opinions and raise questions to senior management, as well as an environment in which employees feel secure in reporting any violations of internal acts, by-laws and laws, and any form of unethical behavior by clients, employees, contractual partners or suppliers cooperating with the Bank.

Continuous employee development is one of the Bank's key principles. The Bank encourages its employees to develop their talents, innovation and creativity, and to continuously advance their professional development.

The Bank believes in the importance of continuous learning and therefore invests additional effort in providing both internal and external training opportunities for employees. Employees are encouraged to improve their knowledge and skills, strengthen teamwork and collaboration, and contribute to the achievement of common business goals. The transfer of knowledge and exchange of experience among employees are considered extremely important, as they not only expand expertise but also connect employees around a shared goal – the enhancement of knowledge. The Bank highly values the trust employees place in it as an employer, as well as their loyalty and commitment.

The balance between employees' professional and private lives has been recognized as one of the important objectives of sustainable development, as it directly affects employee satisfaction and engagement and contributes to the creation of a healthy and supportive work environment. The Bank respects employees' private lives and does not misuse technological capabilities or employees' related availability.

The Bank respects all human rights guaranteed by the Constitution of the Republic of Serbia. In its operations, the Bank neither employs nor exploits children or minors.

Female employees are entitled to exercise their rights to pregnancy leave, maternity leave, childcare leave and special childcare leave in accordance with the Labor Law and employment contracts.

The Bank complies with personal data protection requirements prescribed by the Personal Data Protection Law. The Bank has also adopted an internal Personal Data Management Policy.

All data available to the Bank, regardless of whether such data was provided by clients or generated through business operations, cooperation and service provision, is considered confidential. Continuous attention is devoted to security and protection, including the enhancement of information security standards and the protection of all data held by the Bank. The Bank is committed to protecting the personal data of clients, contractual partners and employees in accordance with the Personal Data Management Policy, which establishes rules related to the protection of individuals in the collection and processing of personal data.

Detailed information regarding the processing of personal data of clients, employees, business partners and other persons whose data is processed is publicly available on the Bank's website.

In line with its Corporate Social Responsibility Strategy, the Bank continuously invests in the community in a strategic and proactive manner, listening to community needs, communicating daily with all stakeholders and following modern sustainable development trends.

Aware of its impact on the environment and of the fact that operating within society also implies continuous care and respect for it, the Bank is always willing to support the community and society through donations. We support projects at both the local and national levels that encourage the creation of new value through the promotion of knowledge, excellence and the preservation of cultural heritage. Special attention is also devoted to humanitarian activities.

Our goal is to help clients achieve financial sustainability, and we believe that by remaining committed to this objective we positively contribute not only to the local communities in which we operate, but also to society as a whole. Through our operations and presence, we strive to continuously contribute to the social and economic well-being of the communities in which we operate, while actively working to reduce the environmental impact of our business activities.

Maintaining strong partnerships with local communities is of great importance to us, as is cooperation and the promotion of initiatives that generate significant social value.

8. Principles and Strategy of Future Development

The document entitled “Business Strategy of API Bank a.d. Belgrade for the period 2025–2027” (hereinafter: the “Strategy”) defines the main objectives, principles, development directions and key tasks entrusted to the Bank’s management and employees.

The primary strategic objective for the forthcoming three-year period is defined through the preservation and further improvement of the achieved results, as well as the creation of conditions for the Bank’s successful and stable long-term operations.

The following have been identified as the three key priorities in the development of business activities:

- strengthening trust in the Bank among clients, partners and regulators;

- diversification of the Bank’s operations across different business segments; and
- defining the appropriate scope and scale of the Bank’s existing operations.

The key principles guiding the implementation of the planned Strategy are as follows:

- full compliance with legal, regulatory and interbank standards and requirements;
- protection of the interests of the Bank’s clients;
- a risk-oriented approach focused on the early identification of risks and prevention of their further escalation;
- timely and efficient decision-making, taking into account the current environment, trends and forecasts;
- transparency and continuous improvement of relations with clients, partners and regulators; and
- strengthening confidence in the Bank among market participants, which largely depends on the Bank’s stable and successful operations and the provision of high-quality services to clients.

The Bank’s corporate culture is based on values shared by all employees and embedded in everyday business operations. The main objective regarding the further development of corporate culture in the coming period is to create an environment in which employees feel a sense of belonging and enjoy working at the Bank.

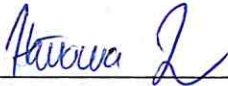
i where they will be able to continue to grow and develop both personally and professionally.

The Bank's business model for the stated strategic period emphasizes corporate social responsibility at all levels of governance, while striving to observe all principles relating to environmental protection.

The fundamental principle underlying the Bank's operations during the observed period is the provision of all types of financial services to the Bank's clients in a sustainable and environmentally responsible manner, with the aim of reducing negative environmental impact. In line with this objective, the Bank will ensure timely alignment with applicable legal regulations and other relevant standards in this area.

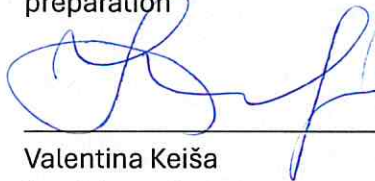
9. Events After the Reporting Period

There were no significant events after the balance sheet date.

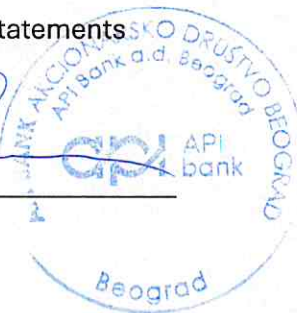


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