

ADRIATIC BANK AD. BEOGRAD

**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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADRIATIC BANK a.d., Beograd

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ADRIATIC BANK a.d., Beograd (the "Bank"), which comprise the balance sheet as of 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 ADRIATIC BANK a.d., Beograd as of 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 ADRIATIC BANK a.d., Beograd - 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 ADRIATIC BANK a.d., Beograd - continued

Other Information included in the Bank's Annual Business Report

The Management is responsible for the preparation of the other information. The other information comprises the information included in the Annual Business Report but does not include the financial statements and our auditors' 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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) to verify its compliance with annual financial statements, as well as checks whether the Annual Business Report (including 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, 20 February 2026

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

Ružica Vukosavljević
Certified Auditor

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

Bogoljub Aleksić
Managing Partner



ADRIATIC BANK JSC BELGRADE*All amounts are expressed in thousands of RSD unless otherwise stated***INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025**

	Note	2025	2024
Interest income	6	1,381,816	1,373,150
Interest expenses	6	(323,206)	(331,261)
Net interest income		1,058,610	1,041,889
Fee and commission income	7	3,281,035	3,268,919
Fee and commission expense	7	(408,436)	(434,752)
Net fee and commission income		2,872,599	2,834,167
Net foreign exchange gains/(loss) and currency clause effects	8	(86,165)	(106,367)
Net loss from impairment of financial assets that are not valued at fair value through profit and loss	9	63,427	(111,978)
Net gains from derecognition of the financial instruments recognized at amortised cost	10	9,019	-
Other operating income	11	12,183	23,902
TOTAL NET OPERATING INCOME		3,929,673	3,681,613
Salaries, compensations and other personal expenses	12	(1,060,917)	(991,895)
Depreciation expenses	13	(213,860)	(164,182)
Other income	14	33,654	34,423
Other expenses	15	(742,206)	(749,770)
PROFIT BEFORE TAX		1,946,344	1,810,189
Income tax	16	(235,242)	(160,435)
Gains from deferred taxes	16	-	10,197
Loss from deferred taxes	16	(4,160)	-
PROFIT AFTER TAX		1,706,942	1,659,951

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

These financial statements are approved by the Executive Board of Adriatic Bank JSC Belgrade on 20 February 2026

Signed on behalf of Adriatic Bank JSC Belgrade:


 Tatjana Šipka
 Head of Finance Department


 Marko Čorić
 Member of the Executive Board


 Đorđe Lukić
 Chairman of the Executive Board

ADRIATIC BANK JSC BELGRADE*All amounts are expressed in thousands of RSD unless otherwise stated***STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025**


	2025	2024
PROFIT FOR THE YEAR	1,706,942	1,659,951
<i>Components of other comprehensive income that cannot be reclassified to profit or loss:</i>		
Increase/(decrease) in revaluation reserves based on intangible assets and fixed assets	-	18,297
Actuarial gains/(losses)	(400)	(3)
<i>Components of other comprehensive income that can be reclassified to profit or loss:</i>		
Positive/(negative) effects of changes in value of debt securities at fair value through other comprehensive income	70,078	397,184
Effect of deferred tax calculation	(48,130)	(62,039)
Total other result for period	21,548	353,439
TOTAL RESULT FOR THE YEAR	1,728,490	2,013,390

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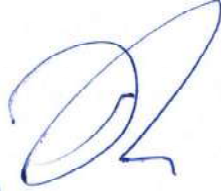
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 Head of Finance Department


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 Member of the Executive Board




 Đorđe Lukić
 Chairman of the Executive Board

ADRIATIC BANK JSC BELGRADE*All amounts are expressed in thousands of RSD unless otherwise stated***BALANCE SHEET AS AT 31 DECEMBER 2025**

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and balances with Central Bank	17	4,698,014	14,742,205
Securities	18	6,687,568	5,105,752
Loans and receivables from banks and others financial organizations	19	10,262,169	8,221,578
Loans and receivables from customers	20	9,955,163	8,582,173
Intangible assets	21	164,404	154,179
Property, plant and equipment	22	1,073,592	1,026,515
Investment property	23	195,190	195,087
Deferred tax assets	28	-	21,188
Other assets	24	355,148	437,018
TOTAL ASSETS		33,391,248	38,485,695
LIABILITIES			
Deposits and other liabilities due to banks, other financial institutions and Central Bank	25	252,721	531,662
Deposits and other financial liabilities due to customers	26	25,604,529	31,235,313
Provisions	27	393,317	432,523
Current tax liabilities	16	89,784	156,006
Deferred tax liabilities	28	31,102	-
Other liabilities	29	756,655	765,566
TOTAL LIABILITIES		27,128,108	33,121,070
EQUITY			
Share capital	31	3,065,958	3,065,958
Profit for the period	31	1,706,942	1,982,284
Previous years losses	31	-	-
Reserves /(unrealised loss)	31	1,490,240	316,383
TOTAL CAPITAL		6,263,140	5,364,625
TOTAL LIABILITIES AND EQUITY		33,391,248	38,485,695

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

These financial statements are approved by the Executive Board of Adriatic Bank JSC Belgrade on 20 February 2026

Signed on behalf of Adriatic Bank JSC Belgrade:


 Tatjana Šipka
 Head of Finance Department


 Marko Čorić
 Member of the Executive Board



 Đorđe Lukić
 Chairman of the Executive Board

ADRIATIC BANK JSC BELGRADE

All amounts are expressed in thousands of RSD unless otherwise stated

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025


	Share capital	Share issue premium	Reserves from profit and other reserves	Revaluation reserves and unrealized losses	Profit	Previous year's loss	Total
Balance as at 1 January 2024	3,065,958	-	48,445	(85,501)	632,389	(56)	3,661,235
Adjusted opening balance as at 1 January 2024	3,065,958	-	48,445	(85,501)	632,389	(56)	3,661,235
Total other result of period	-	-	-	353,439	-	-	353,439
Profit for the year	-	-	-	-	1,659,951	-	1,659,951
Distribution of profit for loss coverage - decrease	-	-	-	-	(56)	56	-
Dividend payments	-	-	-	-	(310,000)	-	(310,000)
Total transactions with owners	-	-	-	-	(310,056)	56	(310,000)
Balance as of 31 December 2024	3,065,958	-	48,445	267,938	1,982,284	-	5,364,625
Balance as at 1 January 2025	3,065,958	-	48,445	267,938	1,982,284	-	5,364,625
Adjusted opening balance as at 1 January 2025	3,065,958	-	48,445	267,938	1,982,284	-	5,364,625
Total other result of period	-	-	-	21,548	-	-	21,548
Profit for the year	-	-	-	-	1,706,942	-	1,706,942
Distribution of profit - increase	-	-	1,152,309	-	-	-	1,152,309
Distribution of profit for loss coverage - decrease	-	-	-	-	(1,152,309)	-	(1,152,309)
Dividend payments	-	-	-	-	(829,975)	-	(829,975)
Total transactions with owners	-	-	1,152,309	-	(1,982,284)	-	(829,975)
Balance as of 31 December 2025	3,065,958	-	1,200,754	289,486	1,706,942	-	6,263,140

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

These financial statements are approved by the Executive Board of Adriatic Bank JSC Belgrade on 20 February 2026

Signed on behalf of Adriatic Bank JSC Belgrade Beograd:


Tatjana Šipka
Head of Finance Department


Marko Ćorić
Member of the Executive Board


Đorđe Lukić
Chairman of the Executive Board

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

CASH FLOWS FROM OPERATING ACTIVITIES	2025	2024
Cash inflow from operating activities	4,814,109	4,621,569
Interest	1,393,273	1,330,243
Fee and commission	3,279,937	3,270,933
Other operating income	140,899	20,393
Cash outflow from operating activities	(2,331,721)	(1,888,128)
Interest	(322,401)	(246,703)
Fees and commissions	(403,029)	(434,814)
Gross salaries, salary compensations and other personal expenses	(862,540)	(669,355)
Taxes, contributions and other duties charged to expenses	(36,382)	(31,222)
Other operating expenses	(707,369)	(506,034)
Net cash inflow from operating activities before increases or decreases in financial assets and financial liabilities	2,482,388	2,733,441
Decrease in financial assets and increase in financial liabilities	7,730,818	12,730,723
Decrease in loans and advances to banks, other financial institutions, central banks and customers	7,730,818	-
	-	12,730,723
Increase in financial assets and decrease in financial liabilities	7,674,535	(13,438,959)
Increase in loans and other receivables from banks and other financial organizations, Central Bank and customers	-	(12,561,203)
Increase in receivables arising from securities and other financial assets not held for investing	(1,520,601)	(731,282)
Decrease in deposits and other liabilities to banks, other financial institutions, central banks and customers	(5,875,636)	-
Decrease in other financial liabilities	(278,298)	(146,474)
Net cash inflow from operating activity before income tax	2,538,671	2,025,205
Income tax paid	(301,465)	-
Paid dividends	(829,975)	(310,000)
Net cash inflow of cash from operating activities	1,407,231	1,715,205

ADRIATIC BANK JSC BELGRADE*All amounts are expressed in thousands of RSD unless otherwise stated***STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)**

	2025	2024
Inflow from sale of investment property	-	71,185
Outflow for purchase of intangible assets, property, plant and equipment	(271,425)	(382,306)
Net cash outflow from investing activities	(271,425)	(311,121)
Net cash inflow/(outflow) for financing activities	-	-
TOTAL CASH FLOW	12,544,927	17,423,477
TOTAL CASH OUTFLOW	11,409,121	16,019,393
NET CASH INCREASE/(DECREASE)	1,135,806	1,404,084
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,467,708	3,169,991
NET EXCHANGE RATE GAINS/(LOSSES)	(86,165)	(106,367)
CASH AND CASH EQUIVALENTS AT YEAR END	5,517,349	4,467,708

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

These financial statements are approved by the Executive Board of Adriatic Bank JSC Belgrade on 20 February 2026

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 Head of Finance Department


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 Member of the Executive Board



 Đorđe Lukić
 Chairman of the Executive Board

1. GENERAL BANK INFORMATION

Adriatic Bank JSC Belgrade was established on 28 December 1990 as "Centrobanka" a.d Beograd. The bank had several changes of ownership and name in following years.

On 13 April 2023, the sale of shares was carried out based on the Agreement on the sale of shares outside the regulated market between former shareholders and Alexander Shnaider, which made Aleksander Shnaider the owner of 100% of the value of the shares and the sole shareholder of the Bank. The Bank changed its name to Adriatic Bank JSC Belgrade.

In accordance with the Law on Banks, the Bank is registered to perform payment transactions in the country and abroad and credit and deposit transactions and other business in accordance with Law on Banks and Banks Statute.

The registered office of Adriatic Bank JSC Belgrade is in Belgrade, Dalmatinska Street 22, where the Bank's main office is located as well. The business network of branches, business units and other cash desks as at 31 December 2025 consists of 7 organizational units (31 December 2024: 7 organizational units).

As at 31 December 2025, the Bank had 187 employees (31 December 2024: 174), while the average number of employees during 2025 was 185 (2024: 155).

The Bank's registration number is 07534183, and the tax identification number is 100003148.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis for Preparation and Presentation of Financial Statements

The Bank financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the National Bank of Serbia regulation. The attached financial statements are presented in the format prescribed by the Decision on forms and content of positions in the forms of financial statements for banks ("Official Gazette of RS", no. 93/2020 and 56/2025).

The financial statements have been prepared under the historical cost principle, unless otherwise stated in the accounting policies set out below.

The Bank's financial statements are expressed in thousands of dinars. Dinar is the official reporting currency in the Republic of Serbia.

2.2. New and Amended Standards and Interpretations

The following amended standards entered into force on 1 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 how to estimate the exchange rate if it is not. Additional disclosures are also required around how you estimate the exchange rate. There are also consequential amendments to IFRS 1. The comparative period is not restated for this amendment (applicable for reporting periods beginning on 1 January 2025);

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3. Standards issued but not yet entered into force and have not been early adopted

On the date of issue of these financial statements, the following standards, additions and interpretations were published, but have not yet entered into force:

- **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 how to estimate the exchange rate if it is not. Additional disclosures are also required around how you estimate the exchange rate. There are also consequential amendments to IFRS 1. The comparative period is not restated for this amendment (applicable for reporting periods beginning on 1 January 2025);
- **Annual Improvements to IFRS Accounting Standards** (applicable for reporting periods beginning on or after 1 January 2026)
 - **IFRS 1 First-time adoption of International Financial Reporting Standards** – minor amendments to the cross references for hedge accounting by first-time adopters;
 - **IFRS 10 Consolidated Financial Statements** – to provide additional guidance on determining what constitutes a „de facto agent“;
 - **IFRS 7 Financial instruments: Disclosures** – minor wording changes around the need to disclose gains or losses arising on derecognition where a fair value measurement involves unobservable inputs. The implementation guidance accompanying IFRS 7 is also updated with regards to disclosures of deferred differences between fair value and transaction prices and guidance on credit risk disclosures.
 - **IFRS 9 Financial instruments** – two minor amendments clarify how a lessee accounts for the derecognition of a lease receivable when it is extinguished, and amended wording that clarifies trade receivables are recognised at the amount determined applying the requirements of IFRS 15 Revenue from Contracts with Customers.
 - **IAS 7 Statement of Cash Flows** – minor amendments around the term cost in relation to the measurement of investments in associates and joint ventures.
- **Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures: Contracts Referencing Nature-dependent Electricity** - These amendments update IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to assist entities in better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs) (applicable for reporting periods beginning on or after 1 January 2026).
- **Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments** - These amendments updates IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures as a result of the post implementation review of IFRS 9. It updates the requirements relating to:
 - timing of derecognition of liabilities when they are settled using an electronic payments system
 - how to assess contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.4. Standards issued but not yet entered into force and have not been early adopted

It also amends the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and cost. Whilst the amendment is applied retrospectively with an adjustment to opening retained earnings, the comparative period is not restated for this amendment. (applicable for reporting periods beginning on or after 1 January 2026).

- **IFRS 18 Presentation and Disclosures of Financial Statements – new standard introduces three key changes:** The statement of profit or loss will be required to be broken down into three subsections: operating, investing and financing, similar to the layout of the cash flow statement, management performance measures, that are used by an entity in other communications, must now be included in a note to the financial statements including a reconciliation to the nearest IFRS equivalent measure, additional guidance is provided on how to aggregate and disaggregate information on the face of financial statements and the notes in order to provide more detailed and useful information to users. This standard will replace IAS 1 Presentation of Financial Statements. IFRS 18 is applied retrospectively with the comparative period restated (applicable for reporting periods beginning on or after 1 January 2027);
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures.** IFRS 19 is a voluntary standard that will not be required in order to claim compliance with IFRS Accounting Standards. Subsidiaries without Public Accountability, who meet specific criteria, may apply this standard that provides reduced disclosure requirements instead of the disclosure requirements of other IFRS Accounting Standards. Recognition and measurement criteria of other standards will still be required to be applied (applicable for reporting periods beginning on or after 1 January 2027).
- **Amendments to IFRS 10 „Consolidated financial statements“ i IAS 28 „Investments in Associates and Joint Ventures“-** amendment clarifies the accounting treatment of the sale or transfer of assets between an investor and its associates or joint ventures (deferred until IASB finalises its research project on the equity method).

The Bank's management has chosen not to adopt these new standards, amendments to existing standards and new interpretations before they become effective. Management anticipates that the adoption of these new standards, changes to existing standards and new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.4. Comparative Information

Comparative information in these financial statements represent data from the Bank's financial statements for 2024.

2.5. Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to use the best possible estimates and reasonable assumptions, which have an effect on the application of accounting policies and on the reported amounts of assets and liabilities, as well as income and expenses. The actual value of assets and liabilities may deviate from the value estimated in this way. Areas that involve a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2.6. Statement of Compliance

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

In preparing the accompanying financial statements, the Bank has applied the accounting policies disclosed in Note 3.

2.7. Going Concern

The Bank's financial statements have been prepared on a going concern basis, which means that the Bank will continue in business for the foreseeable future. In 2024, the bank operated with a profit, with good capitalization and a sufficient level of liquidity provided through deposits and loans. Note 32 provides details on compliance with regulatory indicators, while Note 25 provides details on borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank consistently applies accounting policies across all periods presented in the financial statements. The Bank's fundamental accounting policies applied to the current and prior periods are explained in detail below.

3.1. Foreign Currency Translations

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into dinars at the middle exchange rate of the National Bank of Serbia valid on the balance sheet date. Gains and losses arising from the translation of receivables and liabilities are recognized in profit or loss.

Foreign currency transactions are translated into dinars at the official exchange rate at the date of the transaction. Net foreign exchange gains and losses resulting from foreign currency transactions and from the translation of foreign currency balance sheet items are credited or debited to the income statement as foreign exchange gains or losses.

3.2. Interest Income and Expense

Interest income and expense on all interest-bearing financial instruments are recognized in the income statement within 'Interest income' and 'Interest expense' using the effective interest method.

The effective interest method is a method that calculates the cost of repaying financial assets or financial liabilities as well as the cost of allocating interest income or interest expense over a specified period. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, over a shorter period of time to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows taking into account all contractual terms of the financial instrument (for example, prepayment) but does not take into account future credit losses. The calculation includes all fees and amounts paid or received between the two parties that are an integral part of the effective interest rate.

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest income is calculated at the effective interest rate on their amortized cost less impairment based on expected credit losses and (ii) financial assets purchased or realized with impairment for credit losses, for which the original credit-adjusted effective interest rate is applied to amortized cost.

3.3. Fee and Commission Income and Expenses

Fee and commission income is recognized over time on a straight-line basis, as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. This income includes fees that are often repeated - for account management, account servicing, current account packages, etc.

Other fee and commission income are recognized when the Bank meets its obligation, usually after the relevant transaction has taken place. The amount of fees and commissions paid or receivable represents the transaction price for the service, which is identified as the performance of a specific obligation. This revenue includes payment fees, cash settlement fees, collection or cash disbursements.

3.4. Dividend Income

Dividends are recognized in the income statement when the right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial instruments - Classification and Measurement of Financial Assets and Liabilities

Financial instruments

A financial instrument is any contract that gives rise to a financial asset or financial liability, with the simultaneous occurrence of a financial liability, i.e. a financial asset of third parties.

Financial assets

A financial asset is any asset that is:

- cash,
- equity instrument of another legal entity,
- contractual right to receive cash or some other financial asset from another legal entity,
- contractual right to exchange financial assets or financial liabilities with another legal entity, under conditions that are potentially favourable,
- a contract that will or may be settled with equity instruments and that is non-derivative, and for which the Bank is or may be obliged to receive a variable number of equity instruments,
- a contract that will or may be settled by equity instruments and which is a derivative, and which will be or may be settled other than by exchanging a fixed amount of cash or other financial asset for a fixed number of equity instruments.

Financial liabilities

A financial liability is any contractual liability:

- to deliver cash or other financial means to another legal entity,
- to exchange financial instruments with another legal entity under conditions that are potentially unfavourable.

Principles of valuation of financial instruments

From the aspect of classification and measurement, IFRS 9 defines criteria for the classification of financial assets, except equity instruments and derivatives, which are based on the assessment of the business model of managing specific financial assets and contractual characteristics of cash flows of financial instruments.

Financial assets

Upon initial recognition, the Bank measures a financial asset at fair value, increased or decreased for transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The assessment of how the financial asset will be classified is made on the basis of the Bank's business model and the fulfilment of the test of characteristics of contracted cash flow.

Upon initial recognition, the Bank may irrevocably determine that financial assets that otherwise meet the criteria for valuation at amortized cost (AC) or at fair value through other comprehensive income (FVOCI), are recognized at fair value through profit or loss (FVTPL), if it eliminates or significantly reduces an accounting inconsistencies that would otherwise occur.

The business model determines whether cash flows arise from the collection of contracted cash flows, the sale of financial assets or both. The business model for the classification of financial assets is determined at the appropriate Stage of aggregation. Fulfilment of the test of characteristics of contracted cash flows means that cash flows consist exclusively of payment of principal and interest on the remaining principal (SPPI criterion).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Classification and measurement

Financial assets can be classified into the following categories:

- ✓ financial assets valued at amortized cost (AC)
- ✓ financial assets measured at fair value through profit or loss (FVTPL)
- ✓ financial assets measured at fair value through other comprehensive income (FVOCI)

(a) Amortized cost (AC)

Financial assets are held for the purpose of collecting contracted cash flows, and generated cash flows must consist exclusively of payment of principal (the nominal value of the date of financial assets to be charged after maturity) and interest (fee in cash for borrowed funds), which represents the amount by which the financial asset is measured at initial recognition with an increase or decrease in accumulated depreciation using the effective interest method for all differences between the initial amount and the amount at maturity, less all payments and adjustments based on calculated expected credit losses.

Rare sales, even large values or frequent sales of small value, sales made immediately before the maturity of financial assets (less than 3 months before maturity) and when the revenue from such sales are approximately equal to the amount that would be collected from the remaining contractual cash flows, sales due to increased credit risk of financial assets, sales that can be attributed to an isolated event that is beyond the Bank's control and that is one-off, are not contrary to this model.

The results of the analysis of business models and the estimation of contracted cash flows showed that the Bank continues to evaluate loans, placements given to customers and banks, at amortized cost.

(b) Fair value through other comprehensive income (FVOCI)

Financial assets are held for the purpose of collecting contracted cash flows and for the sale of such financial assets, as well as on the basis of contractual terms for cash flows to arise on certain dates which are only payment of principal and interest on outstanding amount of principal. This model implies a higher frequency or value of sales, mainly due to changes in market conditions, and/or for the purpose of maintaining liquidity.

The results of the analysis of business models and the estimates of contracted cash flows showed that the Bank evaluates debt securities at fair value through other comprehensive income.

If debt securities do not meet the test characteristics of contracted cash flows, they are measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Classification and measurement (continued)

(c) Fair value through profit or loss account (FVTPL)

A business model that results in fair value measurements through profit or loss implies that the Bank manages financial assets in order to generate cash flows from the sale of assets. The Bank makes a decision based on the fair value of assets and manages them in order to achieve those fair values. In this case, the Bank's goal usually leads to active buying and selling. If debt securities or equity securities, including equity holdings, are acquired with the intention of being sold immediately or in the short term, they are classified as at fair value through profit or loss.

Bank classifies financial liabilities as liabilities at amortised cost. The Bank has no financial liabilities that are assessed as FVTPL and does not intend to do so.

Impairment of financial assets

In accordance with IFRS 9 Bank applies the principle of forward-looking expected credit loss (ECL) approach by including the impact of expected macroeconomic variables on the future movement of the probability of loss based on statistically proven interdependencies. Impairment losses for expected losses are calculated for all receivables and other debt instruments that are not measured at fair value through profit or loss, including irrevocable liabilities and issued guarantees. Impairment losses are based on the expected credit loss in accordance with the probability of default in the next 12 months, except when there is a significant deterioration in credit risk compared to the moment of initial recognition, when the assessment of credit losses is based on the probability of default over the life of the asset.

The Bank has defined the criteria for classifying financial instruments in Stages 1, 2 and 3 depending on the degree of increase in credit risk from the moment of initial recognition. The subject of classification is financial instruments that are measured at amortized cost as well as financial instruments that are measured at fair value through other comprehensive income.

STAGE 1

In the Stage 1, the Bank classifies financial instruments in which the credit risk has not significantly increased from the initial recognition. The expected credit loss recognized for Stage 1 financial instruments represents at most one-year portion of accrued credit losses.

Calculated in this manner, expected 12-month credit losses are part of expected credit losses over the financial instrument duration and represent cash deficits during the term that will result if default occurs within 12 months after the reporting date (or a shorter period, if the expected duration of the financial instrument is shorter than 12 months), pondered by the probability of such non-execution.

LEVEL 2 - Significant increase in credit risk

The Bank classifies financial instruments in Stage 2 credit risk when it identifies that there is one or more of the following indicators that may indicate that there has been a significant increase in credit risk:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Impairment of financial assets (continued)

STAGE 2 - Significant increase in credit risk (continued)

- 31-90 continuous days past due
- restructuring of non-problematic receivables
- account block by the NBS for 30 to 60 days
- all clients with rating 9
- rating downgrade by 2 DPD groups/rating classes from initial recognition of financial instrument
- if a legal entity has an exposure that has been transferred to Stage 2 on any basis, all the accounts of that legal entity that are in Stage 1 will move to Stage 2
- for legal entities where there has been a decrease in business income and/or equity by more than 50%, if the Credit Appraisal Unit does not consider that the client should be transferred to default status

A significant increase in credit risk for the segment of exposure to states and financial institutions was determined as a decline of two rating categories, compared in relation to the rating scale of renowned external rating agencies (Moody's, Fitch, S&P).

At the reporting date, the Bank measures the impairment allowance for a financial instrument at an amount equal to the expected credit loss over its life, if the credit risk for that financial instrument has increased significantly since initial recognition.

STAGE 3 - status of default

Stage 3 of credit risk includes financial instruments that are considered problematic, i.e. for which there is objective evidence of impairment. The Bank has identified a list of indicators that it monitors in order to identify the status of problem clients:

- continuous delay in settling obligations for more than 90 days
- blocked accounts for more than 60 days in continuity
- reduction of the payment capacity that can be reflected in:
 - 50% decrease in operating income
 - capital decrease of more than 50%
- for retail receivables that has been sued according to Bank's records
- for legal entities and entrepreneurs, the client in the status of defendant and/or bankruptcy
- the client has not submitted the last financial statement to the register of business entities
- for corporate, entrepreneurs and individuals which are placed in sector of collection of receivables (WOD);
- other information that indicates business problems or may affect the inability to service debt, such as:
 - frequent reminders of the client about settling obligations, difficult negotiations, indicating that the client has or will have problems in business and
 - other information identified by credit officer during the monitoring in connection with negative changes in client's business, in relation to the circumstances that existed when approving loans

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments - Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Impairment of financial assets (continued)

LEVEL 3 - status of default (continued)

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

Future cash flow is determined based on insight into the borrower's creditworthiness and credit risk exposure.

The reversal of an impairment loss is recognized as income in the period in which the reversal is reversed.

The final write-off of uncollectible receivables is made on the basis of a court decision, settlement of interested parties, or on the basis of decisions of the competent body in the Bank.

The Bank makes an accounting write-off (transfer of balance sheet assets to off-balance sheet records) of problematic receivables, for which the calculated amount of impairment is 100% of their gross value.

The manner and steps of implementing the accounting write-off are defined by the acts of the Debt Collection Department.

3.6 Provisions

Provisions for liabilities and expenses are non-financial liabilities of uncertain timing or amount. A provision is recognized when the Bank has a present legal or constructive obligation as a result of a past event, and such an obligation can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability. The Bank does not discount future cash flows that are expected to arise in the near future.

3.7. Sales and Repurchase Agreements

Securities sale-repurchase agreements ("repo") are securities sold subject to repurchase agreements ("reverse repo") and are accordingly recorded as loans and borrowings to other banks. The difference between the selling price and the repurchase price is treated as interest and is accrued over the life of the contract using the effective interest method.

3.8. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturities of less than three months from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible securities, loans and advances to banks, due amounts of other banks and short-term government securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Intangible Assets

Acquired licenses are stated at historical cost. Licenses have a limited useful life and are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives (applied depreciation rate of 25% - 33.33%).

3.10. Property, Plant and Equipment

The initial measurement of fixed assets is performed at cost or purchase price. The purchase value is the value according to the supplier's invoices, increased by the dependent costs based on the acquisition and the costs of bringing the asset into a state of functional readiness.

For subsequent measurement of construction, after initial recognition, the Bank applies the revaluation model in accordance with IAS 16 "Property, Plant and Equipment".

The Bank's equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Buildings are regularly subject to revaluation. The frequency of revaluation depends on the movement of the fair value of the assets being revalued. The increase in the book value of buildings on the basis of revaluation is reflected in the revaluation reserve account. Decreased book values, which reduce previous increases in the value of the same assets, are charged directly to revaluation reserves, while all other reductions are charged to the income statement.

Revaluation reserves are transferred directly to retained earnings when the surplus is realized from the withdrawal from use or disposal of the asset and if the asset is not used by the Bank. In the latter case, the amount of realized profit is the difference between depreciation calculated on the revalued carrying value and depreciation calculated on the initial purchase value of the asset (optional).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, if applicable, 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 maintenance costs are charged to the income statement in the financial period in which they are incurred.

Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual value over their estimated useful lives, as follows:

- buildings 1.3%
- computer equipment 20.0%
- vehicles 20.0%
- furniture and equipment 12.5% - 20.0%
- leasehold improvements – depending on lease agreement

Gains and losses on disposals are determined from the difference between the cash inflow and the carrying amount and are recognized in the income statement within other income/expenses.

The residual value of an asset is the estimated amount that the Bank could currently obtain from the sale of the asset, less the estimated cost of sales, if the asset is already old and in the condition expected to be at the end of its useful life. The residual value of an asset is zero if the Bank expects to use the asset until the end of its useful life. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Property, plant and equipment (continued)

When revalued assets are sold, the amount of revaluation included in the revaluation reserve is transferred to retained earnings.

3.11. Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to depreciation and are tested for impairment on an annual basis and when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest Stages for which there are separately identifiable cash flows (cash-generating units). Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.12. Investment Property

Investment property is property held for the purpose of earning from rent or for the purpose of increasing capital, or for both.

Investment property is held for long-term rental yields and is not occupied by the Bank.

Land held under operating leases is classified and accounted for as investment property if it meets other requirements from the definition of investment property.

Investment property is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the investment property can be measured reliably. Investment property is initially measured at cost. Transaction costs are included in the initial measurement. The purchase value of the investment property includes its purchase price and all costs directly attributable to the acquisition. After initial recognition, investment property is subsequently measured at fair value. The fair value of investment property reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognized in the income statement in the period in which they arise.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the Bank and can be measured reliably. All other maintenance costs are charged to the period in which they are incurred. When an investment property is used by its owner, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its carrying amount which will be further depreciated.

3.13. Inventories

Upon acquisition, inventories are measured using the historical cost method, or the net realizable value method, whichever is lower. Historical cost implies that inventories are recognised on the basis of acquisition costs, and net realizable value is the value at which inventories can be realized on the market sale transaction.

The Inventories also include assets acquired through the collection of receivables. If there is an indication that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Leases

Bank as a lessee

The Bank classifies leases (leases of property and equipment) in accordance with IFRS16, which implies that on the first day of the lease, assets with the right to use and lease liabilities are recognized in the balance sheets at the present discounted value of those leasing liabilities. The leasing period means the entire period of the lease, as well as the period of possible extension of the lease provided for in the contract. The choice of the discount rate is conditioned by the interest rate implied in the lease (based on the lease payment, the unguaranteed residual value, the fair value of the fixed asset and the initial direct costs of the lender). The discount rate can also be determined as an incremental lending rate, i.e. as the interest rate that the lessee would have to pay for a similar lease or, if it cannot be determined, at what price the lessee can obtain funds on the market for the purchase of the same or similar assets (assets of similar value) under the same conditions (similar term). The Bank recalculates the discount or incremental rate when changing the provisions of the contract (duration of the lease, changes in the option to purchase the subject property, changes in future payments due to changes in the rate in the lease agreement). Changes in estimates (for example, changes in estimates of the economic life or residual value of the leased asset), or changes in circumstances (for example, non-performance of financial obligations of the lessee) do not cause a new classification of leasing, i.e. recalculation of the discount or incremental rate.

Each month, the Bank will record the cost of interest on the lease liability and the cost of depreciation on the discounted right to use the asset. Each month, upon receipt of the invoice for the payment of the lease, the amount of leasing liability will decrease.

The Bank will revalue the lease liability based on the occurrence of certain events (i.e. change in the lease period, change in the lease price, significant change in the incremental rate, etc.). In that case, the Bank recognizes the amount of the revaluation of the lease liability as an adjustment to the right to use the asset.

If the amount of the lease is of small value (monthly lease amount up to EUR 100) and/or if the lease contract is concluded for a period of 12 months or less, the Bank will not treat those leases in accordance with this standard.

Bank as the lessor

A lease is an agreement under which the lessor transfers to the lessee the right to use the assets during an agreed period of time in exchange for one or more payments.

When an asset is leased out under an operating lease, the asset is recognized in the balance sheet depending on the type of asset.

Lease income is recognized on a straight-line basis over the term of the lease.

3.15. Borrowings

Deposits, received loans, and subordinated liabilities represent the primary source of financing for the Bank. The Bank classifies capital instruments as liabilities or equity instruments in accordance with the substance of the contractual terms of the specific instrument. Deposits, received loans, and subordinated liabilities are initially measured at fair value plus transaction costs that can be directly attributed to them. After initial recognition, they are measured at amortized cost using the effective interest rate method.

Loan liabilities are classified as current liabilities unless the Bank has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Employee Benefits

(a) Employee benefits

Short-term employee benefits include salaries, wages, taxes and contributions for social insurance. Short-term employee benefits are recognized as an expense in the period in which they are incurred.

The Bank and its employees are legally obliged to pay taxes and social security contributions in accordance with applicable legal regulations. The Bank is not obliged to pay compensation to employees, which is the obligation of the Fund. Taxes and contributions related to defined benefit plans are recorded as an expense of the period to which they relate.

(b) Retirement benefits

In accordance with applicable legislation and the Bank's Collective Agreement, the Bank is obligated to pay severance benefits to an employee upon retirement in an amount of at least two average salaries per employee paid in the Republic of Serbia, according to the latest published data of the national authority responsible for statistics. These payments are recognized in the balance sheet as a liability, in accordance with the estimate of the certified actuary at a discounted amount.

Actuarial gains and losses arising from adjustments based on experience as well as changes in actuarial assumptions are charged or credited to the income statement and are allocated to the expected average remaining length of service of the employees in question.

The actuarial assumptions used when calculating retirement benefits were as follows:

- data on employees: total length of service as at 31 December 2025, year of birth and sex, number of years until old age or full pension;
- annual employee turnover rate of 14%;
- annual discount rate 6%;
- assumed geometric growth of earnings of 8.5% per year during the entire period for which funds are reserved.

Termination benefits are paid when the employment is terminated before the date of regular retirement, or when the employee accepts the agreed termination of employment, as redundancy, in exchange for these benefits. The Bank recognizes termination benefits upon termination of employment when it is evident that the Bank will either terminate the employment relationship with the employee, in accordance with a detailed formal plan without the possibility of resignation, or provide termination benefits for termination of employment in order to encourage voluntary termination of employment for the purpose of reducing the number of employees. Benefits that fall due more than 12 months after the balance sheet date are reduced to the present value.

3.17. Current Income Tax and Deferred Taxes

a) Current income tax

Current income tax is the amount that is calculated and paid in accordance with the tax regulations in the Republic of Serbia, based on the profit shown in the prescribed tax balance. The bank itself calculates the income tax, ie the annual tax liability and the amount of the advance payment for the next year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.17. Current Income Tax and Deferred Taxes (continued)***a) Current income tax (continued)*

Income tax in the amount of 15% is paid based on the annual profit shown in the Tax Balance and is reduced for certain investments during the year, as shown in the Tax Balance - PDP form. Accounting profit is adjusted for certain permanent as well as temporary differences in order to obtain the amount of taxable profit. The Tax Balance is submitted within 180 days after the expiration of the period for which the tax liability is determined.

b) Deferred taxes

Deferred income tax is calculated and recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the Bank's financial statements. Deferred tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities on the balance sheet date and the amounts reported for reporting purposes, which will result in taxable amounts of future periods.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be realized.

Current and deferred taxes are recognized as income and expense and are included in net profit for the period.

3.18. Share Capital

Ordinary shares are classified as equity.

(a) Share issue costs

Additional costs that are directly attributable to the issue of new shares or the acquisition of a legal entity are recognized in equity as a deduction, net of tax, from the inflow of proceeds. Any amount greater than the fair value of the proceeds received above the nominal value of the shares issued is recognized in equity as a share premium.

(b) Dividends on shares

Dividends on shares are recorded as liabilities in the period in which the decision on their payment is made. Dividends approved for the year after the balance sheet date are disclosed in the Note on events after the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19. Financial Guarantees

Financial guarantees are contracts that oblige the issuer of the guarantee to make a payment or compensate the loss to the recipient of the guarantee, incurred if a particular debtor does not settle its obligations in a timely manner in accordance with the terms of the contract. The Bank provides such financial guarantees to banks, financial institutions and other organizations, on behalf of its clients, in order to provide loans, current account overdrafts, and other banking services.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is given. After initial recognition, the bank's guarantee liabilities are measured as greater than: a) the initially recognized amount less depreciation calculated to recognize income on the straight-line basis over the duration of the guarantee; and b) the best estimate of the amount of impairment loss for the guaranteed exposure, which is determined based on the ECL model.

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction

The Bank's operations are exposed to various financial risks and these operations require the identification, assessment, monitoring, mitigation and control of risk, as well as the establishment of an adequate system for reporting on risk. The Bank manages its risks through a special organizational unit for risk management. The Bank by its acts prescribes procedures for identification, measurement, risk assessment and risk management in accordance with regulations, standards and rules of the profession.

The Bank's risk management policy defines a unique system for managing the risks to which the Bank is exposed in its operations.

By the nature of its activities, the Bank is exposed to various types of risks, such as:

1. liquidity risk;
2. credit risk;
3. interest rate risk;
4. market risk;
5. risks of the Bank's exposure towards an individual entity or a group of persons considered related persons;
6. risks of the Bank's investments in other legal entities and fixed assets;
7. risks related to the country of origin of the entity to whom the Bank is exposed;
8. operational risk (including legal risk, model risk and risk of inadequate management of information and other technologies).
9. AML risk (risk of money laundering and terrorist financing prevention)
10. Compliance risk
11. Reputational risk

Risk management framework

The most crucial role in the risk management system, as part of the internal control system, is played by Bank's Managing Board, which is responsible for its establishment and oversight. The Managing Board defines the strategy and policies for managing the material types of risks to which the Bank is exposed in its operations. Additionally, the Board grants prior approval for the Bank's exposure to any individual entity or group of persons considered related persons exceeding 10% of the Bank's regulatory capital, as well as for increasing such exposure beyond 20% of the regulatory capital, up to a maximum of 25% of the Bank's capital. The Executive Board implements the risk management strategy and policies by adopting risk management procedures, identifying, measuring, and assessing risks, and ensuring their application. The Credit Committee plays a significant role in the loan approval process, reviewing credit requests, making decisions within its authority, or providing recommendations for higher-level approvals in credit transactions.

The Bank's internal organization ensures the functional and organizational separation of risk management activities from other regular business activities. A dedicated organizational unit, Risk Management, is responsible for overseeing and managing risks.

The Risk Management Structure is organized to cover risk management through the following functions:

- Credit Risk Management
- Collateral Monitoring
- Non-Credit Risk Management Department (covering market and operational risks)
- Credit Application Assessment Department (responsible for analyzing the creditworthiness and repayment capacity of individual clients, entrepreneurs, small and medium-sized enterprises, and corporations).

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Introduction (continued)

Internal audit

Internal Audit conducts its activities based on an annual and multi-year plan approved by the Managing Board. The frequency of internal audits (frequency or audit cycle length) for a specific business process or risk can range from one to five years, depending directly on the assessed risk level or regulatory requirements.

Internal Audit regularly monitors the implementation of recommendations (action plans) issued in internal audit reports and reports to the Executive Board, the Audit Committee, and the Managing Board on their status, including any delays in the implementation of corrective measures.

4.2 Liquidity Risk

Liquidity risk is defined as the risk of possible adverse effects on the Bank's financial result and equity due to the Bank's inability to meet its due obligations. Liquidity risk arises due to significant withdrawal of existing sources of financing, inability to obtain new sources of funds (liquidity risk of sources of funds), as well as due to difficult conversion of assets into liquid assets due to market disruptions (market liquidity risk).

In order to adequately manage and control liquidity risk, the Bank has implemented internal procedures that define a comprehensive system for managing this risk, including competencies and responsibilities of participants in the process as well as controls and methodologies that achieve efficiency of liquidity risk management system.

The Bank's liquidity risk management system includes:

- defining the principles of liquidity risk management,
- organizational structure that supports adequate liquidity risk management,
- procedures for identifying, measuring, mitigating and monitoring liquidity risk,
- information system that supports liquidity risk management,
- timely and adequate activities in situations of increased liquidity risk,
- adoption of the Contingency Plan and the Bank's Recovery Plan,
- internal liquidity risk management system

In its operations, the Bank adheres to the following basic principles for liquidity risk management:

- The Bank actively monitors liquidity risk exposure in significant currencies exceeding 5% of the Bank's liabilities (RSD, EUR, USD and CHF).
- Ensuring continuous stability and diversification of funding sources, according to the type of source and tenors, in which sense the limits of concentration of sources of funds and maximum participation in the deposit base per client have been determined.
- Formation of a Stage of highly liquid assets and an adequate Stage of liquidity reserves consisting of cash, funds in accounts with foreign banks, obligatory reserves with the National Bank of Serbia in EUR and RSD and highly liquid securities issued by the Ministry of Finance of the Republic of Serbia.
- The Bank has established internal procedures for dealing with increased liquidity risk as well as early warning systems for potential deterioration of the Bank's liquidity profile. The Bank's business plan in case of unforeseen events as well as the Bank's Recovery Plan are subject to regular annual testing and revision.
- Liquidity risk assessment is a mandatory part of the procedure when approving a new product.
- Regularly conduct stress tests based on scenarios specific to the Bank or the general market in which the Bank operates, in order to identify sources of potential liquidity crisis as well as the conditions and ways under which the Bank would, in such situations, maintain the required liquidity Stage with full fulfilment regulatory and internally defined limits.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity Risk (continued)

Bodies and organizational units of the Bank that are directly involved in the liquidity risk management process are:

- The Bank's Managing Board adopts a risk management strategy and policy, of which liquidity risk management is an integral part, as well as the Bank's Recovery Plan.
- The Bank's Executive Board adopts the Bank's risk management procedures and ensures their full implementation
- The Assets and Liabilities Management Committee (ALCO) monitors the Bank's liquidity risk exposures and early warning indicators and proposes measures to improve the Bank's liquidity profile
- The Asset Management Department is responsible for day-to-day liquidity management and maintaining defined internal and regulatory limits at the approved Stage.
- The Risk Management Department implements procedures for measuring, analysing and monitoring liquidity risk and develops methodologies for internal liquidity risk assessment and stress testing
- Internal audit performs an independent assessment of the adequacy of adopted liquidity risk management procedures at least once a year

The Bank's liquidity risk management means managing all items of assets, liabilities and off-balance sheet items of the Bank that may have an impact on its liquidity position. Internal identification, measurement and monitoring of liquidity risk relies on gap analysis of future cash flows of these positions allocated over time intervals according to the remaining maturity. For balance sheet items for which it is not possible to determine in advance the exact date of inflow or outflow of assets, the Bank uses assumptions based on the analysis of the historical movement of these positions or on the basis of expert assessment. For the purpose of estimating potential outflows of deposits without a defined maturity, the Bank uses an internal model based on the concept of deposit stability analysis.

The Bank defines individual and cumulative liquidity gap limits, which it observes both at the aggregate Stage (consolidated presentation) and by significant currencies. Limits are defined as the limit of the ratio between the cumulative gap of up to one month and the total assets of the bank as well as for the three-month gap in relation to the total assets of the Bank.

The following table shows the assets and liabilities grouped into categories according to the remaining contractual maturity at the balance sheet date.

ADRIATIC BANK JSC BELGRADE
All amounts are expressed in thousands of RSD unless otherwise stated
4. FINANCIAL RISK MANAGEMENT (continued)
4.2 Liquidity Risk (continued)

As of	up to 1	1-3	3-12	1 - 5	over	Total
31 December 2025	month	months	months	years	5 years	
Assets						
Cash and balances with the Central Bank	4,698,014	-	-	-	-	4,698,014
Securities	1,043,674	-	-	2,143,205	3,500,689	6,687,568
Loans and receivables from banks and other financial organizations	9,916,494	9,953	60,018	275,704	-	10,262,169
Loans and receivables from customers	279,484	445,010	2,659,317	4,612,982	1,958,370	9,955,163
Other assets	12,558	2	9	309,569	33,010	355,148
Total assets	15,950,224	454,965	2,719,344	7,341,460	5,492,069	31,958,062
LIABILITIES						
Deposits and other liabilities due to banks, other financial institutions and Central Bank	252,721	-	-	-	-	252,721
Deposits and other liabilities due to customers	12,994,563	1,052,739	5,952,197	5,381,470	223,560	25,604,529
Other liabilities	745,854	3,055	3,568	3,498	680	756,655
Total liabilities	13,993,138	1,055,794	5,955,765	5,384,968	224,240	26,613,905
Net Gap (Total Assets - Total Liabilities)	1,957,086	(600,829)	(3,236,421)	1,956,492	5,267,829	5,344,157
<hr/>						
As of	up to 1	1-3	3-12	1 - 5	over	Total
31 December 2024	month	months	months	years	5 years	
Assets						
Cash and balances with the Central Bank	14,742,205	-	-	-	-	14,742,205
Securities	-	-	-	2,506,933	2,598,819	5,105,752
Loans and receivables from banks and other financial organizations	7,985,546	236,032	-	-	-	8,221,578
Loans and receivables from customers	396,874	616,348	3,068,548	3,540,668	959,735	8,582,173
Other assets	16,031	-	13	403,119	17,855	437,018
Total assets	23,140,656	852,380	3,068,561	6,450,720	3,576,409	37,088,726
LIABILITIES						
Deposits and other liabilities due to banks, other financial institutions and Central Bank	531,662	-	-	-	-	531,662
Deposits and other liabilities due to customers	18,473,693	1,166,590	6,129,709	5,129,643	335,678	31,235,313
Other liabilities	755,545	2,737	3,054	3,635	595	765,566
Total liabilities	19,760,900	1,169,327	6,132,763	5,133,278	336,273	32,532,541
Net Gap (Total Assets - Total Liabilities)	3,379,756	(316,947)	(3,064,202)	1,317,442	3,240,136	4,556,185

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity Risk (continued)

Non-discounted cash flows

The amounts shown in the table below show the contracted undiscounted cash flows of financial instruments as at 31 December 2025.

As of 31 December 2025	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Cash and balances with the Central Bank	4,698,014	-	-	-	-	4,698,014
Securities	1,043,674	-	-	2,143,205	3,500,689	6,687,568
Loans and receivables from banks and other financial organizations	9,916,494	9,953	60,018	275,704	-	10,262,169
Loans and receivables from customers	204,795	435,678	2,617,900	4,409,468	1,771,222	9,439,063
Total assets (contracted maturity dates)	15,862,977	445,631	2,677,918	6,828,377	5,271,911	31,086,814
As of 31 December 2025	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Deposits and other liabilities due to banks, other financial institutions and Central Bank	252,721	-	-	-	-	252,721
Deposits and other liabilities due to customers	12,994,208	1,056,217	6,018,532	5,394,546	223,561	25,687,064
Total liabilities (contracted maturity dates)	13,246,929	1,056,217	6,018,532	5,394,546	223,561	25,939,785
As of 31 December 2024	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Cash and balances with the Central Bank	14,742,205	-	-	-	-	14,742,205
Securities	-	-	-	2,506,933	2,598,819	5,105,752
Loans and receivables from banks and other financial organizations	7,985,235	236,032	-	-	-	8,221,267
Loans and receivables from customers	329,245	573,397	2,848,098	2,803,985	342,611	6,897,336
Total assets (contracted maturity dates)	23,056,685	809,429	2,848,098	5,310,918	2,941,430	34,966,560
As of 31 December 2024	up to 1 month	1-3 months	3-12 months	1 - 5 years	over 5 years	Total
Deposits and other liabilities due to banks, other financial institutions and Central Bank	531,662	-	-	-	-	531,662
Deposits and other liabilities due to customers	18,474,879	1,170,788	6,198,085	5,162,567	335,678	31,341,997
Total liabilities (contracted maturity dates)	19,006,541	1,170,788	6,198,085	5,162,567	335,678	31,873,659

4. FINANCIAL RISK MANAGEMENT (continued)**4.2 Liquidity Risk (continued)**

The focus of the Bank during 2025 was to continue maintaining a high Stage of liquidity as well as diversifying and optimizing liquidity reserves with a reduced appetite for risk-taking. At the same time, the Bank continued to strengthen its deposit base, which continued to grow throughout 2025, while liquidity reserves were maintained.

Regulatory liquidity indicators

In accordance with the Decision on the Management of the Bank's Liquidity Risk, the Bank is obliged to compile and regularly report to the National Bank of Serbia on the Bank's liquidity Stage through the Bank's liquidity indicator, narrow bank liquidity indicator and liquidity coverage indicator.

Bank liquidity indicator and narrow bank liquidity indicator

The Bank's liquidity indicator represents the ratio of the first and second tier liquidity assets of the Bank, on the one hand, and the sum of the Bank's liabilities on sight or with no contractual maturity and liabilities of the Bank with an agreed maturity in the next month from the day of performing the liquidity ratio calculation, on the other.

A narrow indicator of a Bank's liquidity is the ratio of the Bank's first-line liquidity claims, on the one hand, and sums the Bank's liabilities on sight or with no contractual maturity and the Bank's contractual maturity within the next month from the reporting date on the other.

<u>Banks's liquidity indicator</u>	<u>31 December</u>
2025	4.66
2024	5.41
<u>Narrow indicator</u>	<u>31 December</u>
2025	2.79
2024	3.90

Liquid assets coverage indicator

The liquid assets coverage indicator represents the ratio of the Bank's liquidity buffer and the net outflow of its liquid assets that would occur during the next 30 days from the day of calculating this indicator in the assumed stress conditions.

This indicator significantly relies on the Basel III regulation of the European Union (Commission Delegated Regulation EU 2015/61) with some minor changes to adapt to local conditions. In that sense, the most significant differences relate to the inclusion of the amount of required reserves with the National Bank of Serbia that exceeds the amount of calculated reserves and the inclusion of securities of the Ministry of Finance of the Republic of Serbia without the application of corrective factors.

The regulatory requirement is to maintain highly liquid assets at a minimum level of 100% relative to the net outflow of funds. The indicator of liquidity coverage of the Bank as of 31 December 2024 and 2025 was as follows:

<u>LCR</u>	<u>31 December</u>
2025	433%
2024	807%

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk

The Bank is exposed to credit risk and the possibility that the debtor will not fulfil its obligations towards the Bank in the agreed amount on the due date. Exposure to credit risk arises primarily from crediting operations.

In order to maintain credit risk at an acceptable Stage, the Bank:

- reviews the creditworthiness of the borrowers of loans, guarantees and other products,
- determines the limits of credit indebtedness on the basis of risk assessment,
- does business with creditworthy clients and obtains appropriate security instruments.

Clients are under continuous supervision, and limits on risk exposure are adjusted as necessary. Risk limits are determined depending on the different types of security instruments.

The concentration of risk by economic activities is also under constant monitoring, although no restrictions have been set.

Risk exposure to one debtor, including banks, is limited and includes both on-balance sheet and off-balance sheet risk exposure. The total risk exposure per client in relation to restrictions is considered before the transaction occurs.

Credit risk management at the level of individual placements

Credit risk management at the Stage of individual placements includes:

- credit risk management in the process of approving and realizing placements;
- credit risk management in the process of monitoring and collecting placements.

The organizational units of the Bank responsible for taking credit risk at the Stage of individual placements of corporate and retail entities are Corporate Department, Retail and SME Department and Treasury Department. Organizational parts of the Bank responsible for independent credit risk assessment at the Stage of individual placements is the Risk Management Department.

The Managing Board, The Executive Board and Credit Committee are the Bank's bodies that participate in the decision-making process on approving loans and other receivables of the Bank, as well as changes in loan terms and other receivables, and are composed of members who meet the requirements for membership defined by law and their powers, responsibilities and scope regulated by the Bank's Articles of Association.

Members of the Credit Committee and other committees regulated by the Law on Banks and the above Decision are appointed by the Managing Board of the Bank.

The dynamics of sessions of the Credit Committee, the quorum for decision-making, as well as the procedure of the Bank's Credit Committee are defined by the Rules of operation of the Credit Committee.

Large exposures

The Executive Board of the Bank is obliged to inform the Managing Board at least quarterly about the following:

- on all transactions concluded with related parties, including legal transactions with entities related to related parties of the Bank
- granted approvals, i.e. all placements granted to one person or a group of related parties, by which the Bank increases its exposure to that person or group of related parties

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Credit risk management at the level of individual placements (continued)

Placement monitoring

Organizational parts of the Bank who are in charge of credit risk at the Stage of individual placements are obliged to monitor individual placements and borrowers. Monitoring of individual placement includes:

- Monitoring the financial status of the debtor,
- Monitoring the regularity in the fulfilment of obligations,
- Status and organizational changes of the debtor, i.e. up-to-date documentation,
- Monitoring of collateral,
- Identifying the need to restructure or refinance client liabilities, analyse economic feasibility and implement the process
- Other factors affecting the debtor's ability to fulfil its obligations
- Monitoring and collection of placements for all debtors who are up to 30 days late

Monitoring of individual placements in the status of default

The organizational part of the Bank responsible for credit risk management in the process of monitoring and collection of placements with the status of outstanding liabilities is the Debt Collection Department and the Legal Department.

On a monthly basis, the Debt Collection Department reports to the Debt Collection follow-up Commission on the status of clients by segments and days past due in order to better monitor and collect receivables from clients and establish a system for early detection of potential problematic placements.

Debt Collection follow-up Commission as a body for bad assets management:

- monitors clients who are in problematic status (over 60 days past due - Watch list);
- monitors clients according to the Early Recognition System (EWS) identified as potentially problematic, (makes decisions on actions towards individual clients based on information obtained from the Debt Collection Department)

The system for defining early identification of potential problematic claims (EWS) as well as the Watch List is the responsibility of the Risk Management Department in cooperation with the Debt Collection Department and is subject to continuous improvement according to current IT support.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Portfolio level credit risk management

Credit risk management at the Stage of the Bank's portfolio is applied in all organizational units of the Bank whose competence are related to the approval and monitoring of placements, as well as at the Stage of:

- Risk Management Department
- Financial Control Department
- Executive and Managing Board of the Bank

By monitoring and identifying credit risks at the portfolio Stage, the Bank, by analysing the structure and characteristics of the portfolio, timely identifies factors that may lead to an increase in credit risk.

Identification of credit risk at the Stage of the Bank's portfolio is carried out by determining current credit risk exposure based on current and historical data as well as by determining credit risk exposure that may occur in the future through projections and simulations of the Bank's portfolio.

Internal credit risk reporting covers the following areas:

- portfolio quality - portfolio quality reports contain detailed views on portfolio structure and focus on concentration indicators, as well as key indicators of the Bank's portfolio quality, based on which proposals/opinions are given on potential future effects and steps to be taken in order to improve the Bank's operations;
- classification of client loans - classification of loans by risk categories and ratings are done at least quarterly - a breakdown by portfolio segment is needed to provide appropriate insight in terms of risk sources;
- impairment of loans - analysis of provisions and allowances for loans is considered important as an indicator of portfolio quality and a means of identifying sources of loan deterioration;
- large debtors - the analysis of large engagements focuses on significant concentrations towards certain clients, as well as on compliance with regulations;
- indicators of early warning about the threat to the activities and financial position of the Bank defined by the Recovery Plan;
- Stage of problematic receivables, movement of NPL portfolios in accordance with the Decision on NBS reporting, structure of NPL portfolios and its coverage by impairment;
- quarterly portfolio stress within the ICAAP process and reporting to the Managing Board on the results of stress tests and their effect on internal capital requirements;
- monitoring the quality of assets by days of arrears and their movement for all segments of the portfolio;
- monitoring the status of foreclosed real estate based on the collection of receivables.

Control and supervision

Organizational parts of the Bank in the function of independent control and supervision over the risk management system:

- Internal Audit,
- Compliance and AML Department

In addition to regular independent assessments of the efficiency and reliability of the credit risk management system, the Bank is obliged to test the quality of the applied internal models for credit risk assessment at least once a year.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

The Bank's exposure to credit risk

The Bank determines the credit risk exposure of its financial assets by applying IFRS 9 as described further in this section.

Impairment of financial assets

Assets carried at amortized cost

Assessment on an individual basis - Stage 3

The calculation of the impairment for exposures to the Stage 3 is performed on an individual basis if the client meets the following conditions:

- Legal entities and entrepreneurs - total exposure in the Bank is greater than EUR 50 thousand and
- Retails - total exposure in the Bank is greater than EUR 30 thousand

The bank uses the following criteria to determine the "default" status:

- Continuous delay in settlement of obligations overdue 90 days
- Existence of objective evidence of impairment

Continuous overdue 90 days

The bank has established a system of counters of days of delay which is monitored on a regular basis and which materially serves to identify clients with a continuous delay of more than 90 days. The counter of days of delay is based on the regulatory threshold of materiality, namely: 1% of the claim, but not less than RSD 10,000 for a natural person (entrepreneurs), or RSD 50,000 for a legal person. In addition, counters of days of delay are set at the individual claim Stage for retails (entrepreneurs), that is, at the client Stage for corporate customers.

Objective evidence of impairment

The default status can be identified even before the delay of 90 days if other qualitative criteria are identified that indicate the existence of objective evidence of impairment of the financial asset, i.e. the existence of certainty that the debtor will not be able to settle his obligations in entire amount.

In respect of the matter, the Bank has identified an indicators list that monitors to identify the default status:

- Account blocking for more than 60 days continuously
- Decrease in repayment capacity, which can be reflected in:
 - Reduction in operating revenues of 50%
 - Capital decrease over 50%
- Corporate clients where the client is sued, bankrupt, liquidated
- Where the client has not submitted the last financial report to the relevant institution
- Where both corporate clients and retails clients are in the debt collection sector (WOD);
- Other information that indicates problems in business or may affect the inability to service the debt, such as:
 - frequent reminders to the client about the settlement of obligations, difficult negotiations, hints to the client that he has or will have problems in business and
 - another type of information that the credit officer notices during monitoring regarding negative changes in the client's business, in relation to the circumstances that existed when the placement was approved
 - Claims for retails with status of defendant in the bank's system

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit Risk (continued)****Impairment of financial assets (continued)**

As, in accordance with the standard, expected credit losses represent probability-weighted estimates of credit losses, the Bank recognizes the existence of several possible collection scenarios when assessing expected future cash flows.

On this occasion, the scenarios that are considered are:

- realization of collateral (judicial or extrajudicial);
- restructuring and reprogramming;
- bankruptcy;
- sale of receivables;
- everything else that is considered relevant.

When determining the probability percentages of certain scenarios, the Bank is guided by the history of the realization and collection of NPLs, as well as the specifics of individual financial instruments, and accordingly assigns them appropriate weights, which in the sum of all scenarios must amount to 100%.

Depending on the type of real estate over which the mortgage was established, its location and the date of the last assessment, the Bank uses the reduced market value of the real estate in the process of calculating the value adjustment, as follows:

<i>Residential property/territory</i>	Haircuts 2025	Billing year	<i>Land/type</i>	Haircuts 2025	Billing year
Belgrade and Novi Sad	20%	1-5	Land Vojvodina	25%	1-5
Other	42.5%	1-5	Land other	40%	1-5
<i>Business property/territory</i>	Haircuts 2025	Billing year	<i>Industrial property/type</i>	Haircuts 2025	Billing year
Belgrade and Novi Sad	20%	1-5	Factories	35%	1-5
Other	42.5%	1-5	Warehouses	50%	1-5
<i>Residential property/territory</i>	Haircuts 2024	Billing year	<i>Land/type</i>	Haircuts 2024	Billing year
Belgrade and Novi Sad	20%	1-5	Land Vojvodina	25%	1-5
Other	42,5%	1-5	Land other	40%	1-5
<i>Business property/territory</i>	Haircuts 2024	Billing year	<i>Industrial property/type</i>	Haircuts 2024	Billing year
Belgrade and Novi Sad	20%	1-5	Factories	35%	1-5
Other	42.5%	1-5	Warehouses	50%	1-5

In cases when the mortgage valuation date is older than 3 years, the haircut defined above is increased by 10%.

Expected cash flows must be reduced to their present value. As a discount factor, the Bank uses the effective interest rate (effective interest rate calculated on the day of concluding the loan agreement) in cases when a fixed interest rate has been agreed with the client, when the Bank has approved a change in repayment terms, when there is restructured receivable, the Bank uses the initial effective interest rate per restructured account. In the case of loans with a variable interest rate, the current effective interest rate valid on the day of calculation is used.

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit Risk (continued)****Impairment of financial assets (continued)**

In order to determine the expected period of collateral collection, Debt Collection Department takes into account the following factors:

- type of mortgage (depending on the law under which the mortgage was established, i.e. whether it was established under the Mortgage Act or the Enforcement Procedure Act);
- validity of mortgage documentation (quality, i.e. completeness of documentation held by the Bank);
- type, purpose, functionality and size of the real estate that is the subject of the mortgage and the location where the real estate is located;
- supply and demand for real estate that is the subject of collateral;
- phase in which the mortgage collection process is located, i.e. whether the collection was initiated through court or out-of-court settlement procedure or the collection is expected by exercising the rights from the bankruptcy procedure;
- client's cooperation with the Bank.

Except in the case when it is able to document and confirm shorter expected periods of realization, the Bank uses the expected collection period of 1 to 5 years for the realization of mortgages on real estate. For collateral: guarantee deposit, government bonds or other securities guaranteed by the government, government guarantees and guarantees of first-class banks, the Bank assumes immediate collectability and does not discount the expected cash inflows based on them.

Deviations from this rule are allowed in cases of exposures that are under the jurisdiction of the Debt Collection Department, with the approval of the Debt Collection Monitoring Commission.

Assessment on a group basis - Stage 1,2,3***Stage 1 - expected credit losses***

The calculation of the allowance under Stage 1 is performed if at the reporting date the credit risk of the financial instrument has not increased significantly since initial recognition. The Bank measures the loan loss provision for this financial instrument at an amount equal to the most expected twelve-month credit loss.

The expected credit loss recognized for Stage 1 financial instruments is accounted for as a one-year portion of accrued credit losses as follows:

$$ECL = \sum_{t=1}^T (EAD)_t * (MPD)_t * (LGD)_t$$

ECL	Expected credit loss
EAD	Exposure at default
MPD	Marginal Probability of default
LGD	Loss given default

Calculated in this way, expected 12-month credit losses are part of expected credit losses over the term and represent cash deficits over the term that will result if default occurs within 12 months after the reporting date (or a shorter period if the expected financial term of instrument is shorter than 12 months), weighted by the probability of such default.

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit risk (continued)****Impairment of financial assets (continued)***Stage 2 – expected credit losses*

In each reporting period, i.e. at the time of the assessment of expected credit losses for the purpose of calculating the value correction in accordance with this Methodology, the Bank assesses for all financial instruments individually (at the Stage of individual lots) whether there has been a significant increase in credit risk.

On this occasion, the Bank identified parameters whose identification reflects an increase in the risk of default. In identifying a significant increase in credit risk at the Stage of an individual financial instrument, the Bank takes care that this moment is identified before the moment of default itself.

For the analysis, the Bank has identified a number of criteria that it uses for assessment purposes and that it uses for comparison with the situation at the moment of initial recognition of the financial instrument in accordance with IFRS 9 and this Methodology. The identification of one or more of the above indicators indicates that there has been a significant increase in credit risk.

- Continuous delay of 31-90 days
- Forbearance status – ResPE - Restructured Performing
- Account blocking by the NBS for 30 to 60 days
- All clients with a rating 9
- Deterioration of credit risk identified through a change in rating from the initially determined for 2 rating categories
- If a client has an exposure that has moved to Stage 2 for any reason, all lots of that client that are in Stage 1 will move to Stage 2.

Especially for corporate clients: if there was a drop in operating revenues and/or capital by more than 50%. A significant increase in credit risk for the segment of exposure to countries and financial institutions was determined as a drop of 2 rating categories, viewed in relation to the rating scale of renowned external ratings agency (Moody's, Fitch, S&P).

On the reporting date, the Bank calculates an allowance for a financial instrument in an amount equal to expected credit losses during its lifetime, if the credit risk for that financial instrument has significantly increased since initial recognition.

The Bank's general approach to calculating expected credit losses for the entire life of the financial instrument is presented by the formula:

$$ECL = \sum_{t=1}^n (EAD)_t * (MPD)_t * (LGD)_t$$

ECL	Expected credit loss
EAD	Exposure at default
MPD	Marginal Probability of default
LGD	Loss given default
n	number of years up to due of exposure

The expected credit losses calculated in this way for the entire period of the financial instrument represent the losses that the Bank recognizes for the purposes of calculating the Stage 2 impairment.

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit risk (continued)****Impairment of financial assets (continued)***Stage 3 – expected credit losses*

For borrowers on the group assessment at Stage 3, the calculation of expected credit losses is calculated as the difference between the gross book value of the placement and the value obtained by discounting all available collateral by the initial effective interest rate, which is multiplied by LGD unsecured for S3. LGD unsecured for S3 is as follows:

Homogeneous group	LGD unsecured
Corporate clients	98%
Entrepreneurs	98%
Mortgages	98%
Consumer and cash loans	98%
Credit cards	100%
Overdraft	100%

The collateral value that is discounted is 90% of the allocated value after applying the haircut. The average collection from the collateral of 36 months is taken as the discount period.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Impairment of financial assets (continued)

Total balance sheet exposure to credit risk

The total exposure to credit risk as of 31 December 2025 and 31 December 2024 is presented in the following overview without taking into account any collateral or any other credit protection. These values are stated in the Gross and Net carrying amounts.

	31 December 2025		31 December 2024	
	Gross	Net	Gross	Net
I. Assets overview	32,378,759	31,958,062	37,517,407	37,088,726
Cash and balances with Central Bank	4,698,014	4,698,014	14,742,205	14,742,205
Securities	6,698,413	6,687,568	5,114,288	5,105,752
Loans and receivables from banks and other financial organizations	10,290,531	10,262,169	8,261,714	8,221,578
Loans and receivables from customers	10,318,087	9,955,163	8,946,312	8,582,173
Other assets	373,714	355,148	452,888	437,018

Guarantees and letters of credit represent irrevocable obligations of the bank to make payments if the customer is unable to settle its obligation to a third party and bear the same risk as loans.

	31 December 2025		31 December 2024	
	Gross	Net	Gross	Net
II. Off-balance sheet items	5,671,420	5,645,869	5,542,098	5,482,806
Payable guarantees	1,844,352	1,830,432	1,799,137	1,770,504
Performance guarantees	1,295,181	1,289,539	954,821	941,036
Irrevocable commitments	2,531,887	2,525,898	2,788,140	2,771,266
Other	-	-	-	-
Total (I+II)	38,050,179	37,603,931	43,059,505	42,571,532

Change in loans and receivables from customers by risk Stages during 2025:

	Stage 1	Stage 2	Stage 3	Total
31 December 2024	7,401,712	1,307,205	237,395	8,946,312
New receivables	6,243,651	512,556	291,639	7,047,846
Reduction/Repayment of receivables	(4,407,571)	(1,158,326)	(110,174)	(5,676,071)
31 December 2025	9,237,792	661,435	418,860	10,318,087

Change in impairment of loans and receivables from customers by risk Stages during 2025:

	Stage 1	Stage 2	Stage 3	Total
31 December 2024	103,764	98,241	162,134	364,139
New receivables-impairment	60,255	53,324	138,288	251,867
Reduction/Repayment of receivables-impairment	(85,202)	(80,966)	(86,914)	(253,082)
31 December 2025	78,817	70,599	213,508	362,924

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit Risk (continued)****Impairment of financial assets (continued)**

Change in loans and receivables from customers by Stage of risk during 2024:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As of 31.12.2023	5,139,576	1,064,744	317,050	6,521,370
New receivables	5,461,933	1,164,816	106,869	6,733,618
Reduction/Repayment of receivables	(3,199,797)	(922,355)	(186,524)	(4,308,676)
As of 31.12.2024	7,401,712	1,307,205	237,395	8,946,312

Change in impairment of loans and receivables from customers by risk Stages during 2024:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As of 31.12.2023	60,832	20,678	166,562	248,072
New receivables-impairment	96,173	97,090	99,215	292,478
Reduction/Repayment of receivables-impairment	(53,241)	(19,527)	(103,643)	(176,411)
As of 31.12.2024	103,764	98,241	162,134	364,139

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations

31 December 2025	Stage 1	Stage 2	Stage 3	Total	Impairment Stage 1	Impairment Stage 2	Impairment Stage 3	Total Impairment	Net
Housing	1,639,467	79,778	45,239	1,764,484	25,681	12,761	7,257	45,699	1,718,785
Cash and consumer	472,369	28,628	8,380	509,377	11,035	3,331	8,208	22,574	486,803
Credit cards	1,945	61	-	2,006	19	4	-	23	1,983
Overdraft on current accounts	1,913	82	105	2,100	20	6	105	131	1,969
Retail	2,115,694	108,549	53,724	2,277,967	36,755	16,102	15,570	68,427	2,209,540
Entrepreneurs	147,017	14,479	30,617	192,113	567	248	4,809	5,624	186,489
Total retail	2,262,711	123,028	84,341	2,470,080	37,322	16,350	20,379	74,051	2,396,029
Large companies	276,389	97,424	-	373,813	579	13,428	-	14,007	359,806
Medium companies	1,495,232	160,473	212,994	1,868,699	5,924	8,705	117,124	131,753	1,736,946
Small companies	2,906,913	221,298	88,771	3,216,982	18,082	21,964	51,887	91,933	3,125,049
Micro companies	2,296,547	59,212	32,754	2,388,513	16,910	10,152	24,118	51,180	2,337,333
Corporate	6,975,081	538,407	334,519	7,848,007	41,495	54,249	193,129	288,873	7,559,134
Total corporate	9,237,792	661,435	418,860	10,318,087	78,817	70,599	213,508	362,924	9,955,163
Banks and other financial organizations	10,290,531	-	-	10,290,531	28,362	-	-	28,362	10,262,169

ADRIATIC BANK JSC BELGRADE
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations

31 December 2024	Stage 1	Stage 2	Stage 3	Total	Impairment Stage 1	Impairment Stage 2	Impairment Stage 3	Total Impairment	Net
Housing	1,186,515	90,023	47,427	1,323,965	15,369	14,705	9,461	39,535	1,284,430
Cash and consumer	331,292	12,698	9,857	353,847	8,399	1,016	9,651	19,066	334,781
Credit cards	2,202	7	-	2,209	11	2	-	13	2,196
Overdraft on current accounts	2,612	213	59	2,884	32	16	59	107	2,777
Retail	1,522,621	102,941	57,343	1,682,905	23,811	15,739	19,171	58,721	1,624,184
Entrepreneurs	52,436	69,458	4,429	126,323	454	6,218	2,231	8,903	117,420
Total retail	1,575,057	172,399	61,772	1,809,228	24,265	21,957	21,402	67,624	1,741,604
Large companies	697,028	219,774	-	916,802	11,719	1,543	-	13,262	903,540
Medium companies	1,499,051	517,719	96,586	2,113,356	12,078	31,218	94,985	138,281	1,975,075
Small companies	2,990,074	249,924	26,652	3,266,650	38,720	29,110	4,547	72,377	3,194,273
Micro companies	640,502	147,389	52,385	840,276	16,982	14,413	41,200	72,595	767,681
Corporate	5,826,655	1,134,806	175,623	7,137,084	79,499	76,284	140,732	296,515	6,840,569
Total corporate	7,401,712	1,307,205	237,395	8,946,312	103,764	98,241	162,134	364,139	8,582,173
Banks and other financial organizations	8,261,714	-	-	8,261,714	40,136	-	-	40,136	8,221,578

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 1.

31 December 2025	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Total
Housing	1,604,110	35,357	-	-	1,639,467
Cash and consumer	470,186	2,183	-	-	472,369
Credit cards	1,945	-	-	-	1,945
Overdraft on current accounts	1,802	111	-	-	1,913
Retail	2,078,043	37,651	-	-	2,115,694
Entrepreneurs	145,869	1,148	-	-	147,017
Total retail	2,223,912	38,799	-	-	2,262,711
Large companies	276,389	-	-	-	276,389
Medium companies	1,206,202	289,030	-	-	1,495,232
Small companies	2,801,851	105,062	-	-	2,906,913
Micro companies	2,278,281	18,266	-	-	2,296,547
Corporate	6,562,723	412,358	-	-	6,975,081
Total	8,786,635	451,157	-	-	9,237,792
of which: restructured	-	-	-	-	-
Receivables from banks and other financial organizations	10,290,531	-	-	-	10,290,531

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31 December 2024	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Total
Housing	1,107,308	79,207	-	-	1,186,515
Cash and consumer	329,296	1,996	-	-	331,292
Credit cards	2,202	-	-	-	2,202
Overdraft on current accounts	2,612	-	-	-	2,612
Retail	1,441,418	81,203	-	-	1,522,621
Entrepreneurs	48,832	3,604	-	-	52,436
Total retail	1,490,250	84,807	-	-	1,575,057
Large companies	696,957	71	-	-	697,028
Medium companies	1,424,229	74,822	-	-	1,499,051
Small companies	2,585,149	404,925	-	-	2,990,074
Micro companies	635,680	4,822	-	-	640,502
Corporate	5,342,015	484,640	-	-	5,826,655
Total	6,832,265	569,447	-	-	7,401,712
of which: restructured	-	-	-	-	-
Receivables from banks and other financial organizations	8,261,714	-	-	-	8,261,714

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 2.

31 December 2025	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	52,451	26,277	1,002	48	-	79,778
Cash and consumer	16,371	1,538	10,719	-	-	28,628
Credit cards	61	-	-	-	-	61
Overdraft on current accounts	72	-	10	-	-	82
Retail	68,955	27,815	11,731	48	-	108,549
Entrepreneurs	14,479	-	-	-	-	14,479
Total retail	83,434	27,815	11,731	48	-	123,028
Large companies	97,424	-	-	-	-	97,424
Medium companies	115,792	22,310	22,371	-	-	160,473
Small companies	93,168	128,130	-	-	-	221,298
Micro companies	45,856	12,845	511	-	-	59,212
Corporate	352,240	163,285	22,882	-	-	538,407
Total	435,674	191,100	34,613	48	-	661,435
of which: restructured	34,225	-	-	-	-	34,225
Receivables from banks and other financial organizations	-	-	-	-	-	-

ADRIATIC BANK JSC BELGRADE
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31 December 2024	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	68,230	17,995	3,798	-	-	90,023
Cash and consumer	7,958	1,206	3,482	52	-	12,698
Credit cards	7	-	-	-	-	7
Overdraft on current accounts	213	-	-	-	-	213
Retail	76,408	19,201	7,280	52	-	102,941
Entrepreneurs	64,537	4,563	358	-	-	69,458
Total retail	140,945	23,764	7,638	52	-	172,399
Large companies	219,774	-	-	-	-	219,774
Medium companies	365,198	113,998	-	38,523	-	517,719
Small companies	101,302	122,885	25,737	-	-	249,924
Micro companies	118,676	27,728	-	985	-	147,389
Corporate	804,950	264,611	25,737	39,508	-	1,134,806
Total	945,895	288,375	33,375	39,560	-	1,307,205
of which: restructured	173,189	11,301	-	28,526	-	213,016
Receivables from banks and other financial organizations	-	-	-	-	-	-

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All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 3.

31 December 2025	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	-	-	7,867	-	37,372	45,239
Cash and consumer	209	-	-	-	8,171	8,380
Credit cards	-	-	-	-	-	-
Overdraft on current accounts	40	-	-	-	65	105
Retail	249	-	7,867	-	45,608	53,724
Entrepreneurs	5,837	-	-	-	24,780	30,617
Total retail	6,086	-	7,867	-	70,388	84,341
Large companies	-	-	-	-	-	-
Medium companies	58,276	-	-	154,022	696	212,994
Small companies	10,453	-	-	-	78,318	88,771
Micro companies	8,245	-	-	-	24,509	32,754
Corporate	76,974	-	-	154,022	103,523	334,519
Total	83,060	-	7,867	154,022	173,911	418,860
of which: restructured	45,747	-	-	-	39,479	85,226
Receivables from banks and other financial organizations	-	-	-	-	-	-

ADRIATIC BANK JSC BELGRADE
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31 December 2024	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	1,141	-	-	-	46,286	47,427
Cash and consumer	503	-	408	-	8,946	9,857
Credit cards	-	-	-	-	-	-
Overdraft on current accounts	30	-	-	-	29	59
Retail	1,674	-	408	-	55,261	57,343
Entrepreneurs	-	-	-	-	4,429	4,429
Total retail	1,674	-	408	-	59,690	61,772
Large companies	-	-	-	-	-	-
Medium companies	-	-	10,722	-	85,864	96,586
Small companies	-	4,070	-	-	22,582	26,652
Micro companies	313	-	-	-	52,072	52,385
Corporate	313	4,070	10,722	-	160,518	175,623
Total	1,987	4,070	11,130	-	220,208	237,395
of which: restructured	7	-	10,722	-	438	11,167
Receivables from banks and other financial organizations	-	-	-	-	-	-

ADRIATIC BANK JSC BELGRADE
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All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 3 as well as restructured receivables.

31 December 2025	Gross exposure	Impairment	Stage 3 receivables	Restructured receivables Stage 3	Impairment Stage 3	Share of Stage 3 receivables in Gross exposure	Amount of collateral for Stage 3
Total retail	2,470,080	74,051	84,341	28,957	20,379	3.41%	60,063
Housing	1,764,484	45,699	45,239	-	7,257	2.56%	39,257
Cash and consumer	509,377	22,574	8,380	445	8,208	1.65%	-
Credit cards	2,006	23	-	-	-	0.00%	-
Overdraft on current accounts	2,100	131	105	-	105	5.00%	-
Retail	2,277,967	68,427	53,724	445	15,570	2.36%	39,257
Entrepreneurs	192,113	5,624	30,617	28,512	4,809	15.94%	20,806
Corporate	7,848,007	288,873	334,519	56,269	193,129	4.08%	194,027
Accommodation and catering services	115,194	1,047	-	-	-	0.00%	-
Administrative and support service activities	736,173	17,611	16,403	-	13,427	2.23%	12,159
Agriculture, forestry and fishing	35,226	147	-	-	-	0.00%	-
Arts, entertainment and recreation	307,407	1,909	-	-	-	0.00%	-
Construction	1,627,722	37,487	24,330	-	23,905	1.49%	23,112
Financial and insurance activities	-	-	-	-	-	0.00%	-
Information and communication	55,796	16,908	17,157	-	16,813	30.75%	-
Manufacturing industry	1,754,641	63,625	123,859	-	26,966	7.06%	120,604
Professional, scientific, innovation and technical	175,454	1,133	8,186	8,186	-	4.67%	7,847
Real estate business	983,868	14,391	-	-	-	0.00%	-
Traffic and storage	59,984	316	19,865	-	28	33.12%	19,837
Wholesale and retail trade, repair	1,488,885	125,543	124,335	48,083	111,613	8.35%	10,468
Other	507,657	8,756	384	-	377	0.08%	-
Total	10,318,087	362,924	418,860	85,226	213,508	3.93%	254,090
Receivables from banks and other financial organizations	10,290,531	28,362	-	-	-	0.00%	-

ADRIATIC BANK JSC BELGRADE
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All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from clients, banks and other financial institutions (continued)

31 December 2024	Gross exposure	Impairment	Stage 3 receivables	Restructured receivables Stage 3	Impairment Stage 3	Share of Stage 3 receivables in Gross exposure	Amount of collateral for Stage 3
Total retail	1,809,228	67,624	61,772	445	21,402	3.41%	44,301
Housing	1,323,965	39,535	47,427	-	9,461	3.58%	41,972
Cash and consumer	353,847	19,066	9,857	445	9,651	2.79%	-
Credit cards	2,209	13	-	-	-	0.00%	-
Overdraft on current accounts	2,884	107	59	-	59	2.05%	-
Retail	1,682,905	58,721	57,343	445	19,171	3.41%	41,972
Entrepreneurs	126,323	8,903	4,429	-	2,231	3.51%	2,329
Corporate	7,137,084	296,515	175,623	10,722	140,732	2.46%	78,253
Accommodation and catering services	45,487	1,300	-	-	-	0.00%	-
Administrative and support service activities	685,240	6,115	483	-	473	0.07%	-
Agriculture, forestry and fishing	297,963	3,279	-	-	-	0.00%	-
Arts, entertainment and recreation	398,105	1,713	-	-	-	0.00%	-
Construction	1,523,566	77,839	50,783	-	40,221	3.33%	49,728
Financial and insurance activities	161,893	10,044	-	-	-	0.00%	-
Information and communication	123,501	1,955	-	-	-	0.00%	-
Manufacturing industry	1,473,921	48,475	18,066	10,722	15,269	1.23%	2,762
Professional, scientific, innovation and technical	332,689	21,657	-	-	-	0.00%	-
Real estate business	78,978	2,050	-	-	-	0.00%	-
Traffic and storage	100,297	3,166	19,808	-	25	19.75%	19,783
Wholesale and retail trade, repair	1,867,647	116,059	86,099	-	84,367	4.61%	5,980
Other	47,797	2,863	384	-	377	0.80%	-
Total	8,946,312	364,139	237,395	11,167	162,134	2.65%	122,554
Receivables from banks and other financial organizations	8,261,714	40,136	-	-	-	0.00%	-

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Loans and receivables from clients, banks and other financial institutions (continued)

Below are the changes of receivables at the Stage 3 level.

	<u>Gross amount as of 31 December 2024</u>	<u>New Stage 3 clients</u>	<u>Decrease of Stage 3 clients</u>	<u>Gross amount as of 31 December 2025</u>	<u>Net amount as of 31 December 2025</u>
Changes in Stage 3 receivables					
Housing	47,427	9,922	12,110	45,239	37,982
Cash and consumer	9,857	855	2,332	8,380	172
Credit cards	-	-	-	-	-
Overdraft on current accounts	59	47	1	105	-
Retail	57,343	10,824	14,443	53,724	38,154
Entrepreneurs	4,429	28,676	2,488	30,617	25,808
Total retail	61,772	39,500	16,931	84,341	63,962
Large companies	-	-	-	-	-
Medium companies	96,586	178,216	61,808	212,994	95,870
Small companies	26,652	65,733	3,614	88,771	36,884
Micro companies	52,385	8,190	27,821	32,754	8,636
Corporate	175,623	252,139	93,243	334,519	141,390
Total	237,395	291,639	110,174	418,860	205,352

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Changes in Stage 3 receivables	Gross amount as of 31 December 2023	New Stage 3 clients	Decrease of Stage 3 clients	Gross amount as of 31 December 2024	Net amount as of 31 December 2024
Housing	45,602	4,082	2,257	47,427	37,966
Cash and consumer	11,318	1,793	3,254	9,857	206
Credit cards	7	-	7	-	-
Overdraft on current accounts	80	24	45	59	-
Retail	57,007	5,899	5,563	57,343	38,172
Entrepreneurs	8,792	21	4,384	4,429	2,198
Total retail	65,799	5,920	9,947	61,772	40,370
Large companies	-	-	-	-	-
Medium companies	-	96,586	-	96,586	1,601
Small companies	226,420	6,088	205,856	26,652	22,105
Micro companies	24,832	50,808	23,255	52,385	11,185
Corporate	251,252	153,482	229,111	175,623	34,891
Total	317,051	159,402	239,058	237,395	75,261

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables

Loans with amendments to the initially agreed terms are loans that are rescheduled or restructured due to deterioration in the financial condition of the debtor and due to problems in the settlement of obligations in the initially agreed maturity dates. The Bank performs a financial analysis of debtors who have a problem in settling liabilities and if it estimates that the debtor will be able to settle its obligations after the changed conditions, the Bank decides to reschedule such loans.

Restructured receivables as of 31 December 2025	Restructured receivables (RR)- Gross exposure	Stage 1 RP	Stage 2 RR	Stage 3 RR	Impairment of RR	Impairment of Stage 1 RR	Impairment of Stage 2 RR	Impairment of Stage 3 RR	Share of RR in gross exposure	Amount of collaterals for RR
Total retail	28,957	-	-	28,957	3,373	-	-	3,373	1.17%	20,434
Housing	-	-	-	-	-	-	-	-	0.00%	-
Cash and consumer	445	-	-	445	437	-	-	437	0.09%	-
Credit cards	-	-	-	-	-	-	-	-	0.00%	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	0.00%	-
Retail	445	-	-	445	437	-	-	437	0.02%	-
Entrepreneurs	28,512	-	-	28,512	2,936	-	-	2,936	14.84%	20,434
Corporate	90,494	-	34,225	56,269	40,146	-	3,268	36,878	1.10%	44,249
Accommodation and catering services	-	-	-	-	-	-	-	-	0.00%	-
Administrative and support service activities	-	-	-	-	-	-	-	-	0.00%	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	0.00%	-
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	0.00%	-
Construction	-	-	-	-	-	-	-	-	0.00%	-
Financial and insurance activities	-	-	-	-	-	-	-	-	0.00%	-
Information and communication	-	-	-	-	-	-	-	-	0.00%	-
Manufacturing industry	8,276	-	8,276	-	2,020	-	2,020	-	0.47%	-
Professional, scientific, innovation and technical activities	8,186	-	-	8,186	-	-	-	-	4.67%	7,847
Real estate business	-	-	-	-	-	-	-	-	0.00%	-
Traffic and storage	-	-	-	-	-	-	-	-	0.00%	-
Wholesale and retail trade, repair	74,032	-	25,949	48,083	38,126	-	1,248	36,878	4.97%	36,402
Other	-	-	-	-	-	-	-	-	0.00%	-
Total	119,451	-	34,225	85,226	43,519	-	3,268	40,251	1.12%	64,683
Receivables from banks and other fin. org.	-	-	-	-	-	-	-	-	-	-

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All amounts are expressed in thousands of RSD unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables (continued)

Restructured receivables as of 31 December 2024	Restructured receivables (RR)-Gross exposure	Stage 1 RP	Stage 2 RR	Stage 3 RR	Impairment of RR	Impairment of Stage 1 RR	Impairment of Stage 2 RR	Impairment of Stage 3 RR	Share of RR in gross exposure	Amount of collaterals for RR
Total retail	45,130	-	44,685	445	5,357	-	4,920	437	2.49%	41,326
Housing	-	-	-	-	-	-	-	-	0.00%	-
Cash and consumer	445	-	-	445	437	-	-	437	0.13%	-
Credit cards	-	-	-	-	-	-	-	-	0.00%	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	0.00%	-
Retail	445	-	-	445	437	-	-	437	0.03%	-
Entrepreneurs	44,685	-	44,685	-	4,920	-	4,920	-	35.37%	41,326
Corporate	179,053	-	168,331	10,722	26,094	-	15,372	10,722	2.51%	88,834
Accommodation and catering services	-	-	-	-	-	-	-	-	0.00%	-
Administrative and support service activities	-	-	-	-	-	-	-	-	0.00%	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	0.00%	-
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	0.00%	-
Construction	-	-	-	-	-	-	-	-	0.00%	-
Financial and insurance activities	-	-	-	-	-	-	-	-	0.00%	-
Information and communication	-	-	-	-	-	-	-	-	0.00%	-
Manufacturing industry	132,896	-	122,174	10,722	15,726	-	5,004	10,722	9.02%	42,677
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	0.00%	-
Real estate business	-	-	-	-	-	-	-	-	0.00%	-
Traffic and storage	-	-	-	-	-	-	-	-	0.00%	-
Wholesale and retail trade, repair	46,157	-	46,157	-	10,368	-	10,368	-	2.47%	46,157
Other	-	-	-	-	-	-	-	-	0.00%	-
Total	224,183	-	213,016	11,167	31,451	-	20,292	11,159	2.51%	130,160
Receivables from banks and other fin. org.	-	-	-	-	-	-	-	-	0.00%	-

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables (continued)

In 2025, the Bank had restructured receivables in the amount of RSD 34,225 thousand that were classified in Stage 2 according to the Bank's methodology which relate to loans to legal entities and restructured receivables in the amount of RSD 85,226 thousand that were classified in Stage 3 relating to cash and consumer loans and loans to legal entities and entrepreneurs.

There were no movements of restructured receivables during 2025 within Stage 1, while the movements within Stage 2 and Stage 3 are presented in the following two tables:

	Gross restructured Stage 2 receivables as of 31 December 2024	New restructured Stage 2 receivables	Decrease in restructured Stage 2 receivables	Gross amount as of 31 December 2025	Net amount as of 31 December 2025
Housing	-	-	-	-	-
Cash and consumer	-	-	-	-	-
Credit cards	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-
Retail	-	-	-	-	-
Entrepreneurs	44,685	-	44,685	-	-
Total retail	44,685	-	44,685	-	-
Large companies	-	-	-	-	-
Medium companies	87,762	-	61,813	25,949	24,701
Small companies	72,761	8,276	72,761	8,276	6,256
Micro companies	7,808	-	7,808	-	-
Other	168,331	8,276	142,382	34,225	30,957
Corporate	213,016	8,276	187,067	34,225	30,957
Total	-	-	-	-	-
Banks	-	-	-	-	-
Other receivables from banks	-	-	-	-	-
Other funds that are not classified	-	-	-	-	-
TOTAL	213,016	8,276	187,067	34,225	30,957

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Restructured receivables (continued)

	Gross restructured Stage 2 receivables as of 31 December 2024	New restructured Stage 2 receivables	Decrease in restructured Stage 2 receivables	Gross amount as of 31 December 2025	Net amount as of 31 December 2025
Housing	-	-	-	-	-
Cash and consumer	-	-	-	-	-
Credit cards	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-
Retail	-	-	-	-	-
Entrepreneurs	-	44,685	-	44,685	39,765
Total retail	-	44,685	-	44,685	39,765
Large companies	-	-	-	-	-
Medium companies	43,103	52,906	8,247	87,762	78,697
Small companies	63,962	26,591	17,792	72,761	66,888
Micro companies	-	7,808	-	7,808	7,374
Other	-	87,305	26,039	168,331	152,959
Corporate	107,065	131,990	26,039	213,016	192,724
Total	107,065	-	-	-	-
Banks	-	-	-	-	-
Other receivables from banks	-	-	-	-	-
Other funds that are not classified	-	-	-	-	-
TOTAL	107,065	131,990	26,039	213,016	192,724

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Receivables from clients covered by collaterals (amount of receivable or collateral, whichever is lower)

31 December 2025	Stage 1 clients					Stage 2 clients					Stage 3 clients				
	Real estate	Deposits	Guarantee	Other collaterals	Total	Real estate	Deposits	Guarantee	Other collaterals	Total	Real estate	Deposits	Guarantee	Other collaterals	Total
Housing	1,440,768	64	-	-	1,440,832	75,846	-	-	-	75,846	39,257	-	-	-	39,257
Cash and consumer	31,520	53,837	-	-	85,357	5,866	402	-	-	6,268	-	-	-	-	-
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	1,472,288	53,901	-	-	1,526,189	81,712	402	-	-	82,114	39,257	-	-	-	39,257
Entrepreneurs	10,606	52,440	50	-	63,096	9,089	-	-	-	9,089	20,806	-	-	-	20,806
Total retail	1,482,894	106,341	50	-	1,589,285	90,801	402	-	-	91,203	60,063	-	-	-	60,063
Large companies	-	33	-	-	33	20,876	-	-	-	20,876	-	-	-	-	-
Medium companies	1,081,082	8	-	-	1,081,090	48,320	60,000	-	-	108,320	117,765	-	-	-	117,765
Small companies	1,187,179	127,739	-	-	1,314,918	104,381	-	-	-	104,381	45,281	-	-	-	45,281
Micro companies	1,240,287	8,394	-	-	1,248,681	48,565	471	129	-	49,165	30,980	-	1	-	30,981
Corporate	3,508,548	136,174	-	-	3,644,722	222,142	60,471	129	-	282,742	194,026	-	1	-	194,027
Total	4,991,442	242,515	50	-	5,234,007	312,943	60,873	129	-	373,945	254,089	-	1	-	254,090
Receivables from banks and other fin. org.	19,549	-	-	-	19,549	-	-	-	-	-	-	-	-	-	-

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Receivables from clients covered by collaterals (amount of receivables or collateral, whichever is lower) (continued)

31 December 2024	Stage 1 clients					Stage 2 clients					Stage 3 clients				
	Real estate	Deposits	Guarantees	Other collaterals	Total	Real estate	Deposits	Guarantees	Other collaterals	Total	Real estate	Deposits	Guarantees	Other collaterals	Total
Housing	1,132,654	1,532	-	-	1,134,186	90,023	-	-	-	90,023	41,972	-	-	-	41,972
Cash and consumer	47,585	8,239	-	-	55,824	2,205	2,980	-	-	5,185	-	-	-	-	-
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	1,180,239	9,771	-	-	1,190,010	92,228	2,980	-	-	95,208	41,972	-	-	-	41,972
Entrepreneurs	2,665	-	209	-	2,874	55,585	-	-	-	55,585	2,329	-	-	-	2,329
Total retail	1,182,904	9,771	209	-	1,192,884	147,813	2,980	-	-	150,793	44,301	-	-	-	44,301
Large companies	37,820	-	-	-	37,820	157,970	-	-	-	157,970	-	-	-	-	-
Medium companies	660,502	60,023	-	-	720,525	139,397	223,586	-	-	362,983	-	5,851	-	-	5,851
Small companies	1,549,255	73,056	6,578	-	1,628,889	142,703	9,982	-	-	152,685	21,509	-	561	-	22,070
Micro companies	385,544	4,018	632	-	390,194	125,431	6,044	271	-	131,746	50,332	-	-	-	50,332
Corporate	2,633,121	137,097	7,210	-	2,777,428	565,501	239,612	271	-	805,384	71,841	5,851	561	-	78,253
Total	3,816,025	146,868	7,419	-	3,970,312	713,314	242,592	271	-	956,177	116,142	5,851	561	-	122,554
Receivables from banks and other fin. org.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit Risk (continued)****Concentration Risk**

31 December 2025	Receivables from Stage 1 and Stage 2 clients				Receivables from Stage 3 clients			
	Serbia	Montenegro	EU	Other	Serbia	Montenegro	EU	Other
Total retail	2,268,248	5	90,580	26,906	84,340	1	-	-
Housing	1,692,450	-	-	26,795	45,239	-	-	-
Cash and consumer	410,425	-	90,572	-	8,380	-	-	-
Credit cards	2,006	-	-	-	-	-	-	-
Overdraft on current accounts	1,871	5	8	111	104	1	-	-
Retail	2,106,752	5	90,580	26,906	53,723	1	-	-
Entrepreneurs	161,496	-	-	-	30,617	-	-	-
Corporate	7,513,488	-	-	-	334,519	-	-	-
Accommodation and catering services	115,194	-	-	-	-	-	-	-
Administrative and support service activities	719,770	-	-	-	16,403	-	-	-
Agriculture, forestry and fishing	35,226	-	-	-	-	-	-	-
Arts, entertainment and recreation	307,407	-	-	-	-	-	-	-
Construction	1,603,392	-	-	-	24,330	-	-	-
Financial and insurance activities	-	-	-	-	-	-	-	-
Information and communication	38,639	-	-	-	17,157	-	-	-
Manufacturing industry	1,630,782	-	-	-	123,859	-	-	-
Professional, scientific, innovation and technical activities	167,268	-	-	-	8,186	-	-	-
Real estate business	983,868	-	-	-	-	-	-	-
Traffic and storage	40,119	-	-	-	19,865	-	-	-
Wholesale and retail trade, repair	1,364,550	-	-	-	124,335	-	-	-
Other	507,273	-	-	-	384	-	-	-
Total	9,781,736	5	90,580	26,906	418,859	1	-	-
Receivables from banks and other fin. org.	3,969,696	803,192	1,674,297	3,843,346	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (continued)**4.3. Credit Risk (continued)****Concentration risk (continued)**

31 December 2024	Receivables from Stage 1 and Stage 2 clients				Receivables from Stage 3 clients			
	Serbia	Montenegro	EU	Other	Serbia	Montenegro	EU	Other
Total retail	1,623,978	5	6	123,467	61,772	-	-	-
Housing	1,248,394	-	-	28,144	47,427	-	-	-
Cash and consumer	248,755	-	-	95,235	9,857	-	-	-
Credit cards	2,209	-	-	-	-	-	-	-
Overdraft on current accounts	2,726	5	6	88	59	-	-	-
Retail	1,502,084	5	6	123,467	57,343	-	-	-
Entrepreneurs	121,894	-	-	-	4,429	-	-	-
Corporate	6,961,461	-	-	-	175,623	-	-	-
Accommodation and catering services	45,487	-	-	-	-	-	-	-
Administrative and support service activities	684,757	-	-	-	483	-	-	-
Agriculture, forestry and fishing	297,963	-	-	-	-	-	-	-
Arts, entertainment and recreation	398,105	-	-	-	-	-	-	-
Construction	1,472,783	-	-	-	50,783	-	-	-
Financial and insurance activities	161,893	-	-	-	-	-	-	-
Information and communication	123,501	-	-	-	-	-	-	-
Manufacturing industry	1,455,855	-	-	-	18,066	-	-	-
Professional, scientific, innovation and technical activities	332,689	-	-	-	-	-	-	-
Real estate business	78,978	-	-	-	-	-	-	-
Traffic and storage	80,489	-	-	-	19,808	-	-	-
Wholesale and retail trade, repair	1,781,548	-	-	-	86,099	-	-	-
Other	47,413	-	-	-	384	-	-	-
Total	8,585,439	5	6	123,467	237,395	-	-	-
Receivables from banks and other fin. org.	2,855,663	484,676	1,805,154	3,116,221	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Interest Rate Risk

The Bank is exposed to changes in the prevailing level of market interest rates that affect its financial position and cash flows. As a result of such changes, the interest margin may increase, decrease and cause losses in the event of unexpected changes. Interest rates are based on market interest rates and they are regularly adjusted by the Bank.

The risk management activity aims to optimize net income from interest, maintain the market interest rate at a consistent level in line with the Bank's business strategy. The Bank's Management manages maturity compliance of assets and liabilities based on macro and micro economic forecasts, forecasting liquidity conditions and forecasting interest rate trends.

The Bank has implemented internal procedures that define the system and methodologies for interest rate risk management, competencies and responsibilities of system participants, but also controls that are undertaken in order to operate the system as efficiently as possible.

The subject of interest rate risk management are all interest rate sensitive balance sheet items included in the banking book that may cause a negative effect on the Bank's result and capital due to changes in interest rates.

The Bank can be exposed to various forms of interest rate:

- Maturity mismatch risk and repricing risk, as well as price risk. This risk arises from the difference between the maturity date (for fixed rates) and the price change date (for variable rates) for the Bank's assets, liabilities and off-balance sheet items.
- Yield curve risk - risk that arises due to changes in the shape and slope of the yield curve, when unforeseen shifts in the curve have adverse effects on revenue or basic economic value.
- Basis risk - due to different reference interest rates for interest rate sensitive positions with similar characteristics in terms of maturity, i.e. re-pricing.
- Optionality risk - due to options embedded in interest rate sensitive positions (loans with the possibility of early withdrawal, different types of bonds or bills containing the option to buy or sell, different types of maturity deposits that give depositors the right to withdraw funds at any time, often without paying any penalties).

In order to manage interest rate risk exposure, the Bank uses the GAP interest rate methodology.

Analysis of interest rate risk exposure involves analysing the balance and changes in on-balance sheet assets, liabilities and off-balance sheet items. The Bank identifies interest rate risk exposure by determining the mismatch of positions in major currencies and in total for all currencies with which it operates.

Analysing the positions of balance sheet assets and liabilities implies determining interest rate sensitive items classified according to the period of interest rate re-formation, i.e. determining the expected schedule of future cash flows.

Analysis of off-balance sheet items (swaps, forwards) involves identifying potential changes in positions, which occur as a cause of changes in interest rates in the market.

The analysis of interest rates implies continuous monitoring and adjustment of transactions to the conditions of changes in market interest rates.

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4. FINANCIAL RISK MANAGEMENT (continued)
4.4. Interest Rate Risk (continued)

As at 31 December 2025	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Interest insensitive positions	Total
ASSETS							
Cash and balances with Central Bank	1,973,377	-	-	-	-	2,724,637	4,698,014
Securities	999,924	-	-	2,086,812	3,438,585	162,247	6,687,568
Loans and receivables from banks and other financial organizations	7,348,414	7,021	60,018	275,704	-	2,571,012	10,262,169
Loans and receivables from customers	2,771,136	4,850,821	2,115,866	56,820	31,892	128,628	9,955,163
Other assets	-	-	-	-	-	355,148	355,148
Total assets	13,092,851	4,857,842	2,175,884	2,419,336	3,470,477	5,941,672	31,958,062
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	250,469	-	-	-	-	2,252	252,721
Deposits and other liabilities due to customers	18,466,853	703,919	4,131,630	256,475	-	2,045,652	25,604,529
Other liabilities	-	-	-	-	-	756,655	756,655
Total liabilities	18,717,322	703,919	4,131,630	256,475	-	2,804,630	26,613,976
GAP (Assets - Liabilities):	(5,624,471)	4,153,923	(1,955,746)	2,162,861	3,470,477	3,137,042	5,344,086
As at 31 December 2024							
As at 31 December 2024	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Interest insensitive positions	Total
ASSETS							
Cash and balances with Central Bank	8,103,052	-	-	-	-	6,639,153	14,742,205
Securities	-	-	-	2,409,884	2,559,158	136,710	5,105,752
Loans and receivables from banks and other financial organizations	6,243,370	229,454	-	-	-	1,748,754	8,221,578
Loans and receivables from customers	1,429,172	4,010,189	2,714,390	217,377	45,882	165,163	8,582,173
Other assets	-	-	-	-	-	437,018	437,018
Total assets	15,775,594	4,239,643	2,714,390	2,627,261	2,605,040	9,126,798	37,088,726
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	300,000	-	-	-	-	231,662	531,662
Deposits and other liabilities due to customers	15,024,640	709,767	4,283,075	652,558	-	10,565,273	31,235,313
Other liabilities	-	-	-	-	-	765,566	765,566
Total liabilities	15,324,640	709,767	4,283,075	652,558	-	11,562,501	32,532,541
GAP (Assets - Liabilities):	450,954	3,529,876	(1,568,685)	1,974,703	2,605,040	(2,435,703)	4,556,185

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Interest Rate Risk (continued)

Limits for GAP interest rates are defined by the Decision of the Managing Board and they are monitored regularly.

As an integral part of interest rate risk assessment, the Bank conducts stress tests of the effects of changes in interest rates. In determining the exposure to interest rate risk in the banking book and the limit of this risk, the Bank assesses the effects of interest rate changes on the Bank's economic value, applying the standard interest rate shock test according to the nature and level of risks to which it is exposed. The standard interest rate shock represents a positive and a negative parallel shift in interest rates by 200 base points (1bp = 0.01%). In the current structure of interest rate GAPs increasing the interest rate by 200 basis points would change the economic value of capital by 12.39% (2024: 14.21%).

As at 31 December 2025

	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	> 20y	TOTAL
Sensitive assets	13,092,851	4,857,842	2,115,067	60,817	693,001	1,242,749	291,962	191,624	1,795,246	1,302,657	62,035	310,539	-	26,016,390
Sensitive liabilities	(18,717,322)	(703,919)	(1,943,611)	(2,188,019)	(184,044)	(72,431)	-	-	-	-	-	-	-	(23,809,346)
GAP	(5,624,471)	4,153,923	171,456	(2,127,202)	508,957	1,170,318	291,962	191,624	1,795,246	1,302,657	62,035	310,539	-	2,207,044
Basel 2 Sensitivity coefficients (200 bp changes of interest rates)	0.08%	0.32%	0.72%	1.43%	2.77%	4.49%	6.14%	7.71%	10.15%	13.26%	17.84%	22.43%	26.03%	
Effects	(4,500)	13,293	1,234	(30,419)	14,098	52,547	17,926	14,774	182,217	172,732	11,067	69,654	-	514,623
Regulatory capital														4,322,528
Total effects/Regulatory capital (max. 20%)														11.91%

As at 31 December 2024

	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	> 20y	TOTAL
Sensitive assets	15,775,594	4,239,643	2,673,904	40,486	1,161,113	603,752	844,890	17,506	157,405	2,038,454	980	408,201	-	27,961,928
Sensitive liabilities	(15,324,640)	(709,767)	(2,138,359)	(2,144,716)	(635,163)	(17,395)	-	-	-	-	-	-	-	(20,970,040)
GAP	450,954	3,529,876	535,545	(2,104,230)	525,950	586,357	844,890	17,506	157,405	2,038,454	980	408,201	-	6,991,888
Basel 2 Sensitivity coefficients (200 bp changes of interest rates)	0.08%	0.32%	0.72%	1.43%	2.77%	4.49%	6.14%	7.71%	10.15%	13.26%	17.84%	22.43%	26.03%	
Effects in (RSD thousand)	361	11,296	3,856	(30,090)	14,569	26,327	51,876	1,350	15,977	270,299	175	91,559	-	457,555
Regulatory capital														3,213,718
Total effects/Regulatory capital (max. 20%)														14.24%

4. FINANCIAL RISK MANAGEMENT (continued)

4.5. Market Risk

Market risks are the possibility of negative effects on the financial result and capital of the bank based on market price fluctuations. Basic market risks to which the Bank is exposed include FX risk and other market risks.

Foreign Exchange Risk

Foreign currency risk is the risk of adverse effects on the Bank's financial result and capital due to changes in the exchange rate, and the Bank is exposed to it on the basis of positions held in the banking book and trading book.

Foreign currency risk management is based on the prescribed methodology of the National Bank of Serbia. The Bank creates a foreign exchange position in all cases when it conducts transactions denominated in foreign currency or in dinars with indexed foreign currency clause, which includes the following transactions:

- placing and repayment of loans to clients in foreign currency or dinars with indexed foreign currency clause
- formation of sources of funds from clients in foreign currency or in dinars with indexed foreign currency clause
- performing foreign exchange (FX) trading for the Bank's account and FX trading with clients
- formation of other receivables and liabilities in foreign currency based on other business activities

Long/short foreign currency position is the sum of all net long/short positions in individual currencies. Higher absolute amount compared with these positions represents the total net open foreign exchange position. The maximum regulatory allowable indicator of the Bank's foreign exchange risk is 20% of the Bank's capital on a daily basis.

The Bank regularly monitors its exposure to foreign currency risk by complying with limits prescribed by the National Bank of Serbia, as well as internally prescribed limits. The Bank actively manages foreign currency risk through prudent assessment of open foreign currency positions by applying foreign currency swaps and observing risk limitations prescribed by the National Bank of Serbia and limitations contained in internal enactments adopted by the Bank's management.

Table in the text below shows summarized exposure to foreign exchange risk on 31 December 2025. The table also includes assets and liabilities according to their carrying values denominated in relevant currencies.

ADRIATIC BANK JSC BELGRADE
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025
All amounts are expressed in thousands of RSD unless otherwise stated
4. FINANCIAL RISK MANAGEMENT (continued)
4.5. Market Risk (continued)
FX Risk (continued)

As of 31 December 2025	USD	EUR	CHF	Other currencies	Total	RSD	Total
ASSETS							
Cash and balances with Central Bank	-	2,019,823	-	98,362	2,118,185	2,579,829	4,698,014
Securities	-	1,646,126	-	295,270	1,941,396	4,746,172	6,687,568
Loans and receivables from banks and other financial organizations	-	6,597,692	-	1,304,058	7,901,750	2,360,419	10,262,169
Loans and receivables from customers	-	5,019,310	-	5,354	5,024,664	4,930,499	9,955,163
Other assets	-	44,549	-	-	44,549	310,599	355,148
Total assets	-	15,327,500	-	1,703,044	17,030,544	14,927,518	31,958,062
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	26,981	-	13,421	40,402	212,319	252,721
Deposits and other liabilities due to customers	-	14,576,945	-	1,319,941	15,896,886	9,707,643	25,604,529
Other liabilities	-	554,041	-	14,746	568,787	187,868	756,655
Total liabilities	-	15,157,967	-	1,348,108	16,506,075	10,107,830	26,613,905
Net foreign currency position	-	169,533	-	354,936	524,469	4,819,688	5,344,157
As of 31 December 2024							
	USD	EUR	CHF	Other currencies	Total	RSD	Total
ASSETS							
Cash and balances with Central Bank	-	6,341,591	-	99,449	6,441,040	8,301,165	14,742,205
Securities	-	1,085,713	-	322,967	1,408,680	3,697,072	5,105,752
Loans and receivables from banks and other financial organizations	-	6,802,868	-	1,418,710	8,221,578	-	8,221,578
Loans and receivables from customers	-	5,510,335	-	5,720	5,516,055	3,066,118	8,582,173
Other assets	-	65,429	-	-	65,429	371,589	437,018
Total assets	-	19,805,936	-	1,846,846	21,652,782	15,435,944	37,088,726
LIABILITIES							
Deposits and other liabilities due to banks, other financial institutions and the Central Bank	-	7,141	-	93,088	100,229	431,433	531,662
Deposits and other liabilities due to customers	-	19,223,994	-	1,543,847	20,767,841	10,467,472	31,235,313
Other liabilities	-	628,596	-	31,090	659,686	105,880	765,566
Total liabilities	-	19,859,731	-	1,668,025	21,527,756	11,004,785	32,532,541
Net foreign currency position	-	(53,795)	-	178,821	125,026	4,431,159	4,556,185

4. FINANCIAL RISK MANAGEMENT (continued)**4.5. Market Risk (continued)****FX Risk (continued)**

The impact of decrease foreign exchange rates on the Bank's net result:

	Balance of open foreign currency positions		RSD depreciation effect of 10%	
	Dec 2025	Dec 2024	Dec 2025	Dec 2024
EUR	147,404	59,601	14,740	5,094
CHF	2,066	1,543	207	132
USD	2,750	10,264	275	877
Other currencies (long position)	347,377	173,853	34,738	14,859
Other currencies (short position)	6,075	29,776	608	2,545

4.6. The risks of exposure to a single party or a group of related parties

The Bank's exposure to a single party represents the total amount of receivables and off-balance sheet items relating to that party or a group of related parties (loans, investments in debt securities, equity shares, guarantees issued, avals, etc.).

The exposure risk, i.e. exposure concentration, is the Bank's exposure towards:

- One party or a group of related parties (two or more persons or legal entities related by shares);
- Two or more retail or corporate entities related in the manner that deterioration or improvement of the financial position of one party affects the financial position of the other,
- A person who is an authorised representative of a corporate entity,
- Two or more persons or corporate entities related by their membership in legal entities' management bodies, including their respective family members;
- Family members of a person who are members of management bodies of two corporate entities at the same time;
- A party related to the Bank (members of the Banking Group the member of which is the Bank; members of the management bodies of the Bank and of the Banking Group and their respective family members; parties with share in the capital of the Bank or the Banking Group and their respective family members; legal entities in which all the above mentioned parties own a control package)

The main goal of the exposure risk management is to eliminate the risk bearing exposure of the Bank's assets to one party, group of related parties or parties related to the Bank. This goal can be achieved by strict compliance with and the application of the Bank's credit policy in relation to acceptance and approval of client's requests in order to identify related parties and monitor the Bank's exposure limits towards them.

Bank's exposure

- ✓ Large Bank's exposure is an exposure to a single party or a group of related parties amounting to no less than 10% of the Bank's capital,
- ✓ Towards a single party or a group of related parties may not exceed 25% of the capital of the Bank.

The total of all the Bank's large exposures may not exceed 400% of the Bank's capital. The Bank has adopted limits defined by NBS in line with the Decision on managing risks and operates in accordance with them.

4. FINANCIAL RISK MANAGEMENT (continued)

4.7. The risks of investing into other entities and fixed assets

The Bank's investment risk is the risk related to the Bank's investment in a single retail/corporate entity operating outside the financial sector and the risk of the Bank's investment in fixed assets.

Managing this risk implies measuring, monitoring and controlling:

1. the amount of the Bank's investment (the Bank acquires the right to shares or share in capital) in any retail/corporate entity operating outside the financial sector that may not exceed 10% of the Bank's capital,
2. the amount of the Bank's investment in its own fixed assets
3. the total amount of the Bank's investment (the sum of items 1 and 2) that may not exceed 60% of the Bank's capital,
4. managing Board quarterly reporting of movements in indicators of items 1 to 3, and
5. managing Board suggestions relating to corrective measures in order to maintain the investment risk within the prescribed limits.

Limits of Bank's investments:

- The Bank's investments in a single entity operating outside the financial sector may not exceed 10% of the Bank's capital; the limit relates to the investment based on which the Bank acquires the right to shares or share in capital of the entity operating outside the financial sector
- The total amount of the Bank's investments in entities operating outside the financial sector and in fixed assets may not exceed 60% of the Bank's capital.

The Bank has adopted the limits defined by the National Bank of Serbia in accordance with the Decision on Risk Management and operates accordingly.

4.8. Risks related to the country of origin of the entity towards which the Bank is exposed

The risk related to the country of origin of the retail/corporate entity to which the Bank is exposed (country risk) is the risk of adverse effects on the Bank's financial results that may occur due to the Bank's inability to collect its receivables from retail/corporate entity domiciled in a foreign country due to political, economic and social conditions in that country.

The reasons that lead to country risk exposure are as follows:

- Political reasons - significant political changes in a country due to which a debtor is unable to fulfil its obligations to the Bank on a regular basis (change of government, significant political change, political turmoil, wars, catastrophes, etc.)
- Economic reasons - extremely negative economic events in a country due to which foreign debt repayment is seriously questioned or completely hindered.

Country risk is reflected through:

- Risk of non-payment - relates to cases in which debtor is unable to fulfil its obligations to the Bank on a regular basis due to political and economic reasons.
- Transfer risk - represents the possibility that solvent debtor from a foreign country is unable to pay its debt to the Bank in the specified currency due to certain irregularities in that country.
- Guarantee risk - the risk that has occurred as a result of a guarantee issued to an entity in a foreign country for payment to be effected in a third country.

The main goal of the country risk management is to protect the entire Bank's portfolio from possible risk bearing and uncollectible receivables from debtors from countries at risk.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business)

Operational risk is defined as the risk of negative effects on the Bank's financial results and share capital arising from the employee omission, illegal acts, inadequate internal procedures and processes, inadequate management of the Bank's information and other systems and unforeseeable external events.

The bank implemented a system of procedures and methodologies in order to identify, estimate, control and manage operative risks to which it is exposed during its operation.

The main method for identifying and estimating operational risks is RCSA - the process of risk self-estimation and the control with which all the processes and activities in the bank are covered. Taking into account the frequency and impact of potential events, as well as the established controls, risk owners assess the level of risk on an A-D scale.

Events from operational risk are stated in the loss base, and by:

- Business line
- Cause of event
- Type of event
- Type of loss

The base of events is dominated by potential losses from lawsuits against the Bank. Accordingly, the Bank has taken appropriate measures and provided funds to cover losses from legal risk. Analysis of exposure to operational risk is also represented through the introduction of new services and products, and new activities in the Bank, e.g. implementation of mobile banking services, implementation of new AML software, inclusion in electronic invoice system, regional clearing, implementation of new ATMs and considering new activities in order for the Bank to achieve the level of necessary digitalization.

The Bank uses Key Risk Indicators (continued: KRI) as the means of estimation, monitoring and control of operational risk, as well as a preventive mechanism used to prevent losses based on operational risk which is used in the decision making process in order to improve the performance of working processes and the efficiency of controls. Key indicators provide information on changes in exposure toward operational risk and represent the mechanism for proactive reactions to those changes. During 2025, there was no exceedance of the defined exposure levels.

The whole framework of operational risk is based on established limits for operational risks which are based on tracking the levels of total operational risk events compared to the minimal capital requirement, as well as the level of the maximum individual event compared to the capital requirement for operational risks.

Information Risks

The risk management process of the ICT system is established within the framework of comprehensive risk management in the Bank. IT risks are classified as operational risks and are defined as the possibility of negative effects on the financial result and capital, the achievement of business goals, operations in accordance with regulations and the Bank's reputation due to inadequate management of the information system or other weaknesses in that system that negatively affect its functionality or security, that is, threatens the continuity of the Bank's operations.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business) (continued)

Information Risks (continued)

The Bank's information and communication technology system (ICT system) was established as an integral solution with the tendency to support all business processes. The ICT system is a technological-organizational unit that includes: a) electronic communication networks in the sense of the law governing electronic communications; b) devices or groups of interconnected devices such that within the device, that is, within at least one of the group of devices, automatic data processing is performed using a computer program; c) data that is maintained, stored, processed, searched or transmitted using the means mentioned under (a) and (b) for the purpose of their operation, use, protection or maintenance; d) the organizational structure through which this system is managed, e) all types of system and application software and software development tools.

Users of the ICT system are all persons authorized to use the ICT system (employees of the Bank, employees of service providers who access the Bank's ICT system, Bank clients who access the Bank's ICT system through electronic interactive communication channels, etc.). Responsibilities have been formally established in terms of managing and monitoring the operation of the system, as well as reporting to the Bank's management on the state, performance, security and possible problems in the functioning of the IS.

ICT system risk management is also established through the Bank's internal acts, policies and procedures related to the development and maintenance of the ICT system, its management, use, protection and monitoring. Activities related to the engagement of third parties related to the Bank's ICT system are also included.

ICT system risk assessment provides a structural qualitative assessment of the operating environment. These include sensitivity, threats, vulnerabilities, risk and protection. The assessment is taken into account when making decisions on establishing cost-effective safeguards to mitigate threats and abuse vulnerabilities.

ICT system risk assessment is performed using a methodology based on identified resources through a tabular presentation of identified risks (incident scenarios for potential threats to exploit vulnerabilities). As there is a different impact of risk on confidentiality, integrity and availability, this methodology involves calculating a unique impact on the asset taking into account all three factors. According to the performed risk assessment, the Bank's management decides which risk levels are acceptable, and which will require introduction of additional controls.

The Bank has a register of information goods, owners and users are defined, as well as the classification of information goods according to their importance for business, i.e. the degree of sensitivity and criticality, taking into account the possible consequences of breach of confidentiality.

The security of the Bank's information system is organized on several levels. The first level of security is physical security, which refers to the control of access to the Bank's facilities, as well as the control of access to central locations. The second level is logical security at the level of operating systems, computer network and network components, while the third level is logical control of access to application solutions and databases. Also, data security is ensured by additional activities such as the formation of regular copies of data from the system and the existence of a plan to continue operations due to adverse events and the backup location of the Bank. The bank performs regular tests of BCP and DR locations.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business) (continued)

Information Risks (continued)

The framework defines and regulates protection measures, basic principles, manner and procedures for achieving and maintaining an adequate level of security, as well as powers and responsibilities, respecting the principles of internationally recognized standards and recommendations of good practice such as ISO/IEC 27000 series standards for information security, ISO/ISC 20000 and ITIL for IT services management as well as COBIT as a framework for corporate governance and IT management, in accordance with the Law on Information Security, accompanying Regulations of this Law and the NBS Decision on minimum standards of financial institution information system management.

The ultimate goal of this policy is to define information security and protection in the information security management system in order to:

- ensure confidentiality, integrity, availability, authenticity, provability, irrefutability and reliability in the information system,
- ensure the continuity of critical business processes,
- reduce the potential impact of the incident on security and the risk of material and non-material damage through preventive action.

4.10 ALM Risk

The risk of money laundering and terrorist financing is the risk of the occurrence of adverse effects on the Bank's financial results, capital or reputation arising from the use of the Bank (either directly or indirectly through business relationships, transactions, services or products) for the purpose of money laundering and/or the financing of the proliferation of weapons of mass destruction.

This risk primarily arises as a result of the Bank's failure to align its operations with laws, regulations and internal policies governing the prevention of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. It may also arise as a result of inconsistencies within the Bank's internal policies regulating activities in this area.

The Bank has defined the identification, assessment, control and management of the risk of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction through internal policies. The establishment of an appropriate internal organisational structure, an internal control system, as well as continuous employee training, are key factors for the effective management of this risk. In accordance with regulatory requirements, the Bank regularly, and at least once a year, conducts a comprehensive institution-wide risk analysis, assessing the Bank's exposure to risks in relation to clients, geographical areas, products, services, as well as the methods of establishing business relationships and executing transactions.

To enhance and ensure the continuous implementation of AML/CTF policies and procedures, the Bank has established a dedicated organisational unit, the AML/CTF Department. This department undertakes activities aimed at improving and ensuring the continuous application of policies and procedures for managing the risk of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The Bank has provided this unit with adequate human resources, material resources, IT infrastructure and other working conditions, as well as continuous professional training and development for its employees.

4. FINANCIAL RISK MANAGEMENT (continued)

4.11. Compliance Risk (continued)

Ensuring the Bank's compliance with legal and regulatory requirements is a fundamental obligation and an integral part of its business strategy, embedded at all levels of the Bank's operations. The goal is to achieve full compliance with regulatory frameworks, thereby strengthening the stability and integrity of the Bank's operations.

This is accomplished through the strong commitment of the Bank's senior management, who collectively play a key role in establishing and implementing effective procedures and systems to ensure regulatory compliance.

The risk of non-compliance, which could negatively impact the Bank's financial results and capital, is present in various segments of the Bank's operations, particularly in operational areas. It is identified as the risk of potential sanctions, financial losses, and damage to the Bank's reputation due to the failure to adhere to regulatory requirements, professional standards, good business practices, and ethical norms.

To properly and continuously manage this complex risk, the Bank has established a systematic and comprehensive approach, applying the highest level of professional attention.

The compliance function is organized as a separate sector, the Compliance Department, and is tailored to the size and specifics of the Bank's operations.

During 2024, a process of amending numerous laws and bylaws that directly and materially affect the Bank's operations was initiated. This process continued throughout 2025 through amendments to systemic banking laws and secondary legislation. These changes include amendments to the Law on Banks, the Law on the Protection of Financial Services Users, the Law on the Prevention of Money Laundering and Terrorist Financing, as well as numerous Decisions of the National Bank of Serbia. Accordingly, during the year the Compliance Function invested additional efforts to ensure that the implemented changes were analyzed in an appropriate and timely manner and presented to the Bank's management and other organizational units, with the aim of achieving timely alignment with the amended and new regulatory requirements. In addition to presenting the changes and the requirements arising from the alignment process, the Compliance Function also monitors the process and dynamics of compliance and reports to the Bank's management on a monthly and quarterly basis.

4.12. Reputation risk

The risk of non-compliance in the Bank's operations refers to the possibility of negative effects on the Bank's financial results and capital due to the failure to align its operations with the law, regulations, business standards, internal policies, anti-money laundering and counter-terrorist financing procedures, as well as professional rules, good business practices, and ethical norms. This includes the risk of regulatory sanctions, financial losses, and reputational damage.

As one of the risks managed comprehensively within the Bank's risk management framework, compliance risk also encompasses reputational risk. This occurs if the Bank, as a result of failing to ensure compliance, damages its business reputation and erodes customer trust.

4.13. Capital Risk Management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

4. FINANCIAL RISK MANAGEMENT (continued)**4.13. Capital Risk Management (continued)**

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, issue new shares or convert portion of liabilities to subordinated debt.

Under the NBS regulations, the Bank is required to:

- maintain the prescribed minimum monetary share capital of EUR 10 million in RSD counter value at the NBS middle exchange rate;
- maintain the minimum capital adequacy ratio, against the risk bearing assets, of 8%

The Bank's Financial Control Department performs the control of capital based on the capital adequacy ratio and to the end of 2025 is:

	As of 31 December 2025	As of 31 December 2024
Paid in share capital	3,065,958	3,065,958
Share premium	-	-
Reserves from profit, other reserves and reserves for general bank risks	1,200,754	48,445
Intangible assets	(164,404)	(154,179)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(6,688)	(5,106)
Revaluation reserves and other unrealized gains/(losses)	231,672	266,070
Gross amount of receivables from debtors - retail (except farmers and entrepreneurs), with full application of point 13 under 13) of the Decision on capital adequacy	(4,764)	(7,470)
Basic share capital	4,322,528	3,213,718
Additional share capital	-	-
<i>Share capital</i>	4,322,528	3,213,718
<i>Supplementary capital</i>	-	-
Total capital, balance as at 31 December	4,322,528	3,213,718
Capital adequacy ratio, as at 31 December	24.93%	24.24%

4.14. Fair value of financial assets and liabilities

Fair value specified in financial statements is the amount for which an asset may be exchanged, or for which a liability may be settled, between informed, willing parties in an independent transaction.

Fair value is calculated by using market information available on the reporting date, as well as individual method of Bank's assessment.

The fair value of a financial instrument shown at its nominal value is approximately equal to its book value. This includes cash and receivables and liabilities without a defined maturity or fixed interest rate. For other receivables and liabilities, expected future cash flows are discounted to their present value using current interest rates. Having in mind that the variable interest rate is agreed for most financial assets and liabilities of the Bank, changes in prevailing interest rates lead to changes in contractual rates.

4. FINANCIAL RISK MANAGEMENT (continued)

4.14. Fair value of financial assets and liabilities (continued)

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

The fair value of irrevocable credit commitments and contingent liabilities are the same as their book values.

Assessment of financial instruments

The Bank measures the fair value using the following fair value hierarchy that reflects the significance of the inputs used in measurements:

- Level 1: Quoted market prices (unadjusted) in active markets for identical instrument.
- Level 2: Valuation techniques based on observable inputs other than quoted prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments that are valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques that use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of financial assets and financial 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 using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparing to similar instruments for which there is an observable market price and other valuation models. Assumptions and inputs used in valuation techniques include free from risk and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond prices and equity securities, foreign exchange rates, equity and equity-indexed prices and expected price fluctuations and correlations. The objective of valuation techniques to determine the fair value which reflects the price of the financial instrument at the reporting date, which would be defined by the market participants in the free and independent transactions.

The Bank uses widely accepted models of valuation to determine the fair value of financial instruments. Securities of the Ministry of Finance of the Republic of Serbia denominated in RSD and EUR are revalued at the prevailing price on the secondary market.

4. FINANCIAL RISK MANAGEMENT (continued)**4.14. Fair value of financial assets and liabilities (continued)****Assessment of financial instruments (continued)**

The table below shows fair value of financial instrument recognized at fair value in financial statements.

As of 31 December 2025	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	6,687,568	-	6,687,568
Total	-	6,687,568	-	6,687,568
As of 31 December 2024	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	5,105,752	-	5,105,752
Total	-	5,105,752	-	5,105,752

During 2025 and 2024, there were no changes of levels nor reclassifications between fair valuation levels.

The following table shows the fair value of financial instruments that are not measured at fair value and analyses them by level in the fair value hierarchy within which the measurement of fair value is located:

	31 December 2025		31 December 2024	
	Book value	Fair value	Book value	Fair value
Financial (monetary) assets				
Cash and balances with Central Bank	4,698,014	4,698,014	14,742,205	14,742,205
Loans and receivables from banks and other financial organizations	10,262,169	10,262,169	8,221,578	8,221,578
Loans and receivables from customers	9,955,163	9,640,076	8,582,173	8,500,395
Other assets	355,148	355,148	437,018	437,018
Total	25,270,494	24,955,407	31,982,974	31,901,196
Financial (monetary) liabilities				
Deposits and other liabilities due to banks, other financial institutions and Central Bank	252,721	252,721	531,662	531,662
Deposits and other liabilities due to customers	25,604,529	25,604,529	31,235,313	31,235,313
Other liabilities	756,655	756,655	765,566	765,566
Total	26,613,905	26,613,905	32,532,541	32,532,541

4. FINANCIAL RISK MANAGEMENT (continued)**4.14. Fair value of financial assets and liabilities (continued)****Assessment of financial instruments (continued)**

As of 31 December 2025	Fair value			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and balances with Central Bank	4,698,014	-	-	4,698,014
Loans and receivables from banks and other financial organizations	-	-	10,262,169	10,262,169
Loans and receivables from customers	-	-	9,640,076	9,640,076
Other assets	-	-	355,148	355,148
Total	4,698,014	-	20,257,393	24,955,407
LIABILITIES				
Deposits and other liabilities due to banks, other financial institutions and Central Bank	-	-	252,721	252,721
Deposits and other liabilities due to customers	-	-	25,604,529	25,604,529
Other liabilities	-	-	756,655	756,655
Total	-	-	26,613,905	26,613,905

As of 31 December 2024	Fair value			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and balances with Central Bank	14,742,205	-	-	14,742,205
Loans and receivables from banks and other financial organizations	-	-	8,221,578	8,221,578
Loans and receivables from customers	-	-	8,500,395	8,500,395
Other assets	-	-	437,018	437,018
Total	14,742,205	-	17,158,991	31,901,196
LIABILITIES				
Deposits and other liabilities due to banks, other financial institutions and Central Bank	-	-	531,662	531,662
Deposits and other liabilities due to customers	-	-	31,235,313	31,235,313
Other liabilities	-	-	765,566	765,566
Total	-	-	32,532,541	32,532,541

The following is a description of the methodology and assumptions used to determine fair values of financial instruments that have not been valued at fair value in the financial statements.

Assets for which fair value approximates to book value

For financial assets and liabilities that are liquid or have short-term maturities (less than one year) it is assumed that the book value approximates fair value. This assumption also applies to deposits on requirements, savings accounts without a specific maturity and financial instruments with variable rate.

4. FINANCIAL RISK MANAGEMENT (continued)

4.14. Fair value of financial assets and liabilities (continued)

Assessment of financial instruments (continued)

Fixed-rate financial instruments

Fair value of financial assets and liabilities with fixed rates valued at amortized cost are estimated by using market interest rates plus current credit risk. The estimated fair value of deposits with a fixed rate based on the discounted cash flows using prevailing interest rates on the debt on the money market with similar credit risk and maturity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deteriorating operating conditions for borrowers may have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

The preparation of financial statements in accordance with IFRS requires management to use the best estimates and reasonable assumptions that affect the application of accounting policies, the presented amounts of assets and liabilities, as well as income and expenses.

Areas that demand the greatest degree of reasoning, which may significantly affect the amounts presented in the Bank's financial statements, are presented below.

(a) Classification and valuation and impairment of financial assets

Losses due to impairment of loans

The expected credit loss model is based on judgment because it requires an estimate of a significant increase in credit risk and the measurement of expected losses without some more detailed guidance. In terms of a significant increase in credit risk, the Bank has set out specific valuation rules that include quantitative and qualitative criteria. Measurement of expected credit loss involves complex models that rely on historical default and loss rates, their extrapolation in case of insufficient data, individual estimations of credit loss-adjusted cash flows, and probability of scenario realization including forward-looking information.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)***(a) Classification and valuation and impairment of financial assets (continued)******Losses due to impairment of loans (continued)***

The following components have a major impact on expected credit losses:

- determining the level of assessment of expected credit loss on an individual or collective basis;
- the definition of default applied by the Bank;
- development and application of internal credit assessment models, which assign PDs to individual credit risk classes;
- development and application of internal models used to assess non-performance exposures ("EADs") for financial instruments and credit commitments;
- assessment of loss given default ("LGD"), including judgments made in the assessment of collateral;
- criteria for assessing whether there has been a significant increase in credit risk;
- selection of future macroeconomic scenarios and weighting of their probabilities.

Detailed disclosure of the identification of a significant increase in credit risk, including collective, individual credit, foresight techniques used to measure the expected loss and default definition, and other aspects of credit risk assessment are given in Note 4.3.

ECL on individual significant placements are based on estimates of discounted future cash flows of individual placements, taken into account the repayment and realization of any assets that serve as collateral for these placements.

The Bank used forward-looking information to measure expected credit losses.

The ARDL model (autoregressive distributed lag model) was used for forward looking PD. The Model takes into account predictions for assessing macroeconomic variables entering the model given by NBS, Statistical office of the RS and other institutions. These predictions are the basis for the realistic scenario. The second scenario is a pessimistic scenario which stresses value from the first scenario and worsens macroeconomic forecasts, while the third scenario presents an optimistic scenario and to a lesser extent improves estimates of macroeconomic variables. All variables in the models were selected based on their statistical significance in the model. For the above-mentioned scenarios, the following weights are used:

<i>Scenario</i>	<i>Assigned weight</i>
Realistic	50%
Pessimistic	30%
Optimistic	20%

Clients without financial statements (retail)

The regression for those clients includes loans given to the economy with a lag of 2 periods and the share of loans given to the economy in GDP with a lag of 1 period.

Clients with financial statements (Legal entities)

The regression for legal entities includes loans given to the economy with a lag of 3 periods and the share of loans given to the economy in GDP with a lag of 2 periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Significant Increase in Credit Risk (SICR)

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition.

If 10% of loans and advances to customers classified as Stage 1 as at 31 December 2025 are measured by applying the ECL lifetime (for Stage 2), the expected impairment loss would be higher by RSD 94,291 thousand (31 December 2024: higher by RSD 45,250 thousand).

Business model assessment

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)***(a) Classification and valuation and impairment of financial assets (continued)******Assessment whether cash flows are solely payments of principal and interest (SPPI)***

Determining whether financial assets cash flows are solely payments of principal and interest requires judgement.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank's loans include cross-selling clauses that represent a reduction in the interest rate upon the customer entering into other contracts with the Bank or achieving certain criteria, such as maintaining a minimum turnover on current bank accounts held with the Bank. The cash flows are SPPI if such clauses merely reduce the Bank's overall profit margin on the instrument and there are no other features inconsistent with a basic loan arrangement.

The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply, are not relevant for assessing whether cash flows are SPPI. The Bank's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based on quantitative and qualitative factors, described in the relevant accounting policy and the qualitative factors require significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognized nor reclassified out of the credit-impaired stage.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)***(a) Classification and valuation and impairment of financial assets (continued)******Write-off policy***

Financial assets are derecognized, in whole or in part, when the Bank has exhausted all practical recovery efforts and concluded that there are no reasonable expectations of recovery. Determining cash flows for which there is no reasonable expectation of recovery requires assessment. Management has considered the following indicators that there is no reasonable expectation of recovery:

- The decision of the National Bank of Serbia on the accounting write-off of the bank's balance sheet assets stipulates that the Bank is obliged to write off the low-collectability balance sheet assets by transferring the balance sheet assets to the bank's off-balance sheet records. Pursuant to the aforementioned decision, the bank is obliged to write off the problem loan in the event that the amount of impairment of the loan is calculated, which the bank has recorded in favour of the value adjustment of 100% of its gross book value. With these placements, it is evident that there is very little possibility of collection or no source of collection of receivables at all. The possibility of collection is assessed on the basis of the status of proceedings against the client and other participants in the placement.
- In accordance with applicable collection procedures and international financial reporting standards, a bank may partially write off receivables by transferring the uncollectible portion of receivables from the balance sheet to off-balance sheet records. This move recognizes partial non-collectability and reduces the balance receivable to the amount of expected collection, without affecting the legal position of the bank as a creditor, since the claim remains fully recognized and recorded in the bank's books (both on-balance sheet and off-balance sheet records). The decision on partial write-off is made in accordance with the competencies of the Committee for Problematic Placements and based on the analysis of the possibility of voluntary or forced collection, previously conducted procedures, the relationship between the value of receivables and collateral, and available legal remedies in favour of the Bank. If these arguments confirm the partial non-collectability, a part of the claim can be written off.
- If the cost of conducting enforcement proceedings (especially court proceedings) is higher than the amount of the claim, the receivables may be written off when the collection methods are exhausted or become inexpedient by initiating court/enforcement proceedings.

(b) Fair value of securities

The fair value of financial instruments traded in an active market at the balance sheet date is based on quoted market prices of supply or demand, without any deduction for transaction costs. The fair value of financial instruments not quoted in an active market is determined using appropriate valuation techniques, which include net present value techniques, comparison with similar instruments for which there are market prices and other relevant models.

When market inputs are not available, they are determined by valuations that include some degree of judgment in estimating fair value. Valuation models reflect the current market situation at the measurement date and do not have to represent the market conditions before or after the measurement date. Therefore, valuation techniques are revised periodically to adequately reflect current market conditions.

More detailed disclosures are provided in Note 4.14 (Fair value of financial assets and liabilities).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) Estimate of the fair value of buildings and investment property and foreclosed assets

The Bank receives independent appraisals for its investment property and foreclosed assets at least annually, and for business premises (classified as property, plant and equipment) at least every three years.

At the end of each reporting period, management updates its estimate of the fair value of each property, taking into account the most recent independent valuations. Management determines the value of assets within the range of reasonable fair value estimates.

The best evidence of fair value is current price in an active real estate market. If current price information is not available, management reviews information from a variety of sources, including:

- current active market prices for properties of different nature or recent prices for similar properties in less active markets, adjusted to reflect these differences,
- discounted cash flow projections on reliable estimates of future cash flows,
- capitalized revenue forecasts based on the estimated net income of the real estate market and the capitalization rate derived from market evidence analysis.

(d) Recognition of deferred tax assets

Deferred tax assets represent income taxes that may be collected through future reductions in taxable profit. Deferred tax assets are recorded if the achievement of the relevant tax benefits is probable. The future taxable profit and the amount of tax benefits that are probable in the future are based on the medium-term business plan prepared by management, as well as on the subsequent extrapolation of the results of the same plan. The Bank did not recognize deferred tax assets for tax losses carried forward.

(e) Provisions for litigation

The Bank is involved in a number of legal proceedings arising from its ordinary course of business, relating to commercial and contractual matters, as well as employment-related matters, which are resolved or considered in the normal course of business. The Bank routinely assesses the likelihood of adverse outcomes of litigation initiated against the Bank, as well as the amounts of probable or reasonably estimable losses. A certain number of these cases relate to claims for annulment of provisions in loan agreements, such as those relating to loan approval fees charged to individuals and legal entities, the premium of insurance provided by the National Mortgage Insurance Corporation (NKOSK) charged by the Bank to individuals as housing loan borrowers, the Bank's right to unilaterally change interest rates, as well as the application of different exchange rates upon loan disbursement and repayment. In assessing provisions, the Bank evaluates the probability of any adverse outcomes of these disputes and, for those with a probable adverse outcome, calculates provisions based on the actual claim amount, increased by the best estimate of statutory default interest and legal costs.

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

A provision for litigation is recognized when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis. The required provision may change in the future due to new events and as additional information becomes available. Matters that are either contingent liabilities or do not meet the recognition criteria for provision are disclosed, unless the possibility of transferring economic benefits is remote. Refer to Note 27 for further information about the Bank's contingent liabilities in respect of litigations and related provisions.

6. INTEREST INCOME AND EXPENSES

	2025	2024
Interest income based on EIR		
On loans	653,923	641,083
On deposits	166,068	124,332
On securities and REPO transaction	242,403	265,494
On foreign currency loans	4,569	5,281
On foreign currency deposits	254,075	296,885
On foreign currency securities	60,778	40,075
Total:	1,381,816	1,373,150
Interest expense		
On deposits	156,334	128,540
On securities	35,886	34,808
On other liabilities	26	2
On foreign currency deposits	99,660	139,750
On foreign currency securities	476	403
On other foreign currency liabilities	30,824	27,758
Total:	323,206	331,261
Net interest income	1,058,610	1,041,889

Total interest income and expense accounted for using the effective interest method presented in the table relate to financial assets and liabilities that are not carried at fair value through profit and loss statement.

Interest income from loans in dinars in the amount of RSD 653,923 thousand (2024: RSD 641,083 thousand), also includes income from suspended interest in the amount of RSD 4,844 thousand (2024: RSD 33,946 thousand).

Income from interest from securities in the amount of RSD 242,403 thousand (2024: RSD 265,494 thousand), mostly refers to income from interest from government bonds in the amount of RSD 213,648 thousand.

Interest income from foreign currency deposits amounting to RSD 254,075 thousand (2024: RSD 296,885 thousand) mainly relates to interest income from short-term foreign currency deposits placed with other foreign banks, amounting to RSD 202,884 thousand (2024: RSD 171,702 thousand).

Interest expense on deposits in dinars amounting to RSD 156,334 thousand (2024: RSD 128,540 thousand) mainly relates to interest expense on short-term deposits of other enterprises amounting to RSD 80,984 thousand (2024: RSD 68,375 thousand), interest expense on term savings deposits of the population amounting to RSD 23,402 thousand (2024: RSD 31,188 thousand), interest expense on demand deposits of the population amounting to RSD 19,475 thousand (2024: RSD 17,052 thousand), and interest expense on short-term deposits of foreign natural persons amounting to RSD 19,874 thousand (2024: RSD 3,523 thousand).

Interest expense on foreign currency deposits amounting to RSD 99,660 thousand (2024: RSD 139,750 thousand) mainly relates to interest expense on savings and other term foreign currency deposits of the population amounting to RSD 50,189 thousand (2024: RSD 78,155 thousand), while the amount of RSD 23,067 thousand (2024: RSD 19,316 thousand) relates to interest expense on long-term savings deposits of the population with a maturity of 25 months denominated in foreign currency.

6. INTEREST INCOME AND EXPENSES (continued)

Interest income	2025	2024
National Bank of Serbia	184,571	211,444
Banks and other financial institutions	57,345	63,784
Corporate	539,177	505,167
Retail	104,254	125,898
Entrepreneurs	11,184	11,776
Foreign entities	210,754	250,540
Republic of Serbia	274,531	204,541
Total	1,381,816	1,373,150

Interest expense	2025	2024
Banks and other financial institutions	111	361
Corporate	83,797	70,864
Retail	126,058	156,665
Entrepreneurs	592	2,255
Public sector	26	2
Foreign entities	42,991	32,220
Republic of Serbia	36,362	35,211
Other clients	2,445	5,925
Leasing	30,824	27,758
Total	323,206	331,261
Net interest income	1,058,610	1,041,889

7. FEE AND COMMISSION INCOME AND EXPENSE

	2025	2024
Fee and commission income in RSD	3,238,293	3,237,766
Fee and commission income in foreign currency	42,742	31,153
Total:	3,281,035	3,268,919
Fee and commission expense in RSD	318,480	375,267
Fee and commission expense in foreign currency	89,956	59,485
Total:	408,436	434,752
Net fee and commission income	2,872,599	2,834,167

7. FEE AND COMMISSION INCOME AND EXPENSE (continued)

The breakdown of fee and commission income and expenses is presented in table:

	2025	2024
Income from fees for banking services		
- payment cards	34,253	24,066
- domestic payment operations (companies, bank, retail)	80,106	77,910
- commissions for issued guarantees	51,766	41,287
- foreign currency payment operations	105,979	60,832
- banking services	13,816	10,772
- other fees and commissions	7,200	7,119
- exchange operations	658,482	550,809
- buying and selling of foreign currency	2,326,774	2,494,901
- other – early repayment	2,659	1,223
Total income	3,281,035	3,268,919
Expenses from fees for banking services		
- payment cards	1,109	1,117
- domestic payment operations	5,471	6,152
- foreign currency payment operations	89,759	59,430
- banking services	8,250	3,627
- other fees and commissions	1,976	1,658
- buying and selling of foreign currency	301,871	362,768
Total expenses:	408,436	434,752
Net gains from fees and commissions	2,872,599	2,834,167

8. NET FOREIGN EXCHANGE GAINS/(LOSSES) AND CURRENCY CLAUSE EFFECTS

	2025	2024
<i>Foreign exchange gains and losses on:</i>		
Foreign currency deposits and loans	(137,359)	(799)
Foreign currency accounts	72,883	(113,900)
Cash and deposits held with NBS	13,586	2,195
Payment card transactions	1,809	1,899
Other	(14,277)	(984)
Contracted currency clause	12,035	(9,043)
Securities	(34,842)	14,265
Total	(86,165)	(106,367)

9. NET GAIN/(LOSS) FROM IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT

	2025	2024
Impairment loss on balance sheet assets	(1,116,069)	(1,349,691)
Income from reversal of impairment of balance sheet assets	1,090,172	1,185,758
Provision for off-balance sheet items	(112,971)	(153,213)
Income from reversal of provisions for off-balance sheet items	146,712	152,279
Expenses from write-off of uncollectible receivables	(721)	(906)
Income from collected receivables previously written-off	58,671	75,477
Impairment of financial assets valued at FV through OCI	(2,967)	(2,065)
Reversal of impairment of financial asset valued through OCI	600	198
Modification loss	-	(19,815)
Net loss:	63,427	(111,978)

Movements on the accounts of impairment of balance assets in 2025 and 2024 were as follows:

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Opening balance 01 January 2025	386,376	8,038	25,732	420,146
New impairment allowance	970,467	17,510	128,092	1,116,069
Exchange rate differences	3,001	2	2,211	5,214
Sales	(8,853)	(270)	-	(9,123)
Write-off and transfer to off-balance	(31,186)	(823)	(273)	(32,282)
Income from reversal of impairment	(948,051)	(15,021)	(127,100)	(1,090,172)
Balance at the year end	371,754	9,436	28,662	409,852

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Opening balance 01 January 2024	246,239	8,201	11,146	265,586
New impairment allowance	1,131,581	15,028	203,083	1,349,692
Exchange rate differences	(1,877)	1	(3,450)	(5,326)
Write-off	(72)	(766)	(16)	(854)
Transfer to off-balance sheet items	(3,629)	(144)	(275)	(4,048)
Income from reversal of impairment	(985,866)	(14,282)	(184,756)	(1,184,904)
Balance at the year end	386,376	8,038	25,732	420,146

10. NET GAINS FROM DERECOGNITION OF THE FINANCIAL INSTRUMENTS RECOGNIZED AT AMORTIZED COST

	2025	2024
Gains from sale of of the financial instruments recognized at amortised cost	9,019	-
Total	9,019	-

11. OTHER OPERATING INCOME

	2025	2024
Rent income	10,588	14,101
Revenues from damage compensation	-	9,801
Other	1,595	-
Total	12,183	23,902

12. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

	2025	2024
Costs of salaries	446,152	361,657
Costs of employee compensations	63,816	47,840
Taxes for salaries and wages	63,069	50,703
Contributions for salaries and wages	121,205	93,030
Compensations for temporary and occasional work	38,097	7,048
Other personal expenses	40,583	38,390
Net expense for provisions for unused days of annual leave, retirement and bonus	287,995	393,227
Total	1,060,917	991,895

13. DEPRECIATION COSTS

	2025	2024
Intangible assets	53,172	36,589
Fixed assets	70,751	60,284
Right of use assets	89,937	67,309
Total	213,860	164,182

14. OTHER INCOME

	2025	2024
Income from derecognition of provisions for litigation	3,963	2,228
Income from sale of fixed assets	117	-
Income from sale of asset acquired by collecting of receivables	10,067	459
Income from sale of investment property	-	9,828
Other income	15,634	17,209
Income from legal actions finalised in favour of the Bank	3,395	4,699
Revenues from damage compensation	184	-
Income from changes in the fair value of investment property	294	-
Total	33,654	34,423

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15. OTHER EXPENSES

	2025	2024
Costs of materials	30,948	30,778
Costs of production services	98,583	55,822
Non-material costs (without taxes and contributions)	414,976	353,237
Taxes	29,127	23,800
Contributions	96,918	75,093
Provisions for liabilities (Note 28)	8,801	42,630
Shortages and damages	5	-
Losses on disposal and write-off of fixed assets and intangible investments	116	11,577
Losses on changes in value of fixed assets acquired by collecting receivables and investment property	1,946	47,693
Other expenses	60,786	109,140
Total	742,206	749,770

16. INCOME TAX

Total tax (expense)/income consists of the following taxes:

	2025	2024
Income tax	(235,242)	(160,435)
Deferred tax credit (Note 28)	-	10,197
Deferred tax loss (Note 28)	(4,160)	-
Total tax expense	(239,402)	(150,238)

Current income tax on the Bank's profit before tax differs from the theoretical amount that would result from the use of weighted average tax rate and would be as follows:

	2025	2024
Gain prior to taxation	1,946,344	1.810.188
Income tax per rate of 15%	(291,952)	(271.528)
Tax effects of expenses adjustment	8,316	(8.213)
Tax effect of income adjustment	43,965	40.870
Tax effect of capital gains	-	(279)
<i>Temporary differences on:</i>		
Depreciation calculated for tax and accounting purposes	23,542	(4.930)
Long term provisions	(1,034)	800
IAS 19	184	91
Valuation of assets acquired by collection of receivables	(22,423)	5.377
Tax effect based on the reduction of current tax in accordance with legal regulations	(4,429)	8.859
Income tax before tax credit	(243,831)	(228.953)
Used tax credit	4,429	78.715
Income tax presented in the income statement	(239,402)	(150.238)
<i>Effective tax rate (prior to tax credit)</i>	<i>12,5%</i>	<i>12,6%</i>

Based on the achieved result in 2024 and the computed profit tax in the amount of RSD 151,873 thousand, the Bank utilised the total remaining tax credit in the amount of RSD 78,715 thousand. The Bank has no remaining unused tax credit in 2025. In the Tax Balance Sheet for 2025, the Bank utilized the entire remaining amount of the tax credit of RSD 4,429 thousand to reduce its corporate income tax liability, in accordance with Article 50k of the Corporate Income Tax Law (and based on the Law on the Conversion of Housing Loans Indexed in Swiss Francs).

17. CASH AND BALANCES WITH CENTRAL BANK

	31 December 2025	31 December 2024
Giro account	2,340,502	2,331,036
Cash on hand in RSD	246,808	169,380
Receivables for calculated interest, fee and commission per cash funds held with Central Bank	2	1
Cash on hand in foreign currency	341,691	194,368
Obligatory foreign currency reserve held with NBS	1,768,254	6,246,550
Receivables for interest on avista deposits with NBS in foreign currency		99
Accruals for cash and assets with the NBS	648	748
Accrued receivables for interest for avisa deposits with NBS in foreign currency	109	23
Deposits of surplus liquid funds with the NBS	-	5,800,000
Total	4,698,014	14,742,205

The Bank calculates and allocates the obligatory reserve with the National Bank of Serbia in the amount and in the manner determined by the Decision on obligatory reserve of banks with the National Bank of Serbia. The obligatory reserve in dinars is allocated to the gyro account and is therefore not separately disclosed.

The obligatory reserve with the NBS represents the minimum reserve of dinar and foreign currency funds allocated in accordance with the Decision of the NBS and can be used for liquidity if necessary. The obligatory reserve in dinars is calculated by the Bank on liabilities in dinars, loans and securities, as well as in other dinars liabilities other than dinars deposits received on transactions performed by the Bank in the name and on behalf of third parties which do not exceed the number of placements provided by the Bank given from those deposits.

The National Bank of Serbia pays interest on the amount of the average daily balance of the allocated RSD obligatory reserve in the accounting period, which does not exceed the amount of the RSD obligatory reserve at the interest rate of 0.75% annually.

The Bank calculates its foreign currency obligatory reserve on liabilities for foreign currency deposits, loans and securities and other foreign currency liabilities, as well as on deposits, loans and other foreign currency received from abroad in the operations performed by the Bank on behalf and for the account of third parties.

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

The table below shows summary of cash and cash equivalents disclosed in cash flow statements:

	31 December 2025	31 December 2024
Current and gyro account	2,340,502	2,331,036
Cash on hand	246,808	169,380
Total in RSD	2,587,310	2,500,416
Foreign currency account	2,588,348	1,772,924
Cash on hand	341,691	194,368
Total in foreign currency	2,930,039	1,967,292
Total cash	5,517,349	4,467,708
<i>Less: Allowances for impairment</i>	<i>13,936</i>	<i>13,172</i>
Balance as of 31 December	5,503,413	4,454,536

18. SECURITIES

	31 December 2025	31 December 2024
Securities in RSD	4,457,451	3,395,612
Securities in foreign currency	1,961,721	1,398,543
Accrued interest	162,247	136,710
Premium/(discount)	106,149	174,887
Total	6,687,568	5,105,752

Securities measured in the bank's balance relate to securities at fair value through other comprehensive income and consist entirely of long-term bonds of the Republic of Serbia.

Impairment allowance of securities measured at fair value through other comprehensive income:

	31 December 2025	31 December 2024
Balance on 1st January	8,536	6,646
Increase	2,998	2,122
Decrease	(689)	(232)
Total impairment allowance	10,845	8,536

19. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

	31 December 2025	31 December 2024
Bank foreign currency account	2,523,626	1,722,541
Funds on the account with the domestic bank intended for the purchase of securities	11,337	10,297
Bank's foreign currency account with CRHOV	39,449	26,914
Other earmarked deposits in foreign currency	7,613	7,595
Short-term deposits with domestic banks in RSD	926,762	-
Short-term deposits with domestic banks in foreign currency	1,518,971	2,797,616
Short-term deposits with other foreign banks in foreign currency	3,771,614	3,643,749
Interest receivables from banks in foreign currency	9,237	12,866
Repo transactions	1,106,450	-
Long-term loans to other financial organizations	346,899	-
Short-term earmarked deposits to other financial organizations	211	-
Total	10,262,169	8,221,578

Movement of loan loss provision is shown in the table below:

	31 December 2025	31 December 2024
Balance on 1st January	40,136	7,632
Increase	491,836	505,234
Reduction	(503,610)	(472,730)
Total loan loss provision	28,362	40,136

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20. LOANS AND RECEIVABLES FROM CUSTOMERS

	31 December 2025	31 December 2024
Accrued interest on loans, deposits and other placements	22,507	25,594
Calculated fee and commission on loans, deposits and other placements	1,713	1,600
<i>Impairment of accrued interest, fees and commissions on loans, deposits and other placements</i>	(4,264)	(3,198)
Accrued interest on loans, deposits and other placements in foreign currency	-	4
Loans on transaction accounts	43,437	57,725
Consumer loans	158	746
Liquidity and working capital loans	2,997,069	5,129,802
Investment loans	4,956,720	2,024,375
Housing loans	1,753,735	1,312,206
Cash loans	406,721	245,111
Other loans	8,381	11,334
<i>Impairment of loans granted in dinars</i>	(349,176)	(356,976)
Other earmarked deposits	23,845	21,071
<i>Impairment of other earmarked deposits</i>	(325)	(76)
Exposures arising from acceptances, avals, and payments executed under guarantees and letters of credit	9,360	-
<i>Impairment of exposures arising from acceptances, avals, and payments executed under guarantees and letters of credit</i>	(7,288)	-
Accrued receivables for interest from loans, deposits and other placements	23,053	19,133
Deferred maturities and interest - moratorium	11,061	13,894
<i>Impairment of accrued expenses and deferrals in dinars</i>	(1,254)	(1,352)
Loans for imports of goods and services from abroad in foreign currency	-	15,972
Loans for purchase of property in foreign currency	90,502	95,153
<i>Impairment of loans in foreign currency</i>	(617)	(2,535)
Accrued receivables for interest for loans, deposits and other placements in foreign currency	70	148
Accrued income for receivables stated at amortized value using the effective interest rate	(30,245)	(27,558)
Total	9,955,163	8,582,173

Movement of loan loss provision is shown in the table below:

	31 December 2025	31 December 2024
Balance on 1st January	364,137	248,071
Increase	643,258	841,812
Reduction	(644,471)	(725,746)
Total loan loss provision	362,924	364,137

20. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

Breakdown of loans and receivables as of 31.12.2025 is presented in the table below:

	Short-term loans		Long-term loans		Total 2025	Total 2024
	In RSD	In foreign currency	In RSD	In foreign currency		
Interest and fee receivables	6,738	-	17,482	-	24,220	27,199
<i>Impairment of interest and fees</i>	(2,184)	-	(2,080)	-	(4,264)	(3,198)
Placements to clients	914,456	-	9,261,125	90,502	10,266,083	8,912,238
Modifications	-	-	-	-	-	(19,815)
<i>Impairment of placements</i>	(31,603)	-	(324,861)	(617)	(357,081)	(359,511)
Placed deposits	-	-	22,086	1,759	23,845	21,071
<i>Impairment of placed deposits</i>	-	-	(184)	(141)	(325)	(76)
Accrued interest receivables calculated for loans, deposits and other placements	25,240	-	8,874	70	34,184	(27,559)
Accrued income for receivables at amortized costs applying effective interest rate	(29,385)	-	(860)	-	(30,245)	33,176
<i>Impairment of accruals in dinars</i>	(952)	-	(302)	-	(1,254)	(1,352)
TOTAL	882,310	-	8,981,280	91,573	9,955,163	8,582,173

	Legal	Entrepreneurs	Retail	Foreign	Other	Total 2025	Total 2024
	entities			persons	customers		
Interest receivable	19,626	353	3,022	113	1,106	24,220	27,198
- in dinars	19,626	353	3,022	113	1,106	24,220	27,194
- in foreign currency	-	-	-	-	-	-	4
<i>Impairment of interest receivables and fees</i>	(3,045)	(29)	(469)	(29)	(692)	(4,264)	(3,199)
- in dinars	(3,045)	(29)	(469)	(29)	(692)	(4,264)	(3,199)
- in foreign currency	-	-	-	-	-	-	-
Accrued receivables for interest on loans, deposits and other placements	12,359	275	16,228	278	5,044	34,184	33,177
<i>Impairment of accruals in dinars</i>	(197)	(18)	(613)	(53)	(373)	(1,254)	(1,352)
Accrued income for receivables at amortized cost applying effective interest rate	(27,448)	(668)	(2,129)	-	-	(30,245)	(27,559)
Placements to clients	7,813,457	192,134	2,152,343	108,149	-	10,266,083	8,912,239
- in dinars	7,813,457	192,134	2,152,343	17,647	-	10,175,581	8,801,114
- in foreign currency	-	-	-	90,502	-	90,502	111,125
Impairment and provisions made	(284,108)	(5,577)	(62,285)	(5,111)	-	(357,081)	(359,511)
- in dinars	(284,108)	(5,577)	(62,285)	(4,494)	-	(356,464)	(356,977)
- in foreign currency	-	-	-	(617)	-	(617)	(2,534)
Placed deposits	23,845	-	-	-	-	23,845	21,071
- in dinars	22,086	-	-	-	-	22,086	19,316
- in foreign currency	1,759	-	-	-	-	1,759	1,755
Impairment of placed deposits	(325)	-	-	-	-	(325)	(76)
- in dinars	(184)	-	-	-	-	(184)	(65)
- in foreign currency	(141)	-	-	-	-	(141)	(11)
Modifications	-	-	-	-	-	-	(19,815)
Total net	7,554,164	186,470	2,106,097	103,347	5,085	9,955,163	8,582,173

20. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

The concentration of gross credit risk exposure by sectors is given in the following table:

	31 December 2025	31 December 2024
Accommodation and catering services	120,196	55,881
Administrative and support service activities	736,173	685,240
Agriculture, forestry and fishing	35,226	297,963
Arts, entertainment and recreation	307,407	398,105
Construction	1,654,213	1,544,697
Financial and insurance activities	-	161,893
Information and communication	55,796	123,501
Manufacturing industry	1,850,748	1,475,018
Professional, scientific, innovation and technical activities	177,988	335,776
Real estate business	983,868	78,978
Traffic and storage	63,560	107,229
Wholesale and retail trade, repair	1,519,656	1,921,920
Mining	14,772	19,443
Other service activities	30,982	23,996
Health and social care	12,510	9,665
Water supply	42,008	13,950
Education	36,997	10,152
Electricity supply	398,020	-
Public administration and defence; compulsory social security	-	-
Loans to individuals - housing loans	1,764,484	1,323,965
Placements to individuals - cash and consumer loans	509,377	353,847
Loans to individuals - credit cards	2,006	2,209
Placements to individuals - overdraft	2,100	2,884
Placements to customers, gross	10,318,087	8,946,312

21. INTANGIBLE ASSETS

	Software	Intangible assets under construction	Total
Opening balance 01.01.2024	465,553	7,767	473,320
Additions	110,369	-	110,369
Write-off	(3,564)	-	(3,564)
Balance as of 31.12.2024	572,358	7,767	580,125
Accumulated depreciation			
Opening balance 01.01.2024	392,604	-	392,604
Charges in the year	36,590	-	36,590
Write-off	(3,248)	-	(3,248)
Balance as of 31.12.2024	425,946	-	425,946
Opening balance 01.01.2025	572,358	7,767	580,125
Additions	60,496	2,901	63,397
Write-off	(24,468)	-	(24,468)
Balance as of 31.12.2025	608,386	10,668	619,054
Accumulated depreciation			
Opening balance 01.01.2025	425,946	-	425,946
Charges in the year	53,172	-	53,172
Write-off	(24,468)	-	(24,468)
Balance as of 31.12.2025	454,650	-	454,650
Net book value as of 31.12.2024	146,412	7,767	154,179
Net book value as of 31.12.2025	153,736	10,668	164,404

22. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment and other fixed assets	Leasehold improvements	Fixed assets in progress	Right to use lease assets	Total
Cost or valuation						
Opening balance						
as of 01 January 2024	504,865	399,447	70,411	-	492,820	1,467,543
Additions	-	51,984	14,017	63,334	151,527	280,862
Changes in contract	-	-	-	-	4,768	4,768
Transfer from item in preparation	-	41,980	20,037	(62,017)	-	-
Disposals	(2,039)	(30,440)	-	-	(40,934)	(73,413)
Valuations	18,297	-	-	-	-	18,297
Balance on 31 December 2024	521,123	462,971	104,465	1,317	608,181	1,698,057
Accumulated depreciation						
Opening balance						
as of 01 January 2024	214,327	286,399	17,354	-	84,448	602,528
Depreciation	6,556	41,067	12,660	-	67,309	127,592
Disposals	(2,039)	(16,572)	-	-	(39,967)	(58,578)
Balance on 31 December 2024	218,844	310,894	30,014	-	111,790	671,542
Net current value						
1 January 2024	290,538	113,048	53,057	-	408,372	865,015
Net current value						
31 December 2024	302,279	152,077	74,451	1,317	496,391	1,026,515
Cost or valuation						
Opening balance						
as of 01 January 2025	521,123	462,971	104,465	1,317	608,181	1,698,057
Additions	-	40,872	6,391	65,487	94,024	206,774
Changes in contract	-	-	-	-	8,733	8,733
Transfer from item in preparation	-	45,793	20,157	(65,950)	-	-
Disposals	-	(667)	-	-	-	(667)
Write-off	-	(40,107)	(3,921)	-	(45,853)	(89,881)
Balance on 31 December 2025	521,123	508,862	127,092	854	665,085	1,823,016
Accumulated depreciation						
Opening balance						
as of 01 January 2025	218,844	310,894	30,014	-	111,790	671,542
Depreciation	6,774	41,404	22,573	-	89,937	160,688
Disposals	-	(667)	-	-	-	(667)
Write-off	-	(39,990)	(3,921)	-	(38,228)	(82,139)
Balance on 31 December 2025	225,618	311,641	48,666	-	163,499	749,424
Net current value						
1 January 2025	302,279	152,077	74,451	1,317	496,391	1,026,515
Net current value						
31 December 2025	295,505	197,221	78,426	854	501,586	1,073,592

There are no registered mortgages over the buildings as collateral for loan repayment.

22. PROPERTY, PLANT AND EQUIPMENT (continued)

Lease costs amount to RSD 143,638 thousand (2024: RSD 111,579 thousand) and are stated over the cost of depreciation of lease rights in the amount of RSD 89,937 thousand, interest in the amount of RSD 30,824 thousand, VAT costs in the amount of RSD 21,720 thousand and FX losses in the amount of RSD 1,157 thousand. The standard stipulates that total costs during the lease period will be the same as before the application of IFRS 16, but they will be higher in the initial periods and will decrease later.

The table below shows lease summary as of 31 December 2025:

	31 December 2025	31 December 2024
Business premises	459,394	437,237
Vehicles	42,192	59,154
Total	501,586	496,391

23. INVESTMENT PROPERTY

	31 December 2025	31 December 2024
Investment property	195,190	195,087
Total	195,190	195,087

At the end of 2025, the value of all investment properties that were in stock was reduced to the value estimated by authorized FinSelect appraisers. The following table shows movement of investment property item during 2025.

Balance on 1 January 2024	268,009
Value correction - appraisals	(11,564)
Sale	(61,358)
Balance on 31 December 2024	195,087
Balance on 1 January 2025	195,087
Value correction - appraisals	103
Sale	-
Balance on 31 December 2025	195,190

The costs of property tax, as well as the costs of tax on the transfer of absolute rights, are borne by the Bank. The net income from lease of property for the year 2025 is RSD 10,694 thousand (2024: RSD 14,101 thousand).

24. OTHER ASSETS

	31 December 2025	31 December 2024
Receivables for computed compensation and commission for other assets	6,816	5,539
<i>Impairment of receivables for commissions</i>	<i>(3,839)</i>	<i>(3,310)</i>
Advance payments made	121,702	107,577
Receivables for prepaid taxes and contributions	5	5
Receivables from employees	4,627	2,641
Other receivables from business operations	14,093	10,305
Transition and temporary accounts	(9,292)	(2,162)
Accounts receivable	3,068	3,996
<i>Impairment of other receivables</i>	<i>(14,726)</i>	<i>(12,558)</i>
Other investments	374	374
<i>Impairment of investments in dinars</i>	<i>(1)</i>	<i>(2)</i>
Accrued other costs	25,542	9,921
Other accruals	7,096	7,561
Value added tax	-	1,612
Trade receivables	141	-
Assets acquired by receivable collection	199,542	305,519
Total	355,148	437,018

Assets acquired through the receivables collection, which on 31.12.2025 amounted to RSD 199,542 thousand (31.12.2024: RSD 305,519 thousand), are result of the sales in the amount of RSD 104,222 thousand and decrease in valuation in the amount of RSD 1,755 thousand.

Carrying amount of acquired assets at the beginning and end of the period:

Balance on 1 January 2024	344,470
Value - estimation adjustment	(36,129)
Sales	(2,822)
Balance on 31 December 2024	305,519
Balance on 1 January 2025	305,519
Valuations	(1,755)
Sales	(104,222)
Balance on 31 December 2025	199,542

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

	31 December 2025	31 December 2024
Transaction deposits	250,480	230,417
- in dinars	211,871	130,520
- in foreign currency	38,609	99,897
Other deposits	-	300,000
- in dinars	-	300,000
- in foreign currency	-	-
Other financial liabilities	-	261
- in dinars	-	261
Liabilities for fees and commissions on loans, deposits and other financial liabilities	2,241	548
- in dinars	448	548
- in foreign currency	1,793	
Accrued liabilities for accrued interest on loans, deposits and other financial liabilities	-	436
- in dinars	-	104
- in foreign currency	-	332
Total	252,721	531,662

26. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS

	31 December 2025	31 December 2024
Transaction deposits	16,479,460	16,596,813
- in dinars	7,054,922	7,036,946
- in foreign currency	9,424,538	9,559,867
Saving deposits	6,840,358	10,759,756
- in dinars	2,072,857	1,411,229
- in foreign currency	4,767,501	9,348,527
Deposits for loans granted	316,112	392,585
- in dinars	155,106	221,475
- in foreign currency	161,006	171,110
Earmarked deposits	1,061,330	1,119,488
- in dinars	87,880	77,287
- in foreign currency	973,450	1,042,201
Other deposits	362,870	1,792,452
- in dinars	311,908	1,660,816
- in foreign currency	50,962	131,636
Liabilities for interest on loans, deposits and other financial liabilities	824	1,350
- in dinars	824	1,350
Accrued interest on loans, deposits and other financial liabilities	92,703	127,523
- in dinars	24,147	58,370
- in foreign currency	68,556	69,153
Other financial liabilities	450,872	445,346
- in foreign currency	450,872	445,346
Total	25,604,529	31,235,313

Transaction deposits are non-interest bearing.

Interest rate on avista deposits in RSD was in range of 0.00% - 3.00%.

Interest rate on short-term deposits in RSD was in range of 1.25% - 4.75%.

Interest rate on long-term deposits in RSD was in range of 3.50% - 4.00%.

Interest rate on avista deposits in EUR was in range of 0.00% - 1.50%.

Interest rate on short-term deposits in EUR was in range of 0.25% - 2,80%.

Interest rate on long-term deposits in EUR was in range of 2,00% - 3.00%.

Interest rates on short-term and long-term deposits in USD, GBP amount to 0.1%.

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All amounts are expressed in thousands of RSD unless otherwise stated
26. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS (continued)

	Legal entities	Entrepreneurs	Public sector	Retail	Foreign persons	Other customers	Total 2025	Total 2024
Transaction deposits								
- in RSD	5,125,752	320,414	51,083	491,615	969,321	96,737	7,054,922	7,036,945
- In foreign currency	1,434,145	95,733	-	1,199,256	6,652,561	42,843	9,424,538	9,559,867
Savings deposits								
Short-term deposits:								
- in RSD	-	-	-	1,179,166	887,129	-	2,066,295	1,409,108
- In foreign currency	-	-	-	2,012,022	2,053,230	-	4,065,252	8,658,549
Long-term deposits:								
- in RSD	-	-	-	6,562	-	-	6,562	2,120
- In foreign currency	-	-	-	603,849	98,400	-	702,249	689,978
Deposits on loans								
Short-term deposits:								
- In foreign currency	-	-	-	20,472	-	-	20,472	16,493
Long-term deposits:								
- in RSD	108,000	6,631	-	40,475	-	-	155,106	221,475
- In foreign currency	-	-	-	140,534	-	-	140,534	154,617
Dedicated deposits								
Short-term deposits:								
- in RSD	24,764	-	-	1,057	100	-	25,921	18,501
- In foreign currency	220,019	-	-	-	32,821	-	252,840	163,464
Long-term deposits:								
- in RSD	61,959	-	-	-	-	-	61,959	58,786
- In foreign currency	699,253	-	-	-	21,357	-	720,610	878,737
Other deposits								
Short-term deposits:								
- in RSD	214,718	28,085	1	-	68,097	-	310,901	1,654,817
- In foreign currency	39,234	-	-	-	11,728	-	50,962	95,570
Long-term deposits:								
- in RSD	1,007	-	-	-	-	-	1,007	6,000
- In foreign currency	-	-	-	-	-	-	-	36,066
Total	7,928,851	450,863	51,084	5,695,008	10,794,744	139,580	25,060,130	30,661,093
Interest liabilities								
- in RSD	824	-	-	-	-	-	824	1,350
Accrued interest on loans, deposits and other financial liabilities								
- in RSD	7,273	459	-	11,153	5,262	-	24,147	58,370
- In foreign currency	773	-	-	64,194	3,589	-	68,556	69,154
Other financial liabilities								
- In foreign currency	339,705	-	-	-	111,167	-	450,872	445,346
Total	348,575	459	-	75,347	120,018	-	544,399	574,220
Total deposits and other liabilities	8,277,426	451,322	51,084	5,770,355	10,914,762	139,580	25,604,529	31,235,313

27. PROVISIONS

	31 December 2025	31 December 2024
Provisions for litigation	44,952	51,848
Provisions for off-balance sheet assets	25,551	59,292
Provisions for pensions	5,292	4,068
Short term provision for employees	317,522	317,315
Total	393,317	432,523

27. PROVISIONS (continued)

Provisions for legal costs in the amount of RSD 44,952 thousand (31 December 2024: RSD 51,848 thousand) refer to the possible liabilities arising from negative outcomes of court cases filed against the Bank. Separate provisions related to lawsuits for fees and NKOSK amount to RSD XX thousand. The bank, similarly, to other banks on the market, is the subject of various court disputes related to certain fees in credit agreements. For such cases, the Bank created a provision (included in the above amount) of RSD XX thousand. Currently, it is not possible to accurately determine the outcome of all these lawsuits. The Bank's management estimates that there will be no materially significant from outcome of ongoing court disputes, above the amount for which the provision was made.

As of 31 December 2025, provisions for pensions in the amount of RSD 5,292 thousand (31 December 2024: RSD 4,068 thousand) were made in accordance with IAS 19. Short term provision for employees refer to provision for unused holiday and bonuses.

Movements on provisioning accounts during 2025:

	Provisions for pensions	Short term provision for employees	Provisions for litigations	Provisions for off-balance sheet assets
Balance on 01.01.2025	4,068	317,315	51,848	59,292
Provisions during the year	1,224	290,684	8,801	112,971
Cancellation provisions/cancellation income	-	(290,477)	(15,697)	(146,712)
Balance on 31 December 2025	5,292	317,522	44,952	25,551

Movements on provisioning accounts during 2024:

	Provisions for pensions	Short term provision for employees	Provisions for litigations	Provisions for off-balance sheet assets
Balance on 01.01.2024	3,459	95,597	46,512	58,359
Provisions during the year	609	392,622	40,402	162,316
Cancellation provisions/cancellation income	-	(170,904)	(35,066)	(161,383)
Balance on 31 December 2024	4,068	317,315	51,848	59,292

28. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated on temporary differences using the liability method, using the effective tax rate of 15% (31 December 2024: 15%).

Deferred tax assets and liabilities are "offset" when there is a legally enforceable right to "offset" current tax assets with current tax liabilities and when deferred income tax applies to the same fiscal authority.

	31 December 2025	31 December 2024
Deferred tax assets	-	21,188
Deferred tax liabilities	(31,102)	-
Net deferred tax assets	(31,102)	21,188

28. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements on deferred tax assets and liabilities in 2025 are given in the following table:

	Balance on 01.01.2025	Charged/credited to P/L	Charged/credited to OCI	Balance as of 31.12.2025
Provisions for litigation	7,777	(1,034)	-	6,743
IAS 19 provision	610	183	-	793
Value decrease of acquired assets	28,953	(22,423)	-	6,530
Tax depreciation	(18,741)	23,542	-	4,801
Fair value of securities	10,002	-	(10,165)	(163)
Change in the value of property	(11,842)	-	(37,964)	(49,806)
Unused loan based on a loan in CHF	4,429	(4,429)	-	-
UKUPNO	21,188	(4,161)	(48,129)	(31,102)

Movements on deferred tax assets and liabilities in 2024 are given in the following table:

	Balance on 01.01.2024	Charged/credited to P/L	Charged/credited to OCI	Balance as of 31.12.2024
Provisions for litigation	6,976	801	-	7,777
IAS 19 provision	519	91	-	610
Value decrease of acquired assets	23,576	5,377	-	28,953
Tax depreciation	(13,811)	(4,930)	-	(18,741)
Fair value of securities	69,296	-	(59,294)	10,002
Change in the value of property	(9,097)	-	(2,745)	(11,842)
Unused loan based on a loan in CHF	-	4,429	-	4,429
UKUPNO	77,459	5,768	(62,039)	21,188

29. OTHER LIABILITIES

	31 December 2025	31 December 2024
Liabilities for fees and commissions on other liabilities		
- in RSD	76	50
- in foreign currency	3,755	48
Liabilities toward suppliers		
- in RSD	72,173	32,384
- in foreign currency	789	720
Other liabilities from business operations		
- in RSD	59,306	40,798
- in foreign currency	19,385	17,099
Liabilities accrued		
- in RSD	39,883	12,387
- in foreign currency	16	15
Liabilities for taxes and contributions	1,233	2,742
Accrued liabilities for other accrued expenses		
- in RSD	1,272	3,921
- in other currency	19,230	131,281
Deferred income		
- in RSD	13,925	16,441
Liabilities for leases in foreign currency	525,612	507,680
Total	756,655	765,566

Other liabilities from business operations in the amount of RSD 59,306 thousand (31 December 2024: RSD 40,798 thousand) mostly refer to liabilities for calculated costs in the amount of RSD 36,677 thousand (31 December 2024: RSD 17,704 thousand) and liabilities for transferred assets from closed accounts in the amount of RSD 22.005 thousand (31 December 2024: RSD 19,115 thousand).

Lease liabilities are detailed in Note 22.

30. OFF-BALANCE SHEET

	31.12.2025.	31.12.2024.
Lending under transactions for and on behalf of third parties	30,046	31,066
Guarantees and other commitments	2,998,700	2,588,133
Irrevocable commitments for undisbursed loans and investments	1,169,210	1,209,387
Other irrevocable commitments	-	23,325
Guarantees and other commitments in foreign currency	140,834	165,825
Other irrevocable commitments in foreign currency	-	234,030
Other off-balance sheet assets	19,560,642	18,082,586
Written-off financial assets	1,660,751	1,700,810
Total	25,560,183	24,035,162

Guarantees and other commitments are presented in table below:

	31.12.2025.	31.12.2024.
Payment guarantees	1,844,352	1,799,137
- in RSD	1,768,353	1,688,090
- in foreign currency	75,999	111,047
Performace guarantees	1,295,182	954,821
- in RSD	1,230,347	900,043
- in foreign currency	64,835	54,778
Total	3,139,534	2,753,958

Irrevocable commitments for undisbursed loans and investments in amount of RSD 1,169,210 thousand (31.12.2024: RSD 1,209,387 thousand), mostly consist of commitments for undisbursed loans in with foreign currency clause in the amount of RSD 750,810 thousand (31.12.2024: RSD 540,884 thousand).

Other off-balance sheet assets consist of:

	31.12.2025.	31.12.2024.
Received residential properties as collateral in favor of the Bank	4,602,315	4,375,641
Received commercial real estate as collateral in favor of the Bank	6,941,970	7,334,110
Documented Government Securities in the Bank's Portfolio - nominal value of bonds	6,351,651	4,794,402

Structure of written-off receivables is as follows:

	31.12.2025.	31.12.2024.
Corporate	475,383	454,790
Entrepreneurs	163,083	168,180
Retail	1,022,285	1,077,840
Total	1,660,751	1,700,810

31. EQUITY

Within the item of equity, the Bank presents share capital, issue premium, accumulated loss, profit reserves, other reserves and revaluation reserves.

On 31 December 2025, share capital amounts to RSD 3,065,958 thousand and consists of 11,343,217 ordinary shares with individual value of RSD 270.29.

	31 December 2025	31 December 2024
Share capital - ordinary shares	3,065,958	3,065,958
Share premium	-	-
Profit for the current year	1,706,942	1,659,951
Profit for the previous years	-	322,333
Loss of previous years	-	-
Profit reserves	1,152,309	-
Other reserves	48,445	48,445
Revaluation reserves	289,486	267,938
Total	6,263,140	5,364,625

In 2025, the Bank paid a dividend to the sole shareholder in the gross amount of RSD 829,975 thousand.

Other reserves relate to special reserves from profit for estimated losses on balance sheet assets in the amount of RSD 38,782 thousand and off-balance sheet items in the amount of RSD 9,663 thousand which were formed in the earlier period.

Positive revaluation reserves in the amount of RSD 289,486 thousand (31 December 2024: positive RSD 267,938 thousand) were generated by positive effect of change in fair value from financial assets in the amount of RSD 11,933 thousand (31 December 2024: negative effect RSD 58,145 thousand). Also, within the revaluation reserves are shown reserves from change in value of fixed assets in the amount of RSD 332,045 thousand (31 December 2024: RSD 332,045 thousand), loss from calculation of deferred tax for increase in value of fixed assets through revaluation reserves in the amount of RSD 49,807 thousand (31 December 2024: RSD 11,842 thousand), actuarial loss in the amount of RSD 4,522 thousand (31 December 2024: RSD 4,122 thousand), and loss from calculation of deferred tax for the fair value of property in the amount of RSD 163 thousand (31 December 2024: gain RSD 10,002 thousand).

Ownership structure is presented below:

	As of 31.12.2025		As of 31.12.2024	
	Share capital	% of equity	Share capital	% of equity
Mr. Alexander Shnaider	3,065,958	100.00	3,065,958	100.00
Total	3,065,958	100.00	3,065,958	100.00

32. COMPLIANCE WITH INDICATORS OF THE NATIONAL BANK OF SERBIA

The bank is obliged to conduct its operations in accordance with the provisions of the Law on Banks and other regulations of the National Bank of Serbia. According to the annual account for 2025, the Bank achieved the following indicators:

Business indicators	Prescribed	Actual in 2025
	Min. EUR	
Equity	10,000,000	36,855,852
Bank investments	Maks. 60%	29.36%
The sum of the Bank's large exposures, including:	Maks 400%	204.94%
- sum of large exposures to one person or group of related parties		183.45%
- sum of exposures to persons related to the Bank		21.49%
Average monthly liquidity ratio:		
- in the first month of the reporting period	Min. 1.00	4.84
- in the second month of the reporting period	Min. 1.00	4.89
- in the third month of the reporting period	Min. 1.00	4.61
Foreign exchange risk indicator	Max 20%	11.64%

As of 31 December 2025, the Bank had all indicators harmonized.

33. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The provisions of Article 22 of the Law on Accounting prescribe the obligation to reconcile mutual claims and obligations with customers. Reconciliation is performed at least once a year, before preparing financial statements. In accordance with the Bank's internal procedures, 31 October of the current year is set as the date for reconciling receivables and liabilities with customers.

As of 31 October 2025, there were no materially significant disputed liabilities and receivables. The Bank sent 2,683 IOS to legal entities, 1,299 IOS to Entrepreneurship, 46 banks and financial institutions and 246 non-residents, to confirm the Bank's claims and liabilities. The effect of sending is as follows:

	Number of sent IOS's	Receivable	Liability
Total sent receivables/liabilities:	4,274	28,727,983	11,837,459
Confirmed	426	13,565,787	2,493,025
Delivered, no response	3,355	14,803,264	8,752,728
Not delivered	481	289,443	591,069
Disputed	12	69,490	636

34. RELATED PARTY TRANSACTIONS

	31 December 2025		31 December 2024	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Assets				
Foreign currency accounts	-	803,192	-	484,675
Housing loans	90,502	-	95,153	1,765
Deferred interest receivables calculated on the basis of loans, deposits and other placements	70	-	82	1
Total assets	90,572	803,192	95,235	486,441

As of 31st December 2025, there are no loans given to employees who are considered related parties under the applicable Law on Banks (31 December 2024: RSD 1,765 thousand).

	31 December 2025		31 December 2024	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Liabilities				
Transaction deposits in dinars	8,248	15,365	2,035	6,406
Transaction deposits In foreign currency	160,456	45,810	7,021	101,529
Savings deposits and RSD	750,000	14,800	252,304	1
Savings deposits In foreign currency	-	2,932	-	2,362
Accruals for liabilities	2,317	344	-	2
Total liabilities	921,021	79,251	261,360	110,300

Revenues and expenses from related party relations were:

	31 December 2025		31 December 2024	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Expenses				
Interest costs from deposits		23,575	473	3,625
Interest costs from deposits in foreign currency		2	1,901	-
Fees costs and other expenses		-	219	-
Total		23,577	2,593	3,625

	31 December 2025		31 December 2024	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Income				
Interest income for loans granted		3,120	62	2,484
Fees income		12	5,599	25,011
Total		3,132	5,661	27,495

34. RELATED PARTY TRANSACTIONS (continued)

The above tables show balances of assets, liabilities on 31.12.2025 and income and expenses in 2025 incurred in transactions with the following other related parties: Alexander Shnaider, Adriatic Bank ad Podgorica, members of Managing Board, as well as part of the Bank's management (Executive Board and members of other boards).

As of 31 December 2025, the Bank granted the following loans to management and Directors:

	31 December 2025	31 December 2024
<i>Credits to directors and management</i>		
<i>At the beginning of the year</i>	1,765	11,492
Decrease due to changes in management	-	(1,241)
Repayments during the year and revaluation of placements	(1,765)	(8,486)
Interest income	98	370
Interest charged	(98)	(370)
At the end of the year	-	1,765

As if 31st December 2025, in accordance with the Methodology for calculating the impairment, no impairment has been allocated for these loans (2024: RSD 9 thousand).

Management earnings

During 2025, members of the Executive Board and other key management personnel earned gross earnings in the amount of RSD 497.695 thousand (2024: RSD 367,994 thousand).

During 2025, members of the Management Board and Audit Committee received gross compensation in the amount of RSD 37,290 thousand (2024: RSD 33,978 thousand).

ADRIATIC BANK JSC BELGRADE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

All amounts are expressed in thousands of RSD unless otherwise stated

35. FOREIGN CURRENCY EXCHANGE RATE

The exchange rates of the most significant currencies used in the conversion of balance sheet items include:

	<u>31 December 2025</u>	<u>31 December 2024</u>
EUR	117.2820	117.0149
USD	99.9165	112.4386
CHF	126.0013	124.5237
RUB	1.2599	1.0557

36. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that would require disclosure in the notes to the financial statements of the Bank for the year 2025.

Signed on behalf of Adriatic Bank JSC Belgrade Beograd:



Tatjana Šipka
Head of Finance Department



Marko Ćorić
Member of the Executive Board




Đorđe Lukić
Chairman of the Executive Board



**Adriatic Bank JSC Belgrade
Annual report
2025**



February 2026

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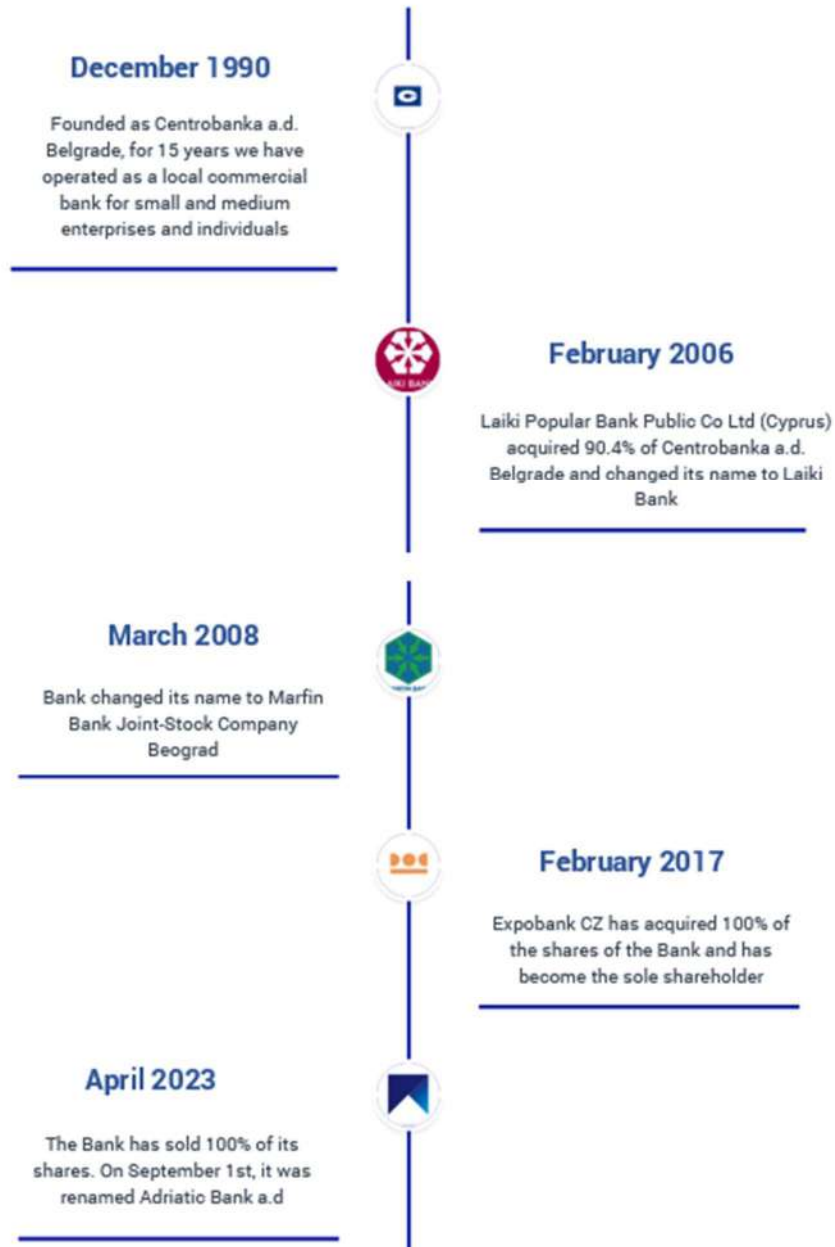
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1. ABOUT US

1.1 Bank's ID

1.	Business name:	Adriatic Bank JSC Belgrade
2.	Seat and address:	Beograd, Dalmatinska 22
3.	Registration number:	07534183
4.	TIN:	100003148
5.	Web-site:	https://www.adriaticbank.rs/index.php/sr/
6.	e-mail:	office@adriaticbank.rs
7.	No. and date of Decision of registering in the register of business entities:	BD 498 of 14.02.2005
8.	Activity:	6419 – Other monetary intermediaries
9.	Number of employees:	187
10.	Number of shareholders:	1 shareholder
11.	Place of insight into the Shareholder Register:	Central Securities, Depository and Clearing House of the Republic of Serbia, www.crhov.rs
12.	Social networks:	
13.	Auditor for 2024:	

1.2 Adriatic Bank timeline



1.3 Ownership structure of the Bank

The ownership structure is presented in the table below:

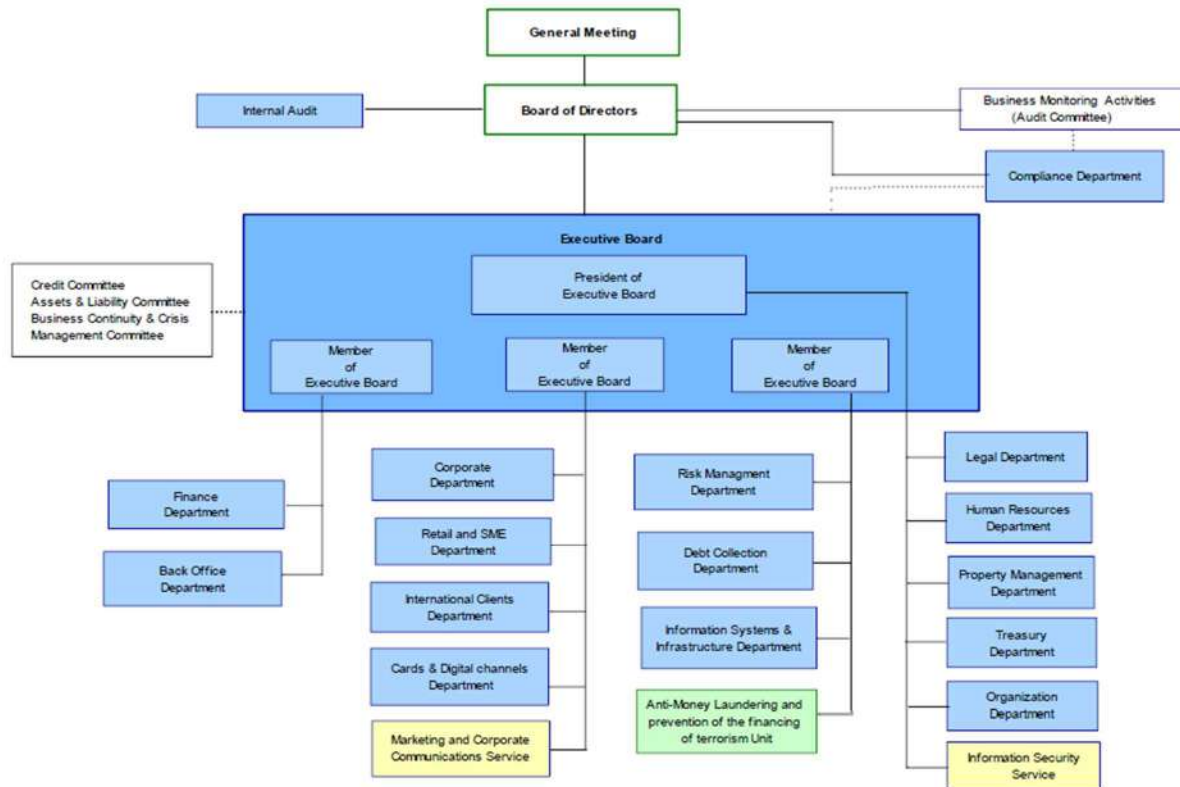
No.	Shareholder	Number of shares	% of ownership
1	SHNAIDER ALEXANDER	11,343,217	100%
	Total	11,343,217	100%

** data as of 31. december 2025.*

Value of share capital (in thousands of dinars):	3,065,958
Number of issued shares (ordinary and preference shares, with ISIN number and CFI code):	Ordinary shares: ISIN:RSCEBAE31481 CFI:ESVUFR, 11,343,217 shares
Business name, registered office and business address of the auditing company that audited the last financial report:	MOORE STEPHENS Revizija i računovodstvo d.o.o. Beograd, Studentski trg 4/V, 11070 Beograd, Srbija

1.4 Organizational structure of the Bank

Organization Structure Adriatic Bank JSC Belgrade



During 2025, the Executive Board was further strengthened by the appointment of a new member, which, together with the existing members possessing diverse experience and competencies, ensured a comprehensive and balanced approach to strategic decision-making as one of the key components of the Bank's corporate governance. Through a clearly defined allocation of responsibilities among the members of the Executive Board, functional and organizational separation of risk management and support activities from risk-taking activities has been ensured.

The Bank's business policy during 2025 was focused on the development, diversification, and further strengthening of commercial activities within the corporate banking segment, retail banking, and small and medium-sized enterprises, as well as business with international clients. Across all organizational units, continuous efforts are made to develop teams of highly qualified professionals dedicated to providing a wide range of the Bank's products and services.

2. CORPORATE GOVERNANCE

Corporate governance is organized through the activities of the Supervisory, Executive, Credit, and other committees defined by the Law on Banks and the Bank's Statute.

All relevant provisions of the Law on Banks and internal regulations defining the composition and operation of the Supervisory and Executive Board are fully implemented.

The Bank's operations are also supported by other committees:

- 1 Asset and Liability Management Committee (ALCO Committee)
- 2 Bank Business Monitoring Committee (Audit Committee)
- 3 Credit Committee
- 4 Crisis Management and Business Continuity Committee.

In addition to the above-mentioned committees, the Executive Board has established Commissions to support the performance of its duties prescribed by the Law on Banks, the purpose, composition, scope of work, and manner of work of which are regulated by internal regulations.

2.1_Supervisory Bord

The Supervisory Board of the Bank consists of five members, including the Chairman of the Supervisory Board, of whom three members are individuals independent of the Bank:

1	Name, surname and place of residence:	Wolfgang Mitterberger, Austria
Education:	Master of Business Administration, Master of Social and Economic Sciences	
Current employment (company's business name and position):	Member of the board of Adriatic Bank AD Podgorica; Managing Director in companies: MERU Holding GmbH Vienna, MERU KaW Projektentwicklungs GmbH Vienna, MERU Velden Hills Projektentwicklungs GmbH Vienna, MERU Real Prime Service GmbH Vienna	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
2	Name, surname and place of residence:	Fraser Eliot Marcus, U.S.
Education:	Bachelor - English Language and Mathematics	
Current employment (company's business name and position):	Global director at Ormonde Capital Partners London and Dallas, board member of Adriatic Bank AD Podgorica and Adriatic LLC Capital Management Dallas	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
3	Name, surname and place of residence:	Bassem Snaije, France
Education:	Master of economy	
Current employment (company's business name and position):	SciencesPo – Paris University, Associate Professor of Economics, Finance and Geopolitics	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
4	Name, surname and place of residence:	Aleksandar Preradović, Republic of Serbia
Education:	Graduated Lawyer	
Current employment (company's business name and position):	Law Office Preradović – AP Legal – Attorney-at-Law	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
5	Name, surname and place of residence:	Dragiša Lekić, Republic of Serbia
Education:	Bachelor of Economics	
Current employment (company's business name and position):	/	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	

2.2 Executive Bord

The Executive Board of the Bank consists of four members, including the President of the Executive Board:

1	Name, surname and place of residence:	Đorđe Lukić, Republic of Serbia
Education:	Bachelor of Economics	
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, CEO	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
2	Name, surname and place of residence:	Marko Čorić, Republic of Serbia
Education:	Bachelor of Economics	
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, Member of the Executive Board	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
3	Name, surname and place of residence:	Andrija Crnogorac, Republic of Serbia
Education:	Bachelor of Economics	
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, Member of the Executive Board	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	
4	Name, surname and place of residence:	Marko Matić, Republic of Serbia
Education:	Bachelor of Economics	
Current employment (company's business name and position):	Adriatic Bank JSC Belgrade, Member of the Executive Board	
Number and percentage of shares possessed in the joint stock company:	There is no share capital in the company	

2.3 Corporate governance principles



Responsibility is one of the most important ethical principles, and it implies that the Bank's boards are responsible, and answer to the shareholders for their decisions and acts. The respective Boards of the Bank are responsible for strategies, plans and actions, management of the Bank through practice, but also for the introduction of new changes when necessary.

TRANSPARENCY

RESPONSIBILITY

IMPARTIALITY

The Bank implements comprehensive, truthful and timely disclosure of information on all important issues concerning financial condition, profitability, ownership and management structure.

The applied corporate governance framework protects the rights of shareholders.

3. MACROECONOMIC ENVIRONMENT

The economic environment in the Republic of Serbia during 2025 was marked by the continued process of macroeconomic stabilization and the adjustment of the economy to complex global conditions. Despite the slowdown of economic activity at the international level, the domestic economy maintained positive growth and preserved key stability indicators, confirming the resilience of the economic system. According to estimates of the Statistical Office of the Republic of Serbia, overall economic activity, measured by real gross domestic product growth, amounted to 2.0% compared to 2024.

Thus, gross domestic product, although growing at a more moderate pace than in previous years, remained in positive territory. Changes in the structure of growth were primarily driven by service activities and household consumption, while investments in fixed assets recorded a modest real increase of 0.9%.

Inflationary pressures during 2025 were further alleviated, and inflation was brought back within the target range of the National Bank of Serbia. According to SORS data, the annual inflation rate was estimated at 2.8%, which is in line with the monetary policy objective aimed at price stability and the preservation of consumers' purchasing power.

The labor market also maintained favorable trends. The employment rate in the third quarter amounted to 51.3%, while the unemployment rate stood at 8.2%, indicating the adaptability of the labor market to changing economic conditions and its contribution to preserving household disposable income.

Foreign trade continued to grow despite challenges. Merchandise exports, expressed in euros, increased by 8.0%, while merchandise imports rose by 7.3% compared to 2024, confirming the activity of domestic producers in international markets and the continued expansion of trade flows.

Fiscal policy during 2025 remained focused on sustainable management of public finances, with a controlled level of the budget deficit and a stable level of public debt. Foreign exchange reserves, at the end of 2025, reached a high level of EUR 29 billion, providing additional support to macroeconomic stability and the resilience of the financial system.

Overall, Serbia concluded 2025 with preserved macroeconomic stability and clear foundations for the gradual continuation of growth. A stable institutional framework, responsible economic policy, and continuity of reform activities create a favorable environment for long-term development and the improvement of the business climate, which represents an important prerequisite for further strengthening the confidence of clients and investors.

4. STRATEGY

The Bank's strategy for the upcoming period will be focused on improving its position in the domestic banking market through enhanced business performance. Based on the analysis of financial performance, revenue and expense structures, and asset balances in the previous year, and considering the expected macroeconomic business conditions, clear strategic objectives have been set for the period from 2026 to 2028:

1. Working with Small and Medium Enterprises (SMEs)

The Bank takes an active approach to supporting small and medium-sized enterprises by providing tailored products and services aligned with their investment activities. Developing an agile approach and responding quickly to their current needs are considered key elements. The focus is on expanding the client base through proactive marketing strategies and the continuous enhancement of service quality. Entering a new lending segment through corporate bonds issued by legal entities will also represent a strong driver of credit portfolio growth in the period ahead. The Bank plans to exit activities with limited prospects while intensively investing in sectors expected to make the greatest contribution to GDP.

2. Employee services in the public and corporate segment:

Enhancing services for employees of corporate clients and employees in public segment competitive pricing terms for Bank's credit products. The focus is on supporting employees in financial management, thereby further strengthening collaboration with corporate clients. This approach is part of a broader business development plan with small and medium enterprises, creating an integrated approach to meeting the financial needs of corporate clients and their employees while building deeper connections within the community.

3. Technological Innovations and Process Modernization:

Significant investments in technology, operational processes, branch modernization, the introduction of support for Google and Apple Pay, and digital cards as well as online accounts opening for retail segment aim to optimize internal processes. Through these investments, the bank will shape an agile and innovative framework, fostering overall operational performance and increasing customer satisfaction.

4. Efficient Risk Management and Non-Performing Assets:

The bank will adopt a comprehensive approach to risk management, with a particular emphasis on the structure of the credit portfolio and non-performing assets. The goal is to maintain the share of non-performing assets at an acceptable level and gradually reduce it. In day-to-day operations, the bank will focus on strategies such as restructuring and forced collection.

5. FINANCIAL RESULT

5.1 Balance Sheet as at 31. December, 2025

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and balances with Central Bank	17	4,698,014	14,742,205
Securities	18	6,687,568	5,105,752
Loans and receivables from banks and others financial organizations	19	10,262,169	8,221,578
Loans and receivables from customers	20	9,955,163	8,582,173
Intangible assets	21	164,404	154,179
Property, plant and equipment	22	1,073,592	1,026,515
Investment property	23	195,190	195,087
Deferred tax assets	28	-	21,188
Other assets	24	355,148	437,018
TOTAL ASSETS		33,391,248	38,485,695
LIABILITIES			
Deposits and other liabilities due to banks, other financial institutions and Central Bank	25	252,721	531,662
Deposits and other financial liabilities due to customers	26	25,604,529	31,235,313
Provisions	27	393,317	432,523
Current tax liabilities	16	89,784	156,006
Deferred tax liabilities	28	31,102	-
Other liabilities	29	756,655	765,566
TOTAL LIABILITIES		27,128,108	33,121,070
EQUITY			
Share capital	31	3,065,958	3,065,958
Profit for the period	31	1,706,942	1,982,284
Previous years losses	31	-	-
Reserves /(unrealised loss)	31	1,490,240	316,383
TOTAL CAPITAL		6,263,140	5,364,625
TOTAL LIABILITIES AND EQUITY		33,391,248	38,485,695

* All amounts are expressed in 000 RSD unless otherwise indicated

ASSETS

During 2025, the Bank's total assets decreased by 13.23%, from RSD 38,485,695 thousand at the end of 2024 to RSD 33,391,248 thousand as of 31 December 2025. Cash and balances with the central bank declined by 68.14%, from RSD 14,742,205 thousand to RSD 4,698,014 thousand, reflecting a reduction in excess liquidity and its reallocation into more profitable forms of placements. Securities recorded a significant increase and amounted to RSD 6,687,568 thousand at the end of 2025, representing a 29.79% increase compared to the previous year (RSD 5,105,752 thousand), while loans and receivables from banks and other financial institutions increased by 24.73%, from RSD 8,221,578 thousand to RSD 10,262,169 thousand.

The significant asset item in 2025 were loans and receivables from customers, which amounted to RSD 9,955,163 thousand as of 31 December 2025, representing a 16% increase compared to 2024 (RSD 8,582,173 thousand). The table below presents changes in loans and receivables from customers by sector.:

SECTOR	31.12.2025	%	31.12.2024	%
Corporate	7,554,162	75.88%	6,833,226	79.62%
Entrepreneurs	186,471	1.87%	117,277	1.37%
Retail	2,106,099	21.16%	1,517,207	17.68%
Non residents	103,346	1.04%	106,837	1.24%
Other	5,084	0.05%	7,626	0.09%
Ukupno:	9,955,163	100%	8,582,173	100%

The growth of lending activity was accompanied by changes in the sectoral structure, with more pronounced growth in lending to households and entrepreneurs, alongside nominal growth in lending to corporates.

The largest portion of the loan portfolio continues to relate to corporates, which as of 31 December 2025 amounted to RSD 7,554,162 thousand, representing an increase of 10.55% compared to 2024 (RSD 720,936 thousand). Although exposure to this sector increased in absolute terms, its share in total loans decreased from 79.62% to 75.88%, due to faster growth in lending to other sectors.

Exposure to households also recorded more pronounced growth and amounted to RSD 2,106,099 thousand at the end of 2025, representing an increase of 38.81% compared to the previous year (RSD 588,892 thousand). The share of households in total loans increased from 17.68% to 21.16%.

Loans granted to households during 2025 were predominantly long-term consumer loans with maturities longer than one year, mainly denominated in domestic currency, with an average weighted annual interest rate of 8.28%, while the average weighted interest rate for newly granted housing loans amounted to 4.76%.

Within newly granted loans to corporates, long-term investment loans with a currency clause accounted for the largest share, and the average weighted interest rate on corporate loans during 2025 amounted to 6.82%.

Balance sheet items relating to fixed assets, property, plant and equipment recorded a slight increase of 4.58%, from RSD 1,026,515 thousand to RSD 1,073,592 thousand, while investment property increased by 5.18%, from RSD 195,087 thousand to RSD 195,190 thousand.

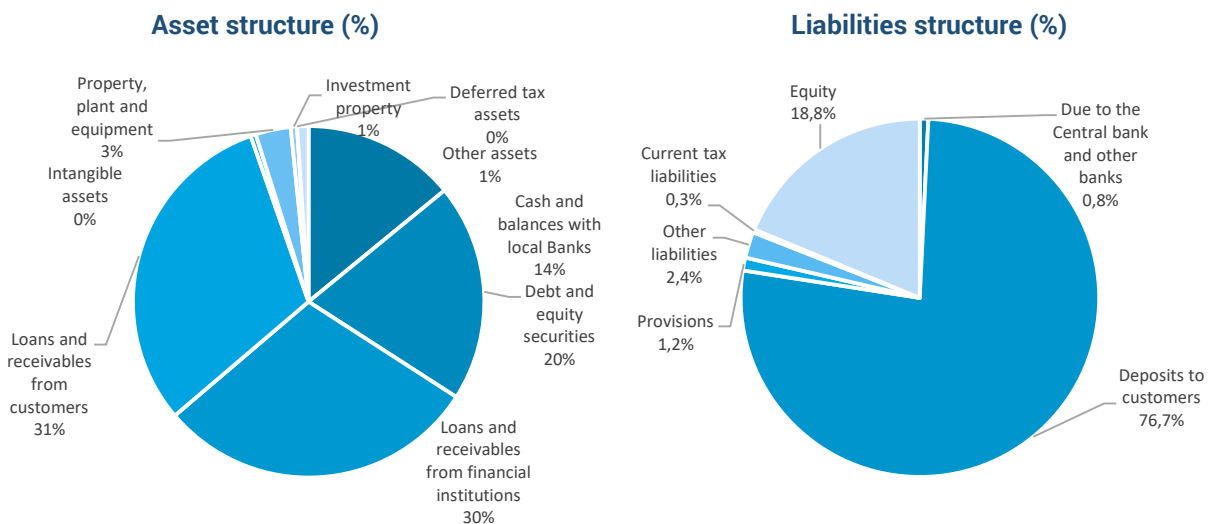
LIABILITES

Changes in the Bank's liabilities during 2025 relate to a decrease in total liabilities of 18.11%, from RSD 33,121,070 thousand to RSD 27,128,108 thousand. The most significant changes in the structure of liabilities refer to a decrease in customer deposits of 18.07% (RSD 5,630,784 thousand), while deposits and other liabilities to banks, other financial institutions, and the central bank recorded a decline of 52.47% (RSD 278,941 thousand).

The amount of provisions decreased by 9.07% (RSD 39,206 thousand); the Bank remains exposed to various legal proceedings related to certain fees under loan agreements. For such cases, the Bank has created additional provisions currently amounting to RSD 393,317 thousand.

Within the structure of customer deposits, household deposits account for 56%, while 44% of deposits relate to corporate deposits. In both segments, deposits were predominantly placed in foreign currency, with maturities of up to one year.

During 2025, interest rates on newly time-deposited funds ranged from 0.01% (for short-term and long-term deposits in USD and GBP) to 4.25% (for short-term and long-term deposits in EUR).



5.2 Income statement for the year ended 31 December 2025

(in thousands of dinars)

	Note	2025	2024
Interest income	6	1,381,816	1,373,150
Interest expenses	6	(323,206)	(331,261)
Net interest income		1,058,610	1,041,889
Fee and commission income	7	3,281,035	3,268,919
Fee and commission expense	7	(408,436)	(434,752)
Net fee and commission income		2,872,599	2,834,167
Net foreign exchange gains/(loss) and currency clause effects	8	(86,165)	(106,367)
Net loss from impairment of financial assets that are not valued at fair value through profit and loss	9	63,427	(111,978)
Net gains from derecognition of the financial instruments recognized at amortised cost	10	9,019	-
Other operating income	11	12,183	23,902
TOTAL NET OPERATING INCOME		3,929,673	3,681,613
Salaries, compensations and other personal expenses	12	(1,060,917)	(991,895)
Depreciation expenses	13	(213,860)	(164,182)
Other income	14	33,654	34,423
Other expenses	15	(742,206)	(749,770)
PROFIT BEFORE TAX		1,946,344	1,810,189
Income tax	16	(235,242)	(160,435)
Gains from deferred taxes	16	-	10,197
Loss from deferred taxes	16	(4,160)	-
PROFIT AFTER TAX		1,706,942	1,659,951

All amounts are expressed in 000 RSD unless otherwise indicated

During 2025, net interest income recorded an increase of 1.6%, from RSD 1,041,889 thousand in 2024 to RSD 1,058,610 thousand. Interest income increased by 0.6%, from RSD 1,373,150 thousand to RSD 1,381,816 thousand, while interest expenses decreased by 2.4%, from RSD 331,261 thousand to RSD 323,206 thousand. Movements in these items were the result of changes in the structure of assets and liabilities, as well as adjustments of the Bank's interest rate policy to market conditions.

Net fee and commission income in 2025 amounted to RSD 2,872,599 thousand, representing an increase of 1.4% compared to 2024, when it amounted to RSD 2,834,167 thousand. Total fee and commission income increased from RSD 3,268,919 thousand to RSD 3,281,035 thousand, while related expenses decreased from RSD 434,752 thousand to RSD 408,436 thousand, which had a positive impact on the net result of this category.

Net expense from foreign exchange differences and the effects of the agreed currency clause in 2025 amounted to RSD 86,165 thousand, representing a reduction in the negative effect compared to 2024, when it amounted to RSD 106,367 thousand.

Net income from impairment of financial assets not measured at fair value through profit or loss in 2025 amounted to RSD 63,427 thousand, while in 2024 a net expense of RSD 111,978 thousand was recorded, representing a significant improvement in results in this category and reflecting more favorable developments in the loan portfolio.

Within other income, total revenues recorded a slight decline of 2.2%, decreasing from RSD 34,423 thousand in 2024 to RSD 33,654 thousand in 2025. The decrease was primarily driven by a lower amount of the "Other income" item (RSD 15,634 thousand compared to RSD 17,209 thousand in 2024), reduced income from awarded court cases (RSD 3,395 thousand versus RSD 4,699 thousand), as well as one-off income from the sale of investment property recognized in 2024. On the other hand, in 2025 an increase was recorded in income from the reversal of provisions for legal disputes, amounting to RSD 3,963 thousand (2024: RSD 2,228 thousand), as well as higher income from the sale of assets acquired through the collection of receivables (RSD 10,067 thousand compared to RSD 459 thousand).

Other expenses decreased by 1.0%, from RSD 749,770 thousand to RSD 742,206 thousand, with the largest portion still related to operating and administrative expenses.

Profit before tax reached RSD 1,946,344 thousand as of 31 December 2025, representing an increase of 7.5% compared to RSD 1,810,189 thousand in the previous year, while net profit after tax amounted to RSD 1,706,942 thousand, representing an increase of 2.8% compared to 2024.

5.3 Business events after the reporting period

As of the date of this report, there have been no significant events after the end of the reporting period that would require separate disclosure in the attached financial statements of the Bank for the year 2025.

6. BUSINESS WITH CLIENTS

6.1 Corporate Department

During 2025, the Corporate Banking sector was focused on strengthening its market position through achieving growth in key business segments. This objective was pursued through continuous support to clients and the provision of reliable banking solutions, alongside the application of modern and innovative approaches to improving business processes, operational efficiency, and the product offering.

Particular emphasis was placed on understanding and adapting to client needs within a complex economic environment. Through an individual approach and flexible solutions, the Bank supported clients in overcoming market challenges, with the aim of preserving the stability of their operations and creating a foundation for further growth and development.

Throughout the year, the sector intensified cooperation with existing clients while simultaneously expanding the client base by establishing relationships with new partners, particularly in sectors with strong growth potential. Special attention was devoted to working with large enterprises as well as small and medium-sized enterprises, with a consistent focus on building long-term partnerships based on trust and mutual understanding.

One of the key elements of the strategy in 2025 was the further enhancement of pricing policy, aligned with risk levels and market conditions, with the objective of achieving sustainable returns and long-term business stability. Client satisfaction remained the central indicator of success and the quality of cooperation.

During 2025, new functionalities were also introduced to facilitate clients' day-to-day operations and more efficient fulfillment of obligations toward the Bank, while further development of products and services continues in order to ensure that the Bank's offering remains competitive and fully aligned with the needs of corporate clients..

6.2 Retail and SME Department

During 2025, the Bank made a significant shift in the strategic and sales positioning of Adriatic Bank, which resulted in the following outcomes:

- Growth of the retail loan portfolio by 25.48%, significantly above the market average;
- Growth of the small and medium-sized enterprises (SME) loan portfolio by 28.58%, thereby establishing a growth trend in this segment that began in the previous year.

During 2025, the following improvements were implemented:

- Enhancement of the retail lending process;
- Revision of the retail loan offering, with market-attractive interest rates;
- Development of tailored products and services aligned with the needs of employees in the public-budget sector, corporate clients, and SMEs, enabling cross-selling and strengthening client loyalty;
- Implementation of targeted marketing campaigns in the retail segment;

The Bank continued to develop and implement activities initiated in the previous year, which include:

- Expansion and modernization of the branch network. The Bank operates a total of seven branches, and during 2025 two branches were refurbished with a new and modern design, demonstrating the Bank's commitment to efficient service delivery, as well as its determination to provide dedicated space within branches for advisory and sales teams, thereby elevating the level of client service to the highest standard.



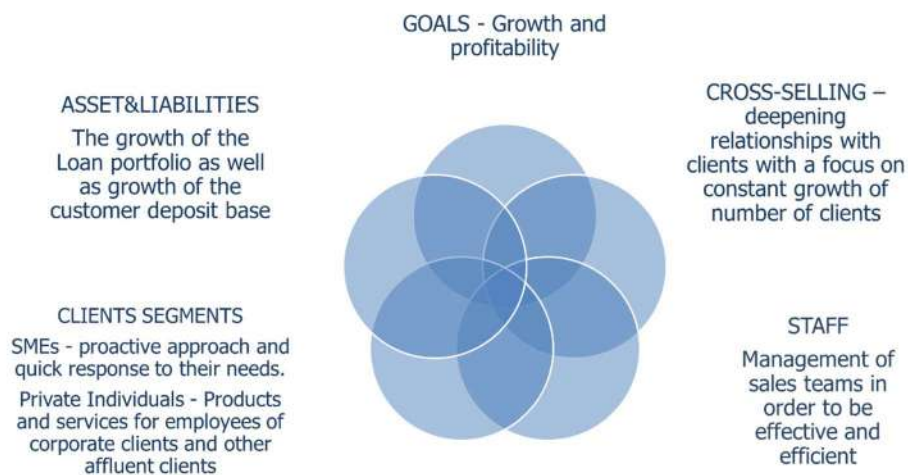
- Continuous implementation of training, professional development, and quality enhancement activities for employees within branches, as well as for sales staff within the small and medium-sized enterprises segment;
- Ensuring profitability and a high level of service quality for clients through regular branch meetings focused on performance, as well as visits to branches and key clients;

The strategic objective of this Sector is positioning primarily within the retail segment through further expansion of the base of satisfied clients, as well as within the small and medium-sized enterprises segment, with the aim of making the Bank the first choice for the highest-quality clients by offering a comprehensive set of products and services for successful business operations.

A flexible and proactive approach, combined with rapid response, represents the foundation on which the Bank builds and expands its client base. This objective is achieved through the application of active marketing strategies and continuous investment in improving the quality of services.

The organizational structure of the Sector includes a branch network, a sales team at the Bank's head office, and a Contact Center. This organizational structure is designed to support a dynamic business environment and to ensure the Bank's recognition in the field of innovation and service quality within the banking sector.

Objectives of Retail and SME Department:



6.3 International Clients Department

During 2025, the Sector for Non-Resident Clients operated in line with the Bank's strategic commitments, in full compliance with the applicable regulatory framework and internal procedures. The Sector's activities were focused on maintaining a high standard of service, further strengthening partnership relationships with existing clients, and continuously improving organizational and operational capacities.

Throughout 2025, the Sector continued to provide comprehensive, reliable, and tailored banking services to individual and corporate non-resident clients. A key role in this process was played by relationship managers, who served as the central point of communication and support, ensuring efficient coordination among all relevant organizational units of the Bank. Particular emphasis was placed on business security, operational efficiency, and the adaptation of services to the specific needs of international clients.

A significant step forward was achieved in the area of human resources development through continuous training and professional development of employees, with the aim of strengthening professional competencies and keeping pace with contemporary trends in international banking. In addition, during the year a new organizational unit – the KYC Analysis Unit – was established and commenced operations, further enhancing the system of customer due diligence, risk assessment, and compliance with regulatory and internal requirements of the Bank.

The establishment of the KYC Analysis Unit significantly contributed to improving the efficiency of business processes, accelerating operational activities, and raising the overall quality of service. At the same time, clearer and more efficient communication between related organizational units of the Bank was enabled, as well as more transparent communication with clients, thereby further strengthening the level of professionalism and coordination in day-to-day operations.

The Sector for Non-Resident Clients continues to operate with a clearly defined client-focused approach, building long-term relationships based on trust, discretion, and reliability. The results achieved during 2025 represent a solid foundation for the further development of the Sector and the strengthening of its role in the overall operations of Adriatic Bank JSC Belgrade.

7. FINANCIAL RISK MANAGEMENT

7.1 Risk Management System

The Bank continuously identifies, assesses, monitors, and controls risks in accordance with national and international banking and accounting regulations, ensuring an integrated, prudent, and consistent risk management system. Through its internal acts, the Bank's Board of Directors has established an adequate risk management system and an internal control system that includes various corporate bodies and management committees: the Board of Directors, the Executive Board, the Audit Committee, the Asset and Liability Management Committee (ALCO), and the Credit Committee.

The functioning of the system is governed by policies and procedures adopted individually for each materially significant type of risk.

In accordance with the adopted strategic goals of the Bank's operations and the bases for their realization, the Bank has defined the goals for the needs of continuous risk management (credit, market, interest rate, currency, operating), as follows:

- ✓ Achieving and maintaining the status of a stable and reputable financial institution, specialising in supporting the population, small and medium enterprises,
- ✓ Maintaining the trust of its clients and ensuring the security and profitability of their investments,
- ✓ Providing assistance to clients in their business, development, business projects,
- ✓ Achieving stable growth,
- ✓ Strengthening its market position,
- ✓ Maintaining the stability of the Bank's financing sources,
- ✓ Ensuring liquid, economical and successful operations, in order to prevent any kind of instability

In order to improve the level of capital and improve the portfolio, the Bank focuses on:

- ✓ Targeted lending to higher-quality clients.
- ✓ Strengthened monitoring of credit activities.
- ✓ Tracking the structure of assets to minimize the risk of new NPL formation.

The comprehensiveness and reliability of the risk management system, as well as the Bank's risk appetite, are based on:

- ✓ Active participation of the Bank's Executive Board and Managing Board in the risk management process (the Executive Board and the Managing Board regularly review reports on the Bank's exposure to risks, as well as measures to manage and mitigate these risks; the Audit Committee oversees the implementation and adequate enforcement of adopted risk management strategies and policies)
- ✓ Establishment and operation of the Bank's Credit Committee
- ✓ Establishment of the Bank's Assets and Liabilities Management Committee (ALCO)
- ✓ Adoption of the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP)
- ✓ Adopted methodologies for risk identification and measurement
- ✓ Adopted measures to mitigate certain types of risks and rules for the application of these measures
- ✓ Established limit system
- ✓ Calculation and distribution of internal capital

The long-term goal of the Bank in risk management is to minimise the negative effects on the financial result and capital of the Bank due to exposure to all potential risks.

In accordance with its strategic and long-term commitment, the Bank has defined the following objectives regarding risk management:

- avoiding or minimising risks in order to maintain operations within acceptable risk levels, in accordance with the Bank's defined risk appetite;
- minimising risks within the acceptable level of the Bank's exposure in dinars with a currency clause and in foreign currency, both at the portfolio level and by type of exposure;
- minimising negative effects on the Bank's capital;
- maintaining the Bank's capital adequacy ratio at a level that covers all identified risks;
- increasing the share of exposure to companies with the aim of diversifying the portfolio of placements;
- increasing the source of financing in order to improve the structure and level of the deposit base;
- adequate placement management in order to timely identify potentially problematic placements;
- establishing an adequate system of prevention against misuse of the Bank for money laundering and terrorist financing, which would minimise the possibility of using the business relationship, transaction, service or products of the Bank for money laundering and terrorist financing, as well as raising employee awareness regarding this risk
- ensuring constant harmonisation of the Bank's operations with the law, regulations and internal acts, especially in the field of money laundering and terrorist financing, namely mutual harmonisation of the Bank's internal acts.
- ensuring the continuous development of IT support in order to adequately monitor and manage all risks.

The basic principles of risk management are defined by the Risk Management Policy. Based on the Risk Management Strategy and the Risk Management Policy, the Bank's Executive Board adopts and implements risk management procedures that describe individual risk management processes.

Risk management policies and procedures prescribe the manner in which the Bank's individual risk management processes are organized, the methods and methodologies for identifying, measuring or assessing, mitigating, and monitoring specific risks, as well as the principles governing the functioning of the internal control system.

7.2 Credit risk

The process of assessing and monitoring credit risk at the level of an individual client and a group of related parties is carried out in accordance with adopted policies and procedures that define the rules and criteria for approving new exposures, the activities to be undertaken, as well as the obligations and responsibilities of persons involved in the credit risk monitoring process.

The process of identifying, assessing, measuring, and managing credit risk is conducted on a continuous basis and covers the Bank's entire portfolio subject to credit risk.

During 2025, validation of the internal rating model was performed, and the development of a new rating model in line with the validation findings is currently underway.

7.3 Liquidity and Interest Rate Risk

The liquidity risk management system is based on measures and criteria prescribed by the National Bank of Serbia and focuses on short-term and structural liquidity.

Liquidity risk management activities during 2025 were focused on measuring, monitoring, and reporting liquidity inflow and outflow projections, liquidity reserves under various scenarios of regular operations and potential liquidity stress situations, as well as on monitoring and regularly reporting to the Bank's governing bodies and the ALCO Committee on the dynamics of regulatory liquidity indicators (liquidity ratio, narrow liquidity ratio, liquidity coverage ratio – LCR), as well as other liquidity indicators calculated in accordance with the Bank's internal methodology. During 2025, all liquidity indicators, both regulatory and those defined by internal acts related to liquidity risk management, were compliant and above the prescribed limits.

The Bank's interest rate risk management system is based on principles prescribed by the National Bank of Serbia, with a focus on the analysis, measurement, monitoring, and reporting of interest rate risk in the banking book. The Bank continuously monitors the indicator of changes in net interest income resulting from an interest rate shock of 200 basis points (delta NII). This indicator, as well as other measures of the Bank's exposure to interest rate risk (delta EVA), remained compliant and within the risk tolerance levels defined in the Risk Appetite Statement.

7.4 FX Risk

In accordance with the Decision of the National Bank of Serbia on bank capital adequacy, the Bank is required to maintain the foreign exchange risk indicator, defined as the ratio of the total net open foreign exchange position to capital, in such a manner that the total net open foreign exchange position, including the absolute value of the net open position in gold, at the end of each business day, does not exceed 20% of its capital. Throughout 2025, the Bank maintained the level of this indicator within the regulatory limit.

7.5 Operational risk

As a result of exposure to operational risks during 2025, the majority of recorded events in the loss database relate to lawsuits filed against the Bank concerning the collection of a one-time loan processing fee. During 2025, following the closure of one operational risk event in which the audit procedure was concluded in favor of the Bank, the level of potential losses was reduced by approximately EUR 1 million.

During 2025, the Bank also continued to assess operational risks that may arise from the introduction of new products and from activities outsourced to third parties, as well as to assess the risk management system and internal controls within the Bank's key processes.

8. BANKING SUPPORT

8.1 Human Resources

In 2025, the Human Resources Sector focused on providing strategic support to the achievement of the Bank's planned business activities, overcoming challenges, and attaining objectives through the enhancement of organizational culture and employee competencies, including the development of skills and knowledge, teamwork, communication, digital transformation, and innovation.

Human resources management is carried out through several key segments:

- **Workforce planning and management:** defining compensation and benefits in line with market conditions and developments in the banking sector, and supporting principles of mutual respect, fair business practices, transparency, and open communication. Automation and digitalization of processes are priorities for improving efficiency and optimizing costs, with a particular focus on employee selection and development.
- **Development of competencies and knowledge:** mapping individual expert skills and creating a work environment that motivates continuous learning and knowledge sharing, including participation in seminars, conferences, and training programs with professionals from the banking sector.
- **Optimization of the operating model:** simplification of structures and processes with a focus on reducing employee turnover, improving work organization, and enhancing communication efficiency. Efforts are aimed at achieving a flatter hierarchy, eliminating unnecessary procedures, and enabling faster decision-making, thereby equipping the Bank to respond effectively to new opportunities and challenges.
- **Fairness and inclusion:** promoting gender equality and a culture of equality and respect for diversity.

With the aim of supporting employees in achieving their business objectives and improving performance, the Human Resources Sector continuously enhances professional and social skills through participation in trainings, conferences, and seminars organized by regulators and recognized experts. During 2025, particular focus was placed on continuous internal training in the areas of information security, anti-money laundering, payment services, consumer protection, and personal data protection, as well as on promoting good business practices and ethical standards. In doing so, the Bank is particularly committed to preserving the personality and integrity of its clients, respecting their needs and rights.

Special emphasis was given to workshops titled "Developing Effective Internal Communication as a Basis for Business Success," organized by an external consultant. The workshops were designed to provide employees with practical tools and techniques for more efficient communication within teams, strengthening mutual trust and collaboration, as well as better understanding of each team member's roles and responsibilities. Through interactive sessions, discussions, and practical exercises, participants had the opportunity to improve their communication skills, reduce misunderstandings in daily work, and contribute to building a positive, transparent, and efficient organizational culture. The Bank also continued in 2025 to support employee well-being by providing private health insurance and reliable medical protection.

8.2 Strengthening the Adriatic Bank Brand

As part of its efforts to expand and enhance its business network, the Bank initiated and executed key brand-strengthening projects during 2025, including:

- The opening of a new branch in Zemun, which, with its representative design, provides clients with an enhanced customer experience;
- With the objective of promoting new products and services, as well as increasing brand visibility, the Bank successfully implemented a large-scale outdoor campaign that ensured brand visibility at more than 30 locations in Belgrade and more than ten locations across other cities, including megaboard campaigns at the busiest and largest marketing surfaces in Belgrade;

- The Bank successfully began cooperation with the media through the purchase of advertising space on relevant web portals as well as in print media, where an interview with the President of the Executive Board was published, along with PR articles, advertisements, and banner campaigns;
- The CSR activity “Aj ti za tri” enabled Bank employees to participate in and promote a healthy lifestyle and team spirit at a humanitarian basketball tournament organized by SOS Children’s Village, as well as at the boat carnival organized by the same foundation;
- The Bank continued sponsoring mass sports and music events, thereby increasing brand visibility;
- New printed marketing materials were distributed to all branches, providing accurate and timely information on the products offered by the Bank.

8.3 Research and Development

With the aim of enhancing the security of payment transactions, the Bank continuously worked throughout 2025 on improving its protection systems, with a particular focus on online payments. During 2026, the Bank plans to upgrade the 3D Secure service for VISA cardholders in order to align with SCA (Strong Customer Authentication) requirements, in accordance with the Law on Payment Services (ZPU), as well as to implement the 3D Secure service for DINA cardholders.

In addition, the Bank plans to introduce the Click to Pay service for VISA cardholders, designed to further simplify and improve the user experience in online card payments. Furthermore, the implementation of the VISA+ service is planned, enabling card-to-card fund transfers, i.e. real-time P2P (Person-to-Person) payments between VISA cardholders, regardless of their location.

8.4 Digitalisation

During the final quarter of 2025, the Bank implemented the Google Pay digital wallet for all VISA cardholders and initiated work on the introduction of the Apple Pay digital wallet, with completion planned for Q1 2026. As part of the 2026 development roadmap, the Bank plans to implement a fully digital card, which will be available for provisioning into digital wallets without the need for issuing a physical card, aiming to enhance customer experience and accelerate the delivery of active cards.

Additionally, in 2026 the Bank plans to introduce a fully online account opening process for retail clients, including video-based customer identification, further supporting digital onboarding and service accessibility.

8.5 Compliance

Compliance of the Bank’s operations with legal and regulatory requirements represents a fundamental obligation and an integral part of the Bank’s business strategy, embedded across all levels of the Bank’s operations. The objective is to achieve full compliance with the regulatory framework, thereby strengthening the stability and integrity of the Bank’s operations, which is ensured through the strong commitment of the Bank’s senior management, who jointly assume a key role in establishing and implementing effective procedures and systems. The risk of non-compliance, which could adversely affect the Bank’s financial results and capital, is present across various segments of the Bank’s operations, particularly in operational areas. It is identified as the risk of potential sanctions, financial losses, and reputational damage to the Bank resulting from non-compliance with regulatory requirements, professional standards, good business practices, and ethical norms.

In order to properly and continuously manage this complex risk, the Bank has established a systematic and comprehensive approach to its management, applying the highest level of professional diligence.

The compliance function is organized as a separate sector – the Bank Compliance Control Sector – and is aligned with the size and specific characteristics of the Bank’s operations.

During 2024, a process of amending numerous laws and by-laws that directly and substantially affect the Bank’s operations was initiated and continued throughout 2025 through amendments to systemic banking laws and by-laws, including amendments to the Law on Banks, the Law on the Protection of Financial Services Users, the Law on the Prevention of Money Laundering and Terrorist Financing, as well as numerous Decisions of the National Bank of Serbia. Accordingly, during the year the Compliance Function made additional efforts to analyze these changes in a timely and appropriate manner and to present them to management and other organizational units of the Bank, with the aim of ensuring timely compliance. In addition to presenting changes and requirements in the process of alignment with amended and new regulations, the Compliance Function also monitors the process and dynamics of compliance across the Bank’s organizational units and reports to the Bank’s management on a monthly/quarterly basis.

8.6 Environmental Protection

During 2025, the Bank continued to apply environmental protection principles through responsible resource management and the improvement of internal processes. Particular attention was devoted to the rational use of energy, as well as further digitalization of operations, thereby contributing to the reduction of paper consumption and the negative impact on the environment.

The application of digital solutions and the optimization of business processes represent part of the Bank’s ongoing commitment to sustainable operations and compliance with modern environmental standards. The Bank continues to support initiatives and projects aimed at preserving natural resources and applying environmental principles within its business activities..

Belgrade, February 2026

Signed on behalf of Adriatic Bank JSC Belgrade


 Tatjana Šipka
 Head of Finance Department


 Marko Ćorić
 Member of the Executive Board



 Đorđe Lukić
 Chairman of the Executive Board