AIKBANK AD BELGRADE

Financial Statements
for the Year Ended 31 December 2025

and

Independent Auditor's Report

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This is an English translation of Independent Auditor's Report originally issued in the Serbian language

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF
AikBank ad Belgrade

Opinion

We have audited the financial statements of AikBank ad Belgrade (hereinafter: the "Bank"), which comprise the balance sheet as of 31 December 2025 and the income statement, 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 material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2025, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

In respect of the Annual Business Report, we performed procedures in accordance with the Law on Accounting. These procedures included verifying whether the Bank's Annual Business Report, which includes a non-financial report, has been prepared in accordance with the applicable provisions of the Law on Accounting.

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Other Information (Continued)

Based solely on the work performed during our audit of the financial statements, in our opinion:

- The information presented in the Annual Business Report for the year ended 31 December 2025 is consistent, in all material respects, with the financial statements of the Bank as of and for the year then ended;
- The Annual Business Report has been prepared in accordance with the provisions of the Law on Accounting; and
- The Bank's non-financial report, which forms an integral part of the Annual Business Report, has been prepared in accordance with the applicable legal requirements.

In addition, 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit and 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF
AikBank ad Belgrade (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 9 March 2026

Ksenija Ristic Kostic
Certified Auditor

Društvo za reviziju BDO d.o.o. Beograd

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

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and balances with Central Bank	20	108,398,623	66,074,054
Pledged financial assets	21	-	6,806,777
Derivatives	22.1.	200,881	9,380
Securities	23	73,694,063	52,058,288
Loans and placements to banks and other financial institutions	24	89,409,773	85,771,023
Loans and placements to customers	25	444,101,244	236,068,910
Investments in subsidiaries	26	536,120	26,782,517
Intangible assets	28	1,583,583	659,570
Property, plant and equipment	29, 30	11,865,590	5,850,907
Investment property	31	1,018,348	1,093,373
Current tax assets	32	676,049	3,023,477
Deferred tax assets, net	33	209,074	379,878
Non-current assets held for sale and discontinued operations	34	533,252	5,537
Other assets	35	5,670,805	3,688,546
TOTAL ASSETS		**737,897,405**	**488,272,237**
LIABILITIES AND EQUITY			
Derivatives	22.2.	191,026	45,773
Deposits and other liabilities due to banks, other financial institutions and Central Bank	36	97,434,164	43,330,274
Deposits and other liabilities due to customers	37	519,311,728	339,375,779
Subordinated liabilities	38	7,800,263	-
Provisions	39	1,701,640	1,465,184
Other liabilities	40	7,642,141	5,970,389
TOTAL LIABILITIES		**634,080,962**	**390,187,399**
EQUITY	41		
Share capital		35,987,974	35,987,974
Treasury shares		(252,968)	-
Retained earnings		53,537,668	47,842,093
Reserves		14,543,769	14,254,771
TOTAL EQUITY		**103,816,443**	**98,084,838**
TOTAL LIABILITIES AND EQUITY		**737,897,405**	**488,272,237**

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

These financial statements were approved by the management of AikBank ad Belgrade on 4 March 2026.

Signed on behalf of AikBank ad Belgrade:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member

INCOME STATEMENT
For the Year Ended 31 December 2025
(In RSD thousand)

	Note	2025	2024
Interest income	7	33,684,881	24,044,439
Interest expenses	7	(13,265,613)	(9,314,284)
Net interest income	7	**20,419,268**	**14,730,155**
Fee and commission income	8	8,055,374	5,209,877
Fee and commission expenses	8	(2,127,650)	(1,741,320)
Net fee and commission income	8	**5,927,724**	**3,468,557**
Net (losses)/gains from changes in fair value of financial instruments	9	(195,886)	258,762
Net gains from derecognition of financial instruments measured at fair value	10	439,392	38,179
Net foreign exchange gains/(losses) and effects of contracted foreign currency clause	11	273,044	(245,163)
Net losses from impairment of financial asses not measured at fair value through profit or loss	12	(921,325)	(550,849)
Net gains from derecognition of financial instruments measured at amortised cost	13	-	112,168
Other operating income	14	1,144,476	2,397,207
Total operating income, net		**27,086,693**	**20,209,016**
Salaries, compensations and other personal expenses	15	(6,878,896)	(4,353,979)
Depreciation and amortisation expense	16	(1,901,502)	(922,356)
Other income	17	6,644,253	743,687
Other expenses	18	(8,445,776)	(5,762,616)
Profit before tax		**16,504,772**	**9,913,752**
Income taxes			
Current income tax	19	(1,876,230)	(711,934)
Deferred tax expense/(income)	19	(143,273)	30,571
Profit for the year		**14,485,269**	**9,232,389**

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

These financial statements were approved by the management of AikBank ad Belgrade on 4 March 2026.

Signed on behalf of AikBank ad Belgrade:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Chairman

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2025
(In RSD thousand)

	Note	2025	2024
Profit for the year		**14,485,269**	**9,232,389**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial losses	39, 41(iii)	(20,161)	(7,754)
Positive/(negative) effects of changes in fair value of equity instruments measured at fair value through other comprehensive income	41(ii)	296,300	(32,993)
Items that will or may be reclassified to profit or loss:			
(Negative)/positive effects of changes in fair value of debt instruments measured at fair value through other comprehensive income	41(ii)	(223,098)	1,442,062
Deferred tax expenses related to items of other comprehensive income	33.2.	(44,375)	(210,197)
Other comprehensive income for the year, net of tax		**8,666**	**1,191,118**
Total comprehensive income for the year		**14,493,935**	**10,423,507**

The notes on the following pages
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These financial statements were approved by the management of AikBank ad Belgrade on 4 March 2026.

Signed on behalf of AikBank ad Belgrade:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Chairman

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2025
(In RSD thousand)

	Share capital	Share premium	Treasury shares	Reserves from profit and other reserves	Revaluation reserves	Retained earnings	Total
Balance as of 1 January 2024	**21,791,681**	**14,196,293**	**-**	**13,953,877**	**(890,224)**	**46,781,335**	**95,832,962**
Profit for the year	-	-	-	-	-	9,232,389	9,232,389
Profit distribution – dividends paid	-	-	-	-	-	(8,171,631)	(8,171,631)
Other comprehensive income, net of tax	-	-	-	-	1,191,118	-	1,191,118
Balance as of 31 December 2024	**21,791,681**	**14,196,293**	**-**	**13,953,877**	**300,894**	**47,842,093**	**98,084,838**
Balance as of 1 January 2025	**21,791,681**	**14,196,293**	**-**	**13,953,877**	**300,894**	**47,842,093**	**98,084,838**
Profit for the year	-	-	-	-	-	14,485,269	14,485,269
Profit distribution – dividends paid	-	-	-	-	-	(9,232,389)	(9,232,389)
Effects of the merger with Eurobank Direktna	-	-		-	280,332	1,367,804	1,648,136
Repurchase of treasury shares	-	-	(252,968)	-	-	(902,429)	(1,155,397)
Other	-	-	-	-	-	(22,680)	(22,680)
Other comprehensive income, net of tax	-	-	-	-	8,666	-	8,666
Balance as of 31 December 2025	**21,791,681**	**14,196,293**	**(252,968)**	**13,953,877**	**589,892**	**53,537,668**	**103,816,443**

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

These financial statements were approved by the management of AikBank ad Belgrade on 4 March 2026.

Signed on behalf of AikBank ad Belgrade:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Chairman

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2025
(In RSD thousand)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operating activities	**42,733,153**	**32,843,130**
Interest receipts	33,391,557	25,274,347
Fee and commission receipts	8,181,147	5,212,501
Receipts from other operating activities	1,160,288	617,306
Dividends received and profit sharing	161	1,738,976
Cash used in operating activities	**(29,390,695)**	**(19,548,117)**
Interest paid	(13,042,729)	(8,846,164)
Fee and commission paid	(2,233,700)	(1,799,527)
Salaries, compensations and other personal expenses	(6,624,262)	(3,955,771)
Taxes, contributions and other duties paid	(122,505)	(218,058)
Payments for other operating expenses	(7,367,499)	(4,728,597)
Net cash flows from operating activities before increase or decrease in financial assets and financial liabilities	**13,342,458**	**13,295,013**
Decrease in financial assets and increase in financial liabilities	**8,709,530**	**16,807,218**
Increase in deposits and other liabilities due to banks, other financial institutions, Central Bank and customers	8,709,530	16,807,218
Increase in financial assets and decrease in financial liabilities	**(47,935,563)**	**(31,742,302)**
Increase in loans and placements to banks, other financial institutions, Central Bank and customers	(45,755,888)	(30,019,678)
Increase in securities and other financial assets not held for investments	(2,179,675)	(1,722,624)
Net cash used in operating activities before income taxes	**(25,883,575)**	**(1,640,071)**
Income taxes paid	-	(1,511,160)
Dividends paid	(9,232,389)	(8,171,686)
Net cash used in operating activities	***(35,115,964)***	***(11,322,917)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from investing activities	**67,042,353**	**3,466,389**
Proceeds from investment securities	15,360,196	2,669,418
Proceeds from sale of intangible assets, property, plant and equipment	370,188	5,843
Proceeds from sale of investment property	175,837	629,263
Other inflows from investing activities	51,136,132	161,865
Cash used in investing activities	**(26,875,984)**	**(11,251,688)**
Purchases of investment securities	(24,102,200)	(6,722,606)
Investments in subsidiaries, associates and joint ventures	-	(536,120)
Purchases of intangible assets, property, plant and equipment	(2,773,784)	(1,940,360)
Other outflows from investing activities	-	(2,052,602)
Net cash from/(used in) investing activities	***40,166,369***	***(7,785,299)***
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash from financing activities	**21,383,494**	**9,046,269**
Proceeds from borrowings	21,383,494	9,046,269
Cash used in financing activities	**(1,795,366)**	**(347,174)**
Outflows from repurchase of treasury shares	(1,155,397)	-
Other outflows from financing activities - lease	(639,969)	(347,174)
Net cash from financing activities	***19,588,128***	***8,699,095***
TOTAL CASH INFLOWS	**139,868,530**	**62,163,006**
TOTAL CASH OUTFLOWS	**(115,229,997)**	**(72,572,127)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**24,638,533**	**(10,409,121)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**45,536,513**	**55,905,031**
FOREIGN EXCHANGE GAINS	456,788	279,751
FOREIGN EXCHANGE LOSSES	(499,421)	(239,148)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 20)	**70,132,413**	**45,536,513**

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

These financial statements were approved by the management of AikBank ad Belgrade on 4 March 2026. Signed on behalf of AikBank ad Belgrade:

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Chairman

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

1. CORPORATE INFORMATION

AikBank joint stock company Belgrade (hereinafter: the "Bank") is a new business name of Agro-industrial Commercial Bank "AIK Banka" a.d. Belgrade. The change was registered with the Serbian Business Registers Agency based on the Decision BD 24568/2025 dated 28 March 2025.

Agro-industrial Commercial Bank "AIK Banka" a.d. Belgrade was established in accordance with the Articles of Association on 10 August 1993. The Bank harmonised its operations and organisational structure with the Law on Banks and Other Financial Organisations in 1995 and was registered with the Commercial Court of Nis as a shareholding company under the Decision No. Fi 1291/95 dated 22 June 1995.

At its regular session held on 29 June 2015 the Bank's Shareholder Assembly enacted the Decision on Change of the Registered Seat of the Bank. The change was registered with the Serbian Business Registers Agency under the Decision No. BD 57565/2015 dated 2 July 2015. Consequently, Agroindustrijsko komercijalna banka AIK Banka a.d. Nis changed its legal name to Agroindustrijsko komercijalna banka "AIK Banka" a.d. Belgrade.

As of 31 December 2025, the largest shareholder of the Bank owing 100% of controlling shares is the Broker-Dealer Company "M&V Investments" a.d. Belgrade (31 December 2024: M&V Investments a.d. Belgrade with 100% shares). More details on the shareholder's structure of the Bank are provided in Note 41.

The Bank is registered in the Republic of Serbia to provide banking services of payment transfers and lending and depositary operations performed domestically and abroad. As stipulated by the Law on Banks, the Bank is obligated to operate based on principles of liquidity, safety and profitability.

On 1 March 2022, the Bank acquired 100% of shares in Sberbank Srbija a.d. Belgrade and changed its name into Nasa AIK Banka a.d. Belgrade. In accordance with the Merger Agreement between the Bank, as the acquirer and Nasa AIK Banka as the transferor, which ceased to exist by merger without conducting the liquidation procedure. 1 December 2022 was defined as a contracted merger date, when this status change was registered with the Serbian Business Registers Agency.

On 2 March 2023, the Bank signed a Purchase Agreement with Eurobank S.A. Athens, Greece on the acquisition of 100% ownership of Eurobank Direktna a.d. Belgrade ("Eurobank Direktna"). On 2 November 2023, after obtaining the approval of the National Bank of Serbia and other competent regulatory bodies, the Bank officially became the sole owner of Eurobank Direktna.

At a regular session of the Bank's Shareholders Assembly held on 23 December 2024, a decision on the merger between the Bank and Eurobank Direktna was adopted. Pursuant to the Merger Agreement between the Bank, as the acquiring bank, and Eurobank Direktna, as the transferring bank that ceases to exist upon the merger without undergoing a liquidation procedure, 28 March 2025 was set forth as the agreed merger date. The Parties mutually established that the date of the merger registration with the Serbian Business Registers Agency would be the date of Eurobank Direktna's business cessation and the date from which all transactions of Eurobank Direktna have been considered, for accounting purposes, transactions carried out on behalf of the Bank. The status change regarding the merger with Eurobank Direktna was implemented on 28 March 2025 and registered on the same date with the Serbian Business Registers Agency according to the Decision No. BD 23786/2025. Pursuant to the Law on the Registration Procedure with the Serbian Business Registers Agency, the registration of a status change becomes enforceable with respect to third parties on the day following its publication date, i.e. on 29 March 2025 in this particular case.

In line with the strategy of further growth and development, the Bank successfully signed a purchase transaction agreement on 29 February 2024, becoming the sole owner of NDM Leasing d.o.o. Belgrade, which was subsequently renamed to AIK Leasing d.o.o. Belgrade. This acquisition represents an opportunity to expand the range of products and services for existing clients of AikBank, while simultaneously strengthening the position in the financial services' market. AIK Leasing d.o.o. Belgrade will serve as an important channel for attracting new customers, both corporate and retail.

1. CORPORATE INFORMATION (Continued)

The Bank's headquarters is in Belgrade, at 59A Bulevar Arsenija Carnojevica. The Bank operates through its Head Office in Belgrade, 37 branch offices and 2 counters in Belgrade, 7 branches in Nis, 6 branches in Novi Sad, 3 branches in Kragujevac, 2 branch offices in Krusevac, Leskovac, Zrenjanin, Sabac, Subotica and Uzice, and one branch in the following towns: Lazarevac, Obrenovac, Mladenovac, Pancevo, Smederevo, Pozarevac, Pozega, Valjevo, Pirot, Prokuplje, Vranje, Jagodina, Paracin, Bor, Negotin, Cacak, Gornji Milanovac, Kraljevo, Novi Pazar, Ruma, indjija, Stara Pazova, Sremska Mitrovica, Vrsac, Kikinda, Vrbas, Sombor, Arandjelovac, Arilje, Batocina, Vrnjacka banja, Zajecar, Ivanjica, Loznica, Mionica, Nova Varos, Prijepolje, Priboj na Limu, Raca, Svilajnac, Sopot, Smederevska Palanka, Surdulica, Cuprija, Apatin i Backa Palanka, which makes the total of 1 Head Office and, 111 branches and 2 counters throughout Serbia.

As of 31 December 2025, the Bank had 2,301 employees (31 December 2024: 1,310 employees). The Bank' tax identification number is 100618836, and its corporate ID is 06876366.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of Preparation

The financial statements of the Bank for the year ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board, and Interpretations (collectively "IFRS Accounting Standards"), and regulations of the National Bank of Serbia governing the financial reporting of banks.

The Bank, as a large legal entity, is obliged to apply International Financial Reporting Standards (IFRS) pursuant to the Law on Accounting ("RS Official Gazette", Nos. 73/2019 and 44/2021 - hereinafter the "Law"). In addition, the Law on Banks ("RS Official Gazette", Nos. 107/2005, 91/2010, 14/2015 and 19/2025), stipulates that banks apply IFRS when preparing annual financial statements from the date set by a competent international body as the date of their application. IFRS comprise the Conceptual Framework for Financial Reporting, International Accounting Standards - IAS, International Financial Reporting Standards - IFRS and Interpretations, subsequent amendments to these standards and related interpretations, published by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC).

The accompanying financial statements are presented in the format prescribed by the Decision on Forms and Content of Items in Financial Statement Forms for Banks ("RS Official Gazette", Nos. 93/2020 and 56/2025).

These financial statements have been prepared under the historical cost convention, except for the measurement of the following items:

- financial assets measured at fair value through other comprehensive income;
- financial assets and liabilities measured at fair value through profit and loss;
- derivative financial instruments stated at fair value, and
- investment property measured at fair value.

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

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

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

2.1. Basis of Preparation (Continued)

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability that reflect the Bank's own assumptions

In preparing these financial statements, the Bank applied the accounting policies described in Note 3. The accounting policies and estimates adopted are consistent with those used in preparing the Bank's financial statements for the year ended 31 December 2024, except for the adoption of amended IFRS Accounting Standards disclosed in Note 2.2, which are effective from 1 January 2025, where applicable.

The Bank's financial statements are stated in thousands of Dinars, unless otherwise stated. The Dinar (RSD) is the functional and official reporting currency in the Republic of Serbia. All transactions in currencies other than the functional currency are considered as foreign currency transactions.

2.2. New and Amended IFRS Accounting Standards Mandatory for the First Time for the Financial Year Beginning on 1 January 2025

The following amended standards issued by the IASB are mandatorily effective for reporting periods beginning on or after 1 January 2025 and are therefore applicable to the Bank's accompanying financial statements:

- *Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability*

  The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency. The amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

  These amendments had no effect on the accompanying financial statements of the Bank.

- *Disclosures about Uncertainties in the Financial Statements - Illustrative Examples on Reporting Uncertainties in the Financial Statements*

  During November 2025, the IASB issued Disclosures about Uncertainties in the Financial Statements – Illustrative examples, which amended multiple IFRS Accounting Standards to include illustrative examples demonstrating how entities can apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements, including, but not limited to, the effects of climate change. The amendments to the illustrative examples relate to IFRS 7 "Financial Instruments: Disclosures, IFRS 18 "Presentation and Disclosure in Financial Statements, IAS 1 "Presentation of Financial Statements, IAS 8 "Basis of Preparation of Financial Statements" (Accounting Policies, Changes in Accounting Estimates and Errors), IAS 36 "Impairment of Assets" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Since these illustrative examples are accompanying materials to IFRS Accounting Standards, these examples do not have an effective date. Entities are, however, expected to implement any changes in their financial reporting on a timely basis.

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

The adoption of the above-mentioned amended standards did not result in significant changes to the Bank's accounting policies and did not have an impact on the accompanying financial statements.

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

2.3. New and Amended IFRS Accounting Standards Not Yet Effective and Not Early Adopted by the Bank

The following new and amended IFRS Accounting Standards have been issued by the IASB with mandatory effective dates in future reporting periods. They have not been early adopted by the Bank, which intends to apply them when they become effective.

- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Amendments to the Classification and Measurement of Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2026). The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 “Financial Instruments”.
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Contracts Referencing Nature-dependent Electricity (previously Power Purchase Agreements) (effective for annual reporting periods beginning on or after 1 January 2026). The amendments aim at enabling entities to include information in their financial statements that in the IASB’s view more faithfully represents contracts referencing nature-dependent electricity.
- Annual Improvements to IFRS Accounting Standards – Volume 11 (effective for annual reporting periods beginning on or after 1 January 2026). As a result of the IASB's annual improvement project, this cycle addresses the following standards: IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7.
- IFRS 18 “Presentation and Disclosures in Financial Statements” (effective for annual reporting periods beginning on or after 1 January 2027). IFRS 18, which replaces IAS 1, includes requirements for all entities applying IFRS for the presentation and disclosure of information in general purpose financial statements.
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (effective for annual reporting periods beginning on or after 1 January 2027). IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.
- Amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (effective for annual reporting periods beginning on or after 1 January 2027). The amendments cover new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not considered when IFRS 19 was first issued.
- Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” - Translation to a Hyperinflationary Presentation Currency (effective for annual reporting periods beginning on or after 1 January 2027). The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.

The Bank is currently assessing the impact of these new and amended standards. Management does not expect that the adoption of amendments to the existing standards, effective from 1 January 2026, will have a material impact on the Bank’s financial statements in the period of their initial application.

2.4. Going Concern Assumption

The Bank’s financial statements are prepared on a going concern basis, assuming that it will continue to operate in the foreseeable future and will not be forced into liquidation.

At the date of authorisation of these financial statements, the Bank continues to meet its obligations as they fall due and therefore continues to apply the going concern assumption.

The key factors supporting the going concern basis of preparation of the Bank’s financial statements are:

- **Liquidity** – The Bank monitors its liquidity position on a daily basis, and its liquidity ratios were significantly above regulatory limits throughout 2025; all liquidity ratios remain above the applicable regulatory thresholds, as disclosed in Note 4.2.
- **Capita**l – The Bank maintains a very strong capital position, with a high capital adequacy ratio as disclosed in Note 4.9.
- **Reserves and profit** – The Bank’s capital represents 14.07% of its total assets, while reserves and profit together represent 9.23% of total assets.

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

2.5. Comparative Information

Comparative information comprises the data from the Bank's audited financial statements as of and for the year ended 31 December 2024.

2.6. Use of Estimates

Preparation of the financial statements in accordance with IFRS Accounting Standards requires the Bank's management to make the best possible estimates and reasonable assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, as well as income and expenses arising during the accounting period. Actual amounts of assets and liabilities may vary from these estimates.

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

Areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 5.

2.7. Statement of Compliance

The accompanying financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

3. MATERIAL ACCOUNTING POLICIES

The accompanying financial statements represent the separate financial statements of the Bank.

As of 31 December 2025, the Bank has control over AIK Leasing d.o.o. Belgrade, as disclosed in Note 26.

In 2025, as in prior years, the Bank did not prepare consolidated financial statements in accordance with Article 32 of the Law on Accounting, because the obligor of consolidation in Serbia is the Bank's ultimate parent, M&V Investments a.d. Belgrade.

3.1. Interest Income and Expenses

Interest income and interest expenses are recorded in the income statement on an accrual basis and in accordance with the obligations stipulated by contracts between the Bank and the client. They are recognised in the income statement in the period to which they relate and are calculated using the effective interest method for all interest-bearing financial instruments measured at amortised cost (AC) and fair value through profit or loss.

Interest income on financial assets at fair value through other comprehensive income (FVOCI) under IFRS 9 is also recorded using the effective interest method.

In the case of financial assets that become impaired after initial recognition, interest income is calculated using the effective interest rate to the amortised (net) value of a financial asset. If the asset ceases to be impaired, the basis for calculating interest income again becomes the gross carrying value of the financial asset.

In the case of financial assets purchased or originally impaired at initial recognition (POCI), interest income is calculated using the effective interest rate adjusted for credit risk to the amortised (net) value of a financial asset and never at the gross carrying value of the financial asset.

The effective interest rate is the rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. In calculation of the effective interest rate, the Bank estimates cash flows taking into account all the contractually agreed terms of the financial instrument but does not consider future credit losses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1. Interest Income and Expenses (Continued)

Effective interest rate includes all fees and amounts paid or received between the counterparties that form an integral part of the effective interest rate, transaction costs and other premiums or discounts. The effective interest rate calculation includes the following types of the Bank's fees, which by their nature are an integral part of the effective rate: loan application processing fees, fees for processing authorised account overdraft applications, fees for investment project assessment and evaluation, fees for obligatory loan extension, when it is probable that a financial asset will be issued, fees for loan term modification.

Fees that are an integral part of the effective interest rate are deferred and amortised as interest income over the loan term using the effective interest rate.

Interest income and expenses presented within the Bank’s income statement include: interest on financial assets and liabilities measured at amortised cost calculated using the effective interest method, interest on securities measured at FVOCI calculated using the effective interest method and interest on coupon securities held for trading.

3.2. Fee and Commission Income and Expenses

Fees and commission primarily comprise considerations for banking services of payment transactions in the country and abroad, services per payment cards, issuance of guarantees and letters of credit and other banking services.

Fee and commission income and expenses are recognised on an accrual basis, when such services are rendered.

Fees for issuance of guarantees and letters of credit are deferred and recognised as income proportionately to the outstanding loan maturities, or guarantee and letter of credit validity terms.

3.3. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official middle exchange rates determined at the Interbank Foreign Exchange Market effective at each transaction date.

Assets and liabilities denominated in foreign currencies, including those in RSD but with a currency clause index, are translated into dinars by applying the official middle exchange rates, as determined at the Interbank Foreign Exchange Market, prevailing at the reporting date (Note 47).

Foreign exchange gains or losses arising upon the translation of balance sheet items denominated in foreign currencies and transactions in foreign currencies are credited or charged as appropriate, to the income statement, as foreign exchange gains or losses and effects of the contracted currency clause (Note 11).

3.4. Dividend Income

Dividend income is recognised when the Bank’s entitlement to dividend receipt is established. Dividend income is presented within other operating income.

3.5. Net Gains/(Losses) from Changes in Fair Value of Financial Instrument

Net gains/(losses) from changes in fair values of the financial instruments comprise the net effects of changes in the fair values of derivatives (other than derivatives designated as risk hedging instruments), as well as of valuation gains/(losses) in fair value of financial instruments measured at fair value through profit or loss (FVTPL).

3.6. Net Gains/(Losses) from Derecognition of Financial Instruments

Net gains/(losses) from derecognition of financial instruments and investments comprise the net effect of derecognition of financial instruments in accordance with IFRS 9.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.7. Net Gains from Risk Hedges

Net gains from risk hedges include net gains from changes in value of financial derivatives designated as risk hedging instruments, as well as in the fair value adjustment of loans, receivables and securities as hedged items, which arise from the risk against which the item is hedged.

3.8. Income Taxes

Income taxes comprise current tax and deferred taxes. Current taxes and deferred taxes are recognised in the income statement, except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current Income Tax

Current income tax is an amount calculated by applying the legally prescribed tax rate of 15% (2024: 15%) to profit before taxes, as adjusted for permanent differences that brings down the statutory tax rate to the effective tax rate. The total amount of the income tax payable is determined by applying the legally prescribed tax rate to the taxable base determined in the annual corporate income tax return.

The Corporate Income Tax Law of the Republic of Serbia does not envisage that any tax losses of the current period be used to recover taxes paid within a specific carry back period. However, losses recognised in the tax return in the current accounting period may be used to reduce the tax base of future accounting periods, but not longer than five ensuing years.

Deferred Income Tax

Deferred tax liabilities are recognised as at the reporting date for all taxable temporary differences between the carrying values of assets used for financial reporting purposes and their tax bases. The currently enacted tax rates or the substantively enacted rates at the balance sheet date are used to determine the deferred income tax amount.

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

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

Current and deferred tax assets and liabilities are offset when levied by the same tax authority on the same taxable entity, when related to the same tax authority and if there is a legally enforceable right to offset tax liabilities against tax assets.

Current and deferred taxes are recognised as income or expense and are included in net profit for the period other than those amounts that are recorded directly in equity in the current or other accounting period.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, municipal fees and charges and other taxes and contributions payable pursuant to effective republic and local tax regulations. These taxes and contributions are reported within other expenses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities

Recognition

The Bank initially recognises financial assets and liabilities as at the settlement date.

A financial asset or liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets and liabilities measured at fair value through profit or loss (FVTPL), whose initial measurement does not include such costs.

Classification

In accordance with IFRS 9 classification and measurement of financial assets depend on the following two main criteria:

(a) the business model within which the asset is held; and
(b) characteristics of the contractual cash flows of financial assets (the so-called SPPI criterion).

The business model reflects the manner in which the Bank manages its financial assets in order to collect the cash flows therefrom, i.e. the business model determines whether the cash flows will result from collection of cash flows, sales of assets or both. The Bank performed detailed analysis and defined the following business models:

(a) hold to collect;
(b) hold to collect and sell; and
(c) other business models (e.g. hold to sell).

In instances of business models “hold to collect” or “hold to collect and sell”, it is assessed whether the cash flows represent solely payments of principal and interest (the Solely Payments of Principal and Interest - SPPI test”).

In accordance with the basic loan arrangement, interest includes the time value of money, the accepted level of counterparty credit risk and other basic lending risks, including adequate profit margin. If the contractual terms include risk exposures that are not in line with the basic loan arrangement, such a financial asset is classified and measured at fair value through profit or loss irrespective of the business model to which it belongs.

Based on the performed analysis of the business models and characteristics of the contractual cash flows, in line with IFRS 9 the Bank classifies its financial assets in one of the following three categories:

1) Financial assets at amortised cost (AC);
2) Financial assets at fair value through other comprehensive income (FVOCI); and
3) Financial assets at fair value through profit or loss (FVTPL).

The Bank measures its financial liabilities at amortised cost.

Reclassification

If a change occurs to the model underlying a financial asset management, the financial assets is reclassified. Reclassification is made prospectively, i.e. as of the first day of the following reporting period.

Upon reclassification of a financial asset from the category of measurement at amortised cost to the category of measurement at FVTPL, the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortised cost and the fair value is recognised in the profit or loss.

In case of a contrary reclassification, from an asset measured at FVTPL to the category of assets measured at amortised cost, the asset's fair value as of the reclassification date becomes its gross carrying value.

Upon reclassification of a financial asset from the category of measurement at amortised cost into the category of measurement at FVOCI, the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortised cost and the fair value is recognized in the other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Reclassification (Continued)

In case of a contrary reclassification, from an asset measured at FVOCI to the category of assets measured at amortised cost, the financial asset will be reclassified at its fair value. However, the accumulated gains or losses previously recognised within the other comprehensive income will cease to be recognised within equity and the value of the financial asset will be adjusted by the amount thereof as of the reclassification date. As a result, the financial asset is measured as of the reclassification date as if it had always been measured at amortised cost.

Upon reclassification of a financial asset from the category of measurement at FVTPL to the category of assets measured at FVOCI, the financial asset continues to be measured at fair value.

In case of a contrary reclassification, from an asset measured at FVOCI to the category of assets measured at FVTPL, the financial asset will continue to be measured at fair value. The accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to the profit or loss.

Modification and Derecognition of Financial Assets

In some circumstances, renegotiation or modification of the contractual cash flows of a financial asset may lead to derecognition of the existing financial asset in line with IFRS 9. When modification of a financial asset results in derecognition of the existing asset and subsequent recognition of a modified asset, the modified asset will be deemed a “new” financial asset for the purposes of this standard.

In such situations, the Bank makes quantitative and qualitative analyses and assesses whether there is a significant difference between the contractual cash flows of the original financial asset and the contractual cash flows of the modified or replacement asset. If there is a significant difference, the contractual rights pertaining to the original financial asset will be considered as expired and the new asset, issued under new terms, is to be recognised.

Accordingly, the reclassification date will be treated as the date of the initial recognition date of such a financial asset upon implementation of the impairment requirements to the modified asset.

In the event of a significant modification of a financial instrument, IFRS 9 stipulates derecognition of the original financial asset and recognition of the new one at fair value at the recognition date.

Derecognition results in a permanent gain or loss, which must be recognised in profit or loss, in the amount of the difference between the amortised cost of the original financial asset and the fair value of the new financial asset net of expected credit losses recognised as impairment allowance of the new financial asset.

Purchased or Originated Credit Impaired Financial Assets (POCI)

A financial asset is credit impaired when one or more events have occurred with adverse effects on the estimated contractual cash flows of the financial asset.

At the moment of initial recognition such financial assets will have no impairment but the lifetime expected credit losses need to be included in the calculation of their effective interest rate. Therefore, the Bank includes the initial expected credit losses into the estimate of the future cash flows upon calculation of the credit-adjusted effective interest rate of the financial assets impaired at initial recognition.

Upon initial recognition, expected credit losses (ECLs) for POCI assets are always measured as lifetime ECLs. However, at the reporting date, the Bank recognises an additional level of impairment, respecting the change in objective circumstances since the recognition of a financial asset. In other words, at each reporting date, in the income statement the Bank recognises changes in lifetime ECLs as gains or losses on impairment.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risk and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualifies for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the balance sheet. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that was previously recognised in other comprehensive income is recognised in profit or loss.

The Bank enters in transactions involving the transfer of its assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to offset the recognised amounts and it intends either to settle a liability on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as those in the Bank's trading activity.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

In case of inactive financial market, the Bank determines fair value using the valuation methodology. Valuation methodologies include transactions on market conditions between the willing, willing parties (if available), reference to the existing fair value of other instruments that are substantially the same, discounted cash flow analysis, and other alternative methods.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on the Bank's specific estimates, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing of financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument of based on other available observable market data.

Assets and long positions are measured at bid prices and liabilities, while short positions are measured at ask prices. When the Bank has a risk offsetting position, middle market prices are used for measuring offsetting or risk-weighted assets, while adjustment to bid or ask prices is applied only to the net open positions. Here the fair value reflects the credit risk of the instrument and includes adjustments reflecting the credit risk of the Bank and the counterparty, where relevant. Fair value assessments based on the valuation models are adjusted for all other factors, such as liquidity risk or uncertainty models, to the extent that the Bank believes that third party market participants may take them into consideration upon determining transaction cost.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Fair Value Measurement (Continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is recognised in profit or loss. Otherwise, the difference is not recognised in profit or loss immediately but over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Impairment of the Financial Assets

In accordance with IFRS 9, upon impairment of the financial instruments existence of objective evidence of impairment is not necessary for recognition of credit losses. Expected credit losses are also recognised for unimpaired financial assets, i.e. the Bank calculates provisions for credit losses for credit exposures except for those already measured at fair value through profit or loss (FVTPL) (including both performing and non-performing financial assets).

Expected credit losses are recalculated at each reporting date in order to reflect changes occurred in the credit risk since the initial recognition of the financial instrument. Such an approach results in sooner identification of credit losses.

Upon calculating expected credit losses, the Bank uses forward-looking information and macroeconomic inputs, i.e. the Bank considers not only historical information adjusted so as to reflect the effects of the present conditions and information providing objective evidence of the financial assets being impaired for actual losses incurred, but reasonable and supportable information as well, which includes projections of the future economic conditions upon calculation of expected credit losses, both at individual and at collective levels. The amount of provisions for credit losses will increase with deterioration of the projected economic conditions and decrease with their improvement.

The Bank's basic principles and rules upon calculation of provisions under IFRS 9 are as follows:

The Bank calculates 12-month expected credit loss or a lifetime expected credit loss of a financial instrument depending on the significance of the change in its credit risk occurred since the instrument's initial recognition. For these purposes, the Bank uses the following three stages of impairment:

- Stage 1 includes all new financial assets at initial recognition and instruments without significant credit quality deterioration since their initial recognition;
- Stage 2 includes financial instruments with significant credit quality deterioration since their initial recognition yet with no objective evidence of impairment based on credit losses;
- Stage 3 includes financial instruments where objective evidence of impairment exists at the reporting date.

Stages 1 and 2 include only performing financial assets. Stage 3 includes only non-performing financial assets.

In accordance with the foregoing, the Bank calculates an impairment allowance (provision) for a particular instrument in the amount of lifetime expected credit losses if the credit risk of the instrument has increased significantly since its initial recognition or if there is objective evidence of impairment identified (a financial asset classified into Stage 2 or Stage 3, respectively). Impairment allowance is calculated up to the amount of 12-month expected credit losses for all financial instruments with no significant credit risk increase since the initial recognition (financial assets classified into Stage 1).

For impairment allowance calculation purposes, the 12-month expected credit losses are part of the life-time expected credit losses identified and represent cash shortages over the life of an instrument that will occur in the event of default within 12 months from the reporting date or a shorter period, if the expected lifetime of an instrument is shorter than 12 months).

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Impairment of the Financial Assets (Continued)

Financial assets are transferred from Stage 1 to Stage 2 when the credit risk has increased significantly since the instruments' initial recognition. The transfer logic is based on quantitative and qualitative criteria and must be applied to all the financial instruments. Relative deterioration of the lifetime PD above the threshold of 200% for corporate customers and 250% for retail customers at the reporting date in comparison to the placement approval date, is the key parameter underlying the quantitative criterion of the transfer logic. The additional qualitative criteria that come after applying the quantitative criteria are:

- Forbearance status classification results in automatic classification to Stage 2.
- Reclassification into the red zone of the Watch list process.
- 30 days past due – if a transaction reaches more than 30 but up to 90 days past due, it should be classified as Stage 2.

As far as the receivables from banks and the state are concerned, the criterion that is taken into consideration is the rating deterioration of an external rating agency, which results in the transition from an investment rating (Aaa-Baa3) to a non-investment rating (Ba-C).

In the impairment process, the Bank applies a special treatment to the purchases of already impaired assets from the so-called NPL portfolios and to the approval of new loans to the borrowers with already impaired loans within its portfolio. In accordance with IFRS 9, such assets are defined as POCI (purchased or originated credit impaired financial assets) and an additional level of impairment is allocated for them after the passage of a certain time. Positive changes in the lifetime expected credit losses of the instrument are recognised as gains on the impairment of instruments if the expected credit loss in lower than the amount of expected credit losses included in the estimated cash flows upon initial recognition.

Write-Off and Transfer of Receivables from Balance Sheet to Off-Balance Sheet Items

The Bank (in accordance with the Procedure on the Write-Off and Transfer of Receivables from Balance Sheet to Off-Balance Sheet Items) writes off certain loans and receivables and securities that have been determined as irrecoverable.

3.10. Cash and Balances with the Central Bank

Cash and balances held with the Central Bank comprise cash in hand, the Bank's gyro account balance, other cash funds and the required foreign currency reserve held with the central bank. Cash and balances held with the central bank are stated at amortised cost in the Bank's balance sheet.

Within the statement of cash flows cash and cash equivalents also comprise balances on accounts held with foreign banks, whereas the required foreign currency reserves held with the Central bank are not included therein.

3.11. Financial Assets Measured at Amortised Cost

This category includes financial assets meeting the two below listed criteria, if they are not designated upon initial recognition as financial assets measured at FVTPL:

- The objective of the business model in which the assets are held is achieved by collecting the contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, such assets are measured at amortised cost using the effective interest rate, net of expected credit losses.

Interest income from these instruments is calculated using the effective interest and presented in the income statement. Impairment losses on financial instruments measured at amortised cost are recognised within the income statement under losses from impairment of financial assets.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.11. Financial Assets Measured at Amortised Cost (Continued)

Loans and Placements

Loans and placements are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. They arise when the Bank provides money or services directly to a customer with no intention of trading the receivable. Loans and receivables comprise loans and placements to banks and customers.

Loans and receivables are initially measured at fair value. Upon initial recognition, based on the analysis of the business model and characteristics of the contractual cash flows, loans and receivables are measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

After initial recognition and measurement, loans and placements to banks and customers are measured at amortised cost and are stated at the amounts outstanding, taking into account all the discounts and premiums granted upon acquisition, net of the impairment allowances.

Income and interest receivable calculated on such instruments are recorded within interest income and interest receivable, respectively. Fees that are part of the effective interest on these instruments are deferred and recognised in the income statement under interest income over the life of the instrument.

Approved RSD loans hedged using a contractual currency clause linked to the RSD/EUR exchange rate, to another foreign currency or consumer price index are converted into dinars at the reporting date in accordance with the terms of the particular loan agreement. The effects of the currency translation are reported within foreign exchange gains/losses and currency clause effects.

In accordance with its internally adopted methodology, at each reporting date, the Bank assesses whether there has been a significant increase in credit risk of all of its financial assets and calculates impairment allowance in the amount of lifetime expected credit losses for the financial assets whose credit risk has increased significantly since their initial recognition or if there is objective evidence of their impairment, and, on the other end, in the amount of 12-month expected losses for all those financial assets where the credit risk has not increased significantly since their initial recognition.

For the purposes of the Bank's calculation of impairment allowance, 12-month ECLs represent a portion of the lifetime ECLs and are in fact losses that will arise if the asset (loan) defaults (if the default status occurs) within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months), weighted by the probability of default (PD).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the borrower’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement under the item of net gains from reversal of impairment/losses on impairment of financial assets not measured at FVTPL.

3.12. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

After initial recognition, financial assets measured at FVOCI are stated at fair value. The fair value of the assets is determined in line with the Bank's internally adopted fair value assessment methodology. Gains or losses from changes in fair value of these assets, except for impairment losses and foreign exchange gains/losses, are recognised in other comprehensive income, until derecognition or reclassification of the financial assets. Upon derecognition, the accumulated gains or losses previously recognised within other comprehensive income are reclassified from equity to profit or loss.

Interest accrued on such assets is recognised under the effective interest method within interest income in the income statement.

The calculated impairment losses (ECL) on these assets are recognised within other comprehensive income and they do not reduce the carrying value of the financial assets (as is the case with financial assets measured at amortised cost), in other words, the impairment allowance does not affect the carrying value of these assets.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.13. Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)

Financial assets measured at FVTPL are all those financial assets that are not measured at AC or FVOCI. In line with IFRS 9, such assets are measured at fair value, with the effect of changes in their fair value recorded within profit or loss (income statement).

A financial asset classified into this category is a financial asset held for trading, i.e. an asset acquired primarily with the aim to earn a profit from short-term price fluctuations and/or dealer's margin.

Financial instruments (including shares held for trading) classified in the Bank's trading book are initially recognised at their purchase price. Transaction costs are not included in their value but represent expenses for the period of acquisition. Financial assets held for trading are subsequently valued – by being adjusted to fair value on a daily basis. Gains and/or losses on sale of financial assets held for trading are recognised within income or expenses for the period.

Derivative Instruments

Financial derivatives comprise forward and swap transactions. Financial derivatives are initially recognised at cost and are subsequently measured at market value. Market values are obtained using different valuation techniques, including discounted cash flows.

Financial derivatives are accounted for under assets if their market value is positive and under liabilities if their market value is negative.

Unless designated as hedging instruments, derivatives are treated as held for trading and measured at FVTPL under IFRS 9. Fluctuations in market value of financial derivatives are reported in the income statement within net gains or losses from changes in the fair value of financial instruments.

3.14. Equity Instruments

All investments in equity instruments are measured at FVTPL under IFRS 9, with the changes in their fair values recognised through profit or loss, except for those equity investments for which the Bank has elected to recognise fair value changes within other comprehensive income (OCI).

Dividend income on the equity instruments for which the Bank has decided to initially recognise fair value changes within OCI, is recognised in income statement. Upon derecognition, accumulated gains or losses within OCI are not reclassified to the income statement. In accordance with IFRS 9, such financial instruments are not tested for impairment.

In accordance with IFRS 9, if an equity instrument is not held for trading, at initial recognition the Bank may make an irrevocable decision to measure such an instrument at FVOCI, with only dividend income recognised within the income statement. Such instruments are not subject to impairment assessment in accordance with IFRS 9.

3.15. Property and Equipment

Recognition and Measurement

Items of property and equipment are initially measured at cost or purchase price.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of such equipment.

After initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Gains or losses arising on disposal of property and equipment are calculated as the difference between the sales proceeds and the carrying values of the assets and are presented within other income/expenses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.15. Property and Equipment (Continued)

Subsequent Expenditures

Costs incurred in replacement of a critical part of equipment are capitalised and recognised as an increase of the carrying value of the fixed asset if it is probable that future economic benefits from the said part will flow to the Bank and if its cost can be measured reliably. The carrying value of the replaced part is derecognised.

The regular equipment maintenance and servicing costs are recognised within expenses as incurred.

Depreciation

Depreciation of property and equipment is calculated on the cost, on a straight-line basis, using the following annual rates in order to write off the cost of assets over their estimated useful lives.

The following depreciation rates were used in the current and previous accounting period:

Buildings	1.30%
Computer equipment	20.00%
Furniture and other equipment	8.00% - 20.00%
Motor vehicles	15.50%

Calculation of depreciation of property and equipment starts in the month following the month when an asset is put into use. Calculation of depreciation for disposed assets ceases from the month following the month of asset disposal.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

3.16. Right-of-use Assets

The accounting policies for the recognition and measurement of leases in accordance with IFRS 16 “Leases” applied to the current and prior reporting periods are set out below.

(i) Bank as a Lessee

In accordance with IFRS 16, a lease is defined as a contract or part of a contract that transfers the right to use the property for a specified period of time in exchange for a fee. A qualifying asset is recognised if the following conditions are cumulatively fulfilled:

- if the leased asset can be identified explicitly or implicitly;
- when all material economic benefits from the use of the asset can be realised during the lease period; and
- if the use of the asset can be managed, that is, deciding how and for what purposes the asset will be used throughout the lease period.

The Bank does not apply IFRS 16 requirements on low value assets, short-term leases (up to one year) and intangible assets. These leases are recognised as an expense on a proportional basis in the income statement (Note 18).

When an analysis of a contract determines that the contract is a lease, the asset with the right to use is recognised in the assets and the liability for the leasing in the liabilities of the balance sheet. An asset with a right of use is initially measured at cost, consisting of:

- the initial amount of the lease liability adjusted for all lease payments incurred on or before the lease begins;
- increased by any initial direct costs incurred and the estimated cost of dismantling and removing the asset or restoring the asset or location to its original condition; and
- reduced for received lease incentives.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.16. Right-of-use Assets (Continued)

(i) Bank as a Lessee (Continued)

After initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for remeasuring of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis. Depreciation starts from the first day of the month following the month in which the asset becomes available for use.

The lease liability is initially measured at the present value of all future lease payments (excluding value added tax), discounted at the interest rate implicit in the lease, and in the absence thereof, at the incremental borrowing rate. The incremental borrowing rate is determined based on the cost of financing a liability of similar duration and similar security to that provided for in the lease contract.

Future lease payments that are included in the value of the lease liability after discounting include:

- fixed payments less any lease incentives received;
- variable lease payments, that is, index- or rate-dependent payments;
- payments under the residual value guarantee clause of the leased item;
- the purchase price of the redemption option, if there is reasonable possibility for redemption; and
- penalties for termination of the contract, if there is reasonable possibility for termination.

After initial recognition, the lease liability is reduced by the lease liability payments made, increased by the accrued interest and adjusted based on:

- changes in future lease payments resulting from a change in the rate or index used to determine the initial lease liability;
- changes in the valuation of the use of the option to purchase the property;
- changes in the amount expected to be paid under the residual value guarantee; and
- changes in the lease period.

Adjusting the value of the lease liability also requires adjusting the right-of-use asset. Based on leases, the Bank recognises depreciation expense and interest expense in the income statement.

(ii) Bank as a Lessor

When the Bank appears as a leasing provider, it is assessed whether it is a financial lease or an operating lease. If the Bank estimates that the contract transfers all the risks and benefits arising from the ownership, the lease is classified as financial. Otherwise, it is operating leasing. IFRS 16 does not make any material changes to the accounting treatment of leases with a lessor compared to IAS 17.

3.17. Intangible Assets

Intangible assets consist of software, licenses and other intangible assets. Intangible assets acquired by the Bank are stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation of intangible assets is calculated on a straight-line basis in order to write off the assets over their estimated useful lives of five years, unless the assessment of the useful life and the possibility of using the respective investment, taking into account the technological characteristics and efficiency, do not exceed the stated period of use. For intangible assets, the period of use of which is determined by the contract, the amortisation rate is determined based on the period of use from the contract.

Amortisation methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.18. Investment Property

In accordance with IAS 40 “Investment Property”, investment property is property (land or a building, part of building or both) held by the owner (or lessee) in order to generate rental income or increase the value of equity or both.

Upon acquisition, investment property is measured at cost or purchase price. At initial measurement, all acquisition related costs are included in the cost or purchase price of investment property.

For subsequent measurement of investment property, the Bank uses the fair value model. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Gains or losses arising from the fair value adjustment of investment property are recognised as income or expenses in the period when realised/incurred.

3.19. Impairment of Non-financial Assets

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

If the recoverable amount of an asset is estimated to be lower than its carrying value, the carrying amount of the asset is reduced to its recoverable amount, being the higher of an asset’s fair value less costs to sell and value in use. Impairment losses, representing a difference between the carrying amount and the recoverable amount of property, plant and equipment and intangible assets, are recognised in the income statement as required by IAS 36 “Impairment of Assets”.

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

3.20. Investments in Subsidiaries

Subsidiaries are subordinate entities under the Bank's control, i.e. those where the Bank is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

Investments in subsidiaries are recorded in the financial statements at cost in accordance with IAS 27. The historical cost method requires that the investments in subsidiaries be recorded at cost (the amount of investment) and periodically (once a year) tested for impairment in line with IAS 36.

If an equity investment is impaired, i.e. if it is determined upon subsequent measurement that its recoverable amount is lower than its cost (or the carrying value), the cost (the carrying value) of the investment is reduced through impairment allowance to the recoverable amount. Impairment losses on equity interests held in subsidiaries are recorded within expenses in the current period's income statement.

Income from equity investments is recognised only if a subsidiary has enacted a relevant decision on profit distribution.

Consolidation of the financial statements is carried out using the full consolidation method, which, inter alia, involves the “line-by-line” summation of the same/corresponding items of assets, liabilities, income and expenses with elimination of all the intragroup balances, transactions, income and expenses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.21. Inventories

Inventories include repossessed property following the foreclosure (foreclosed assets).

Assets acquired in lieu of debt collection represent properties initially pledged under mortgage liens in favor of the Bank as collateral for loan repayment, and subsequently foreclosed by the Bank in the course of debt collection.

Such properties are measured at the lower of the carrying value of the respective loans recovered through foreclosure and the market value as determined by certified appraisers.

3.22. Managed funds on behalf of third parties

Funds managed by the Bank on behalf of and for the account of third parties for a fee are disclosed as off-balance sheet items (Note 42.2). The Bank does not bear any risk in respect of the repayment of these placements.

3.23. Deposits and Borrowings

Deposits are stated in the amount of deposited funds, which may be increased by accrued interest, depending on the contractual terms agreed between depositors and the Bank.

Deposits and borrowings are initially measured at fair value increased for all directly attributable transaction costs, while they are subsequently measured at amortised cost using the effective interest rate method.

3.24. Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation (Note 39).

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 appropriate, the risks specific to the liability.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements (Note 42.1), unless the possibility of an outflow of resources embodying economic benefits is remote.

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

3.25. Financial Guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are reported under off-balance sheet items.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.26. Employee Benefits

In accordance with the regulations effective in the Republic of Serbia, the Bank is obligated to pay contributions to various state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in the amounts computed by applying the specific, legally prescribed rates, which are withheld from the gross salaries. The Bank also calculates and pays social security contributions charged to the employee.

In accordance with the Labour Law, the Bank is obliged to pay retirement benefits, and in accordance with its acts, it also pays jubilee awards for 10, 20, 30 and 40 years of employment with the Bank.

Long-term liabilities/provisions for retirement benefits and jubilee awards in accordance with IAS 19 represent the present value of the expected future payments to employees as determined by actuarial assessment using assumptions disclosed in Note 39(b).

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

3.27. Equity

The Bank's equity consists of founders' capital, subsequent share issues, share premium, reserves from profit and other reserves, fair value reserves and retained earnings and current year result. The Bank's equity was formed from monetary contributions invested by the Bank's founders. A founder cannot withdraw funds invested in the Bank's equity.

Gains and losses arising from changes in the market value of securities measured at fair value through other comprehensive income, as well as impairment of these securities in accordance with IFRS 9, are recorded within unrealised gains/losses on the indicated securities.

3.28. Related Party Disclosures

For the purposes of these financial statements, legal entities are treated as related parties when one entity has the ability to control another entity or has the power to govern its financial and operating policies, as defined in IAS 24 "Related Party Disclosures".

Relationships between the Bank and its related parties are governed by contracts. Outstanding receivable and payable balances at the reporting date, as well as transactions with related parties during the reporting periods, are disclosed separately (Note 43).

4. RISK MANAGEMENT

A risk is the possibility of adverse effects on the Bank's capital and financial result arising from the transactions it undertakes and from the macroeconomic environment in which it operates. The Bank's long-term objective in risk management is to minimise negative effects on its financial result and capital arising from its risk exposures.

Risks are an integral part of banking operations and cannot be completely eliminated. However, it is important that they are managed in such a way that they are reduced to levels acceptable for all stakeholders: shareholders, creditors, depositors and regulators.

The risk management process involves the continuous identification and measurement (i.e. assessment) of risks, the implementation of risk mitigation measures, ongoing monitoring and control of risks through the establishment of risk exposure limits, as well as risk reporting in accordance with the Bank's internal acts and regulatory requirements. An adequate risk management system is one of the key elements in ensuring the stability of the Bank's operations.

4. RISK MANAGEMENT (Continued)

Risk monitoring and control are primarily based on establishing the procedures and limit system. The established limits reflect the Bank's business strategy and market environment, as well as the risk level that the Bank is willing to accept. The Bank permanently monitors and measures the capacity of the acceptable risk exposure level, taking into account the total exposure to all types of risks and activities.

The Bank continuously monitors all changes in law and bylaw regulations and international standards, analyses the effect on the risk level and undertakes measures for the timely harmonisation of its operations with the current regulations.

Risk Management System

The Bank has established a comprehensive and reliable risk management system defined by:

- Risk Management Strategy;
- Risk Appetite;
- Capital management Strategy and Plan;
- Risk Management Policy;
- Individual risks' management procedures;
- Methodologies by which the Bank defines in detail the methods and approaches used in managing individual risks; and
- Other internal acts of the Bank.

The Risk Management Strategy sets out the risk management principles to ensure the adequate assessment of all risks to which the Bank is or may be exposed in its operations, and to ensure that sufficient capital is maintained to support the achievement of the Bank's strategic objectives, in line with its Business Policy and Strategy.

The Risk Management Strategy defines:

- All risks to which the Bank is or may be exposed in the course of its operations;
- Long-term risk management objectives, as established by the Bank's Business Policy and Strategy, as well as the Bank's risk appetite and tolerance in line with those objectives;
- The basic principles of risk-taking and risk management;
- The basic principles of the internal capital adequacy assessment process;
- The obligation of regular reporting on risk management to the Bank's governing bodies and to the National Bank of Serbia; and
- The criteria for identifying the Bank's non-performing loans, the basic principles for managing such assets, as well as the maximum acceptable level of non-performing loans.

Risk Appetite is defined as a set of indicators with set out limits or targets used by the Bank to determine the maximum risk exposure tolerance by various risk types, a calculation method of selected indicators as well as the design method of risk appetite and its connection to the strategic planning process. In addition, Risk Appetite prescribes a detailed escalation process in case of limit exceedance. A Risk Appetite Compliance Report is regularly sent to the Bank's management bodies, and the document itself is updated at least once a year or more often if necessary and/or in case of any significant changes in factors that may affect the Bank's risk appetite.

In the Risk Management Policy, the Bank determines the basic principles of risk management, and in particular defines the organisation of the risk management process, the basis for the Bank's risk profile assessment, i.e. risk identification and measurement, measures for individual risk mitigation and monitoring, the internal risk management control system, the establishment of the individual risk limit system, as well as actions in the event of exceeding the defined limits, the manner and methodology for implementing the internal capital adequacy assessment process, establishes the framework and frequency of the stress testing of individual types of risks. In addition, Risk Management Policy determines the obligation of regular reporting to the Bank's bodies and the National Bank of Serbia regarding risk management.

4. RISK MANAGEMENT (Continued)

Risk Management System (Continued)

In the risk management procedures, the Bank further defines the process or risk identification, measurement, i.e. assessment, as well as the procedure for risk mitigation, monitoring and control, reporting about the risks the Bank is exposed to, as well as the competencies and responsibilities of the Bank's organisational parts in the risk management system. In addition, in a separate procedure, the Bank sets out activities, rules of conduct for employees, and their authorities and responsibilities in relation to the:

- Management of placements in arrears from the corporate, public and financial sectors with up to 90 days past due; and
- Non-performing placements of the Bank to corporate customers in connection with the restructuring of their exposures, as well as all non-performing customers (corporate and retail) subject to enforced collection.

Through individual methodologies, the Bank prescribes in detail the methods and approaches applied in measuring exposure to individual risks.

Competencies

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all of the Bank's business activities and ensures that the Bank's risk profile is aligned with its defined risk appetite. For the purposes of sound risk management, the Bank has implemented an organisational structure appropriate to the scope, type and complexity of its operations, under which the risk-taking function (front office) is segregated from the risk management function (middle office) and the supporting functions (back office), in order to prevent conflicts of interest. This organisational structure enables the effective implementation of the Bank's established risk management objectives and principles in practice.

The participants in the risk management process include:

The Bank's Shareholders Assembly – adopts the Bank's Business Policy and Strategy that define the Bank's business goals for a minimum period of three years, adopts the Bank's financial statement and decides on the use and distribution of the realised profit i.e. covering losses. The Assembly also decides on increasing capital i.e. capital investments in other entities in the financial sector or other corporate customers, as well as about the amount of investments in fixed assets and investment property.

The Bank's Board of Directors is competent and responsible for establishing a unique risk management system and control over that system, adopting the Risk Management Strategy and Policy, the Capital Management Strategy and Plan, and the Methodology for Internal Capital Requirements Assessment, establishing the internal control system, adopting the Liquidity Contingency Plan and the Bank Recovery Plan, as well as other activities stipulated by the Law on Banks. Moreover, the Board of Directors controls the work of the Executive Board.

The Executive Board is competent and responsible for implementing the Bank's Business Policy and Strategy according to the three-year strategic plan, the Risk Management Strategy and Policy, the Capital Management Strategy and Plan, the Internal Control System Policy, the adoption and analysis of the efficiency of individual risk management procedures that further define the process of risk identification, measurement (assessment), mitigating, monitoring and control, as well as reporting on the risks that the Bank is exposed to. The Bank's Executive Board regularly reports to the Board of Directors about the efficiency of the adopted Policy and risk management procedures.

The Audit Committee is competent and responsible for adopting the proposed Bank's Strategy and Policy in relation to risk management and implementing the internal control system submitted to the Board of Directors for consideration and adoption. Moreover, this Committee is in charge of analysing and controlling the application and adequate implementation of the adopted internal acts: The Risk Management Strategy and Policy and the Internal Control System Policy. At least once a month, the Board of Directors reports on its activities and identified irregularities, and proposes ways to eliminate them.

The Asset and Liability Committee monitors the Bank's risk exposure arising from the structure of its balance sheet liabilities, receivables and off-balance sheet items and proposes measures for managing market risks, interest rate risk and liquidity risk.

4. RISK MANAGEMENT (Continued)

Competencies (Continued)

The Risk Committee is responsible for monitoring the Bank's exposure to credit risk, liquidity risk, interest rate risk, market risks, operational risk, country risk, concentration, investment risk and other risks, and it proposes measures for managing those risks to the Bank's Executive Board. The Risk Committee meets as prescribed by the Rules of Procedure.

The Client Monitoring Committee is responsible for monitoring the placement quality at the level of individual clients and observing the increased credit risk, i.e. for monitoring the receivables from clients in arrears and clients with a probability of increased credit risk. The role of this Committee is to consider potentially non-performing clients and placements, as well as to undertake certain activities in order to improve the status of these placements/clients. The Committee is also in charge of monitoring the status of previously proposed measures and decisions at the Committee's sessions. The Client Monitoring Committee meets at least once a month and more frequently if necessary.

The Bank's Credit Committees decide on loan requirements/placements within the frameworks determined in the Bank's acts, and analyse the Bank's exposure to credit, interest rate and market risks. The Bank's Board of Directors makes the Decision on forming credit committees and appointing the members of the following credit committees:

- Credit Committee for Corporate and Finance Sector clients; and
- Credit Committee for Retail and small and medium-sized enterprises (SME).

The Credit Risk Management Departments (the Corporate, Public and Finance Sector Credit Risk Management Department and the Retail and SME Sector Credit Risk Management Department) identify, measure i.e. assess and manage the credit risk of performing clients in the corporate segment, the public and financial sector, i.e. the segment of retail and small and medium enterprises.

The Monitoring Department monitors, analyses, controls and reports on receivables from potentially problematic clients that are managed by the sales departments in the segments or corporate, public sector, financial institutions, retail and small clients, and it also monitors, controls and reports on the contracted collaterals, the importance of appraisal reports and insurance policies for mortgaged real estate, the validity of data related to the contracted collaterals entered in the *Collateral Management System (applications for collateral recording and management)*, the status of the contracted subsequent conditions with the Bank's credit clients, etc.

The Risk Control Sector proposes the risk management strategy, policy, procedures and methodologies for adoption. This Sector is responsible for implementing and maintaining risk-related methodologies and procedures from the aspect of ensuring the independent risk control process. This Sector also ensures the complete inclusion of risks in the measurement and reporting system of the risks that the Bank is exposed to in its operations. The Risk Control Sector comprises five departments:

- Credit Risk Controlling Department;
- Market Risk Management Department;
- Operational Risk Management Department;
- Integrated Risk Management and ESG Department; and
- Risk Technology and Model Department.

The Collection and Restructuring Sector - in order to implement the strategy for addressing NPLs, which is an integral part of the Bank's risk management strategy, the Bank set up this Sector within its organisation as a separate organisational unit for NPL management so that it is functionally and organisationally separated from the organisational units whose scope of activity includes risk-taking. The main function of the Sector is to manage the collection of non-performing customers – corporate and retail, entrepreneurs and registered agricultural estates, and to manage the early collection of natural persons' placements in arrears.

The Accounting, Tax and Controlling Sector is in charge of providing appropriate support to the top management during decision-making processes through the preparation and coordination of the planning process, the function of controlling the compliance of current and periodical activities with defined plans, as well as the preparation of various reports for the Executive Board, the Board of Directors and the Audit Committee of the Bank. The Sector's accounting and tax organisational unit is in charge of maintaining the Bank's books of accounts, the preparation and issue of financial statements, and monitoring and compliance with the applicable tax legislation.

4. RISK MANAGEMENT (Continued)

Competencies (Continued)

The ALM and Financial Institutions Sector is responsible for managing the Bank's liquidity and interest rate positions and for the compliance of these positions with the internal and regulatory ratios. It also participates in the liquid asset management for the purpose of establishing an optimal structure in terms of maturity, availability and profitability, the management of the fund transfer pricing (FTP) process and the creation and management of FTP curves. In addition, it establishes and maintains cooperation with correspondent banks and international financial institutions. The operations of this Sector are organised through two functionally-related organisational units: the Asset-Liability Management (ALM) Department and the Department for Financial Institutions.

The Operations Sector, through its operational activities, performs a support function, by managing the Bank's operations in the areas of business support, payment operations, credit and deposit administration.

The Internal Audit Department is responsible for the continued monitoring of the implementation of risk management policies and procedures, as well as for the regular assessment of the adequacy, reliability and effectiveness of the internal control system and the compliance function of the Bank.

The Compliance Sector provides support to the Bank governing bodies in terms of efficient compliance risk management. It is obligated to identify and monitor compliance risks in the Bank's operations, as well as to manage those risks that particularly relate to the risk of money laundering and terrorist financing, the risk of sanctions by the regulator, the risk of financial losses and reputation risk. The basic function of this Sector is the implementation of an ongoing, adequate and efficient control of the Bank's compliance in a manner that enables indicating the existing and potential compliance risks and management of such risks in order to achieve the highest standards in the Bank's operations.

In its regular course of business, the Bank is particularly exposed to the following risks: credit risk and associated risks, liquidity risk, interest rate risk, market risks, operational risk, exposure risk i.e. concentration risk, investment risk and country risk.

4.1. Credit Risk

Credit risk is the risk of adverse effects on the Bank's financial result and capital arising from borrowers' inability to settle their due obligations to the Bank.

Through its internal Credit Policy, loan approval procedures and methodologies, the Bank defines criteria for loan approval, changes to loan terms and conditions, repayment arrangements, rescheduling and restructuring of receivables, and similar matters. The Credit Policy sets out the general terms of doing business with the Bank's clients and the basic principles of lending to the corporate, public, retail and SME segments, as well as the principles of credit risk management for all of these segments.

The loan approval process depends on the borrower type, loan type, loan characteristics and purpose and the collateral obtained, etc.

In order to implement the policy of optimum credit risk exposure, the Bank assesses the creditworthiness, i.e. the financial situation and creditworthiness of each borrower upon loan application submission and subsequently, when the same borrower applies for another loan or as part of regular and continuous borrower performance monitoring.

An assessment of the borrower's financial situation and creditworthiness, historical regularity in liability settlement and an assessment of the value of offered collateral are carried out on an individual level, i.e. for each individual loan.

In such an analysis, the Bank assesses the ability of the borrowers to fulfil their liabilities due to the Bank.

In order to mitigate credit risk, the Bank demands certain collaterals upon loans approval. The amount and type of the required collateral depend on the assessed credit risk for each borrower individually. Terms for securitising loan repayment are defined based on analyses of the borrower's creditworthiness, the type and extent of credit risk exposure, loan maturity and loan amount.

The Bank manages credit risk at an individual loan level, individual borrower level, as well as at the Bank's entire loan portfolio level.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Credit risk monitoring at the level of individual borrowers is based on obtaining up-to-date information on the borrower's financial position and creditworthiness, as well as on the value of collateral, while credit risk monitoring at the portfolio level is performed through analysing movements within groups of borrowers with similar risk levels and characteristics, in order to determine and manage the structure and quality of assets."

At the credit portfolio level, credit risk impairment is assessed and calculated on a monthly basis in accordance with IFRS 9.

The Bank also classifies its balance sheet assets and off-balance sheet items in accordance with the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items.

In addition to loans, the Bank issues guarantees and letters of credit to its customers and, as a result, has a potential obligation to make payments to third parties. In doing so, the Bank is exposed to risks similar to credit risk, which are managed and/or mitigated through the same control processes and procedures applied to credit risk.

Credit Risk Measurement and Assessment

Credit risk is assessed and measured by applying quantitative and qualitative criteria, under which debtors and their exposures are classified into appropriate risk categories, in accordance with:

- The Rating Policy;
- The Bank's methodology for assessing impairment of balance sheet assets and provisions for off-balance sheet items in accordance with IFRS 9;
- The Bank's methodology for the classification of balance sheet and off-balance sheet exposures; and
- The Bank's methodologies for identifying and measuring credit risk arising from the impact of changes in the dinar exchange rate on the borrower's financial position.

As part of its credit risk management process, the Bank uses in-house developed internal rating models for various customer segments, out of which statistically developed rating models are applied to retail customers, corporate customers and the micro segment. The internal rating model defines the level of the individual client's credit quality and, accordingly, the appropriate level of probable non-performance of obligations.

The Bank uses the rating scale that includes 26 rating categories, out of which 25 represent non-default status of obligor, while one category marks default status. The expert rating model has been developed for clients with specific characteristics for which the Bank was unable to develop an adequate statistical PD model, such as the specialised lending, etc. primarily due to the lack of a statistically relevant total number of clients and/or an insignificant number of defaults among these clients.

The Bank has applied expert ratings for the following portfolios: local self-government, public enterprises, financial institutions, newly-established enterprises and specialised financing. Additionally, the Bank classifies its clients in accordance with the National Bank of Serbia's regulations. Borrowers and loans are classified based on the following basic criteria:

- The timeliness, i.e. delay in the performance of obligations to the Bank
- Estimates of the financial position, i.e. creditworthiness of the debtor; and
- Quality of collaterals.

Based on the above criteria, placements to customers are classified into one of the following categories: A, B, V, G or D.

Loans and Placements Impairment Assessment

The Bank assesses impairment of balance sheet and off-balance sheet receivables in accordance with its accounting policy and the Methodology for Assessing Impairment of Balance Sheet Assets and Provision for Off-Balance Sheet Items under IFRS 9 (hereinafter: "Impairment Methodology").

In accordance with the requirements of the IFRS 9, the Bank has defined criteria for the staging of its balance sheet assets and off-balance sheet items (Stages 1, 2 and 3) depending on the level of credit risk increase since the initial recognition, as well as the criteria for transfers of assets/receivables from one stage to another.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

Off-balance exposures are included calculation in the moment of default (EAD), by applying credit conversion factors (CCF) defined in the Decision on Capital Adequacy issued by the National Bank of Serbia, as well as internally calculated CCFs by the Group.

For all its financial instruments, the Bank regularly:

- Assess the asset quality and determine whether there is objective evidence of impairment, and
- Assess whether there has been a significant increase in the credit risk since the initial recognition and calculate the amount of impairment per expected credit losses (ECL.

EAD – Exposure at default includes balance sheet and off-balance sheet exposure

The exposure at default is calculated as the sum of both on-balance sheet and off-balance sheet exposures. Off-balance exposures at the moment of default are included in the EAD calculation with the application of credit conversion factors (CCF), which the Bank calculated on a statistical basis.

PD – Probability of Default

For the purpose of calculating impairment, the probability of default occurrence (PD) is assessed using transition matrices that show debtors' transitions from different performing ratings to default in the period between two dates. The starting point is migration matrices calculated by the Bank in terms of annual client migrations by ratings to the default category (per number) for each month in the past 8 years from the calculation date. In order to calculate PD, TTC (*Through the cycle*) matrix is multiplied by the number of the remaining years until loan maturity.

Effect of Macroeconomic Trends

For the purposes of calculating the forward looking component of PD, the Bank determines a relation between macroeconomic indicators and default rates. The PD parameter is adjusted taking into account macroeconomic scenarios developed on the basis of statistical models and linear regression models. By analysing the assumptions, the variables that have a significant impact on the movement of the default rate were determined.

Forward-looking models are based on historically achieved values and forecasts of macroeconomic indicators for the current quarter and the next seven quarters, using data published by the National Bank of Serbia, ministries, the Statistical Office of the Republic of Serbia or relevant international data sources. A different combination of independent variables derived from macroeconomic variables (GDP, oil price, the market basket) provides a desired predictive value for each portfolio.

In addition, in order to adhere to the principle of prudency, the Bank included an additional layer of protection of 7% for corporate customers and 10% for retail customers in the calculation of impairment for credit risk, which includes specific hard-to-measure risk factors such as the ESG (Environmental, Social and Governance) component, political risk, supply chain risk and similar risks.

LGD – Loss Given Default

The LGD parameter represents a loss estimate on individual financial instrument level, under the assumption of default, i.e. non-performance status. When estimating credit losses, the Bank wants to reflect the possibility of the collection of cash flows from both the regular cash flows and from collaterals and other security instruments that are directly connected to the financial instrument.

The Bank generally applies the separate calculation concept for the LGD: for the secured portion of the receivables ("LGD secured") and for the unsecured portion of the receivables ("LGD unsecured"), depending on the degree of collateralisation of an individual loan for impairment calculation for placements in Stages 1 and 2. The LGD unsecured for project financing and collateral-based financing is equivalent to 100%.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

Objective Evidence of Impairment and Significant Increase in Credit Risk

Upon assessing the expected credit losses for the purpose of impairment allowance calculation, the Bank assesses all its individual financial instruments (at the loan facility level) to determine whether there has been a significant increase in credit risk or default, and performs the following staging accordingly:

- Stage 1 includes all the new financial assets at the moment of initial recognition and assets with no significant deterioration of credit quality since initial recognition at the reporting date;
- Stage 2 includes financial assets with a significant increase in credit risk since initial recognition, but without objective evidence of impairment based on the credit losses; and
- Stage 3 includes financial assets with objective evidence of impairment at the reporting date.

Default, i.e. a default status (failure to settle liabilities), is defined as a material delay in liability settlement of at least 90 days at the individual financial instrument level. Default may also be identified before the 90-day delay if other quantitative and/or qualitative criteria are identified that indicate that there is objective evidence of the impairment of a financial asset. For such purposes, the Bank defined a list of indicators to consider in order to be able to identify the default status.

If the Bank's client is in delay less than 90 days, default is assigned to the loan portion if the Bank finds that the debtor's ability to repay the debt has deteriorated and that the debt repayment in its full amount has been questioned.

Receivables that are not classified under the default status are classified under the performing status.

Identification of a Significant Increase in Credit Risk

Stage 2 includes receivables with a significant increase in credit risk since the initial recognition, such as arrears from 30 to 90 days, a considerable increase in the lifetime PD in comparison to the time of the placement approval, restructuring, EWS system red signals, etc.

Receivables from banks and the state: deterioration of the rating of an external rating agency, which leads to a transition from one of the investment ratings (Aaa-Baa3) to one of the non-investment ratings (Ba-C).

According to its Impairment Methodology, the Bank recognizes an impairment allowance in the amount of expected credit losses (ECL) over the lifetime of a financial instrument, if the credit risk of a particular financial instrument has significantly increased since the instrument's initial recognition or there is objective evidence of impairment identified (financial assets in Stage 2 and Stage 3), or in the amount of the 12-month ECL for all financial instruments whose credit risk has not significantly increased since initial recognition (financial assets in Stage 1).

Impairment Calculation – Stage 1

For the impairment calculation purposes, the 12-month expected credit losses are part of the lifetime expected credit losses identified and represent cash shortages over the life of an instrument that will occur in the event of default within 12 months from the reporting date, weighted by the probability of such default.

Impairment Calculation – Stage 2

Expected losses here represent probability-weighted estimates of credit losses that will arise over the expected life of a financial instrument.

Impairment Calculation – Stage 3

For the impairment calculation, all the exposures in Stage 3 entail: all exposures with the identified non-performance status – default status.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

Impairment Calculation – Stage 3 (Continued)

For such financial instruments, impairment allowance is calculated as the difference between the gross carrying value and the present value of the estimated future cash flows discounted using the effective interest rate of the financial instrument.

Additionally, in order to calculate impairment of repurchased or approved financial assets with identified objective impairment evidence at the initial recognition, i.e. financial assets with a POCI status, the Bank will take into account objective circumstances of a potential collection of the financial assets at the time of the calculation. Impairment for POCI exposures is based on the lifetime of an instrument. Material POCI exposures under Stage 3 are individually impaired, while exposures with values lower than the defined values of materiality are collectively impaired. Objective circumstances must be based on all relevant facts essential for the collection of these receivables. This includes possible collection scenarios that take into account the potential source of collection and the period in which collection can be expected. POCI exposures classified in Stage 2 and grouped into similar groups are collectively impaired.

As regards POCI exposures subject to collective impairment, the impairment is done in the same manner as in the case of similar non-POCI exposures, whereby a distinction is made between POCI placements classified as non-performing placements and those classified as performing placements.

In order to calculate allowance for impairment, POCI exposures are increased by the amount of deviations. The calculated impairment amount for POCI exposures is compared to the amount of established deviations. If the calculated impairment amount is higher than the established departures at the calculation date, additional impairment for such a difference is recognised.

Individual Impairment Assessment

When calculating impairment, the Bank views part of the clients on an individual basis. Individually significant exposure – exposure exceeding RSD 36,000,000 at the corporate and retail client levels.

Since, under the relevant standard, expected credit losses represent probability-weighted estimates of credit losses, the Bank considers multiple possible collection scenarios upon estimating expected future cash flows: collateral foreclosure, collection from regular cash flows, loan restructuring and rescheduling, bankruptcy of the borrower, sale of receivables, settlement and everything else that is deemed relevant.

Upon the definition of those scenarios, the Bank's starting point is the collection strategy defined by the Workout Sector, the Corporate Credit Risk Management Sector and the Retail Credit Risk Management Sector in collaboration with the competent Bank’s sales sectors/departments based on, inter alia, conclusions and measures determined by the Client Monitoring Committee.

In defining the probability (percentage) of certain scenarios, the Bank relies on the historical realisation and collection of NPLs, as well as individual exposure specificities and all other available information and data that may be relevant in estimating the probability of a certain collection strategy realisation.

Collective Impairment Assessment

All other exposures not subject to individual assessment are subject to the collective impairment assessment, which entails grouping the remaining financial instruments in Stage 3 per the following sub-segments:

1. Corporate customers
2. Retail customers – individuals
3. Financial institutions
4. Exposures to governments and government agencies and institutions

Within each of the above-listed sub-segments, the Bank further classifies borrowers into rating groups from R1 to R26, according to the Bank’s internal rating model. Clients with the rating R26 are clients with a default status.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and Placements Impairment Assessment (Continued)

The Approach to the Exposures to the States and Financial Institutions

Since the Bank does not possess an adequate history of migrations and defaults for exposures to states and financial institutions, upon the impairment assessment and default risk of the financial instruments of states, its bodies and financial institutions, it relies on the data of an external credit rating agency (Moody's), whose ratings are used by the Bank to calculate capital requirements for credit risk.

For banks without a rating assigned by Moody's, the Bank uses as input the ratings of the countries of their domicile.

When calculating expected losses for country exposures, the Bank applies a 12- month PD regardless of instrument maturities.

Impairment Calculation and Provisioning per Country

The Bank calculates an impairment allowance per country risk for corporate customers and customers subject to transfer risk. Country/transfer risk is a risk that the customers' ability to settle their liabilities will be conditioned by the risk of the country in which they operate. Transfer risk is expressed based on a country's rating.

The PD of a customer that is exposed to transfer risk cannot be lower than the PD of the risk country for customers. Therefore, the upper limit of a country is defined as a customer's rating quality limit (i.e. customer's rating cannot be better than the country's upper limit).

Impairment Calculation for Placements Secured by High Value Collateral

The Bank will apply an impairment rate of 0.2% for all placements (other than placements classified under the credit portfolio of financial institutions and exposures to countries and other government institutions) secured by high value collateral in cases when the respective receivables do not receive impairment.

This principle applies to all loans to the above-mentioned segments except those that are assessed individually. The above percentage is applied to EAD for each loan.

Provisions for Off-balance Sheet Items

The assessment of provisions for off-balance sheet items is performed in the same manner as for balance sheet items, except for the application of credit conversion factors (CCF). The Bank applies CCFs determined in accordance with its internal methodology.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Maximum Credit Risk Exposure

The table below represents the maximum credit risk exposure without collaterals or other credit enhancements. The exposure is based on the carrying amounts from the balance sheet as of 31 December 2025 and 2024.

In case of financial instruments measured at fair value (market value), the amounts presented relate to the current credit risk exposure, but not the maximum credit risk exposure that may arise in the future as a result of fair value adjustments.

Breakdown of the Bank's Assets

			In RSD thousand 31 December 2025
	Gross exposure	Allowance for impairment	Net exposure
I Balance sheet items	**732,060,993**	**(13,674,362)**	**718,386,631**
Cash and balances with Central Bank	108,411,192	(12,569)	108,398,623
Derivatives	200,881	-	200,881
Securities	73,765,441	(71,378)	73,694,063
Loans and placements to banks and other financial institutions	89,728,029	(318,256)	89,409,773
Loans and placements to customers	457,161,324	(13,060,080)	444,101,244
Other assets	2,794,126	(212,079)	2,582,047
II Off-balance sheet items	**168,037,836**	**(331,466)**	**167,706,370**
Guarantees issued, unsecured letters of credit and acceptances	61,738,727	(186,034)	61,552,693
Irrevocable commitments per credit lines	106,299,109	(145,432)	106,153,677
Total	**900,098,829**	**(14,005,828)**	**886,093,001**

			In RSD thousand 31 December 2024
	Gross exposure	Allowance for impairment	Net exposure
I Balance sheet items	**449,818,098**	**(8,673,856)**	**441,144,242**
Cash and balances with Central Bank	66,082,059	(8,005)	66,074,054
Derivatives	9,380	-	9,380
Securities	52,104,191	(45,903)	52,058,288
Loans and placements to banks and other financial institutions	86,012,503	(241,480)	85,771,023
Loans and placements to customers	244,359,704	(8,290,794)	236,068,910
Other assets	1,250,261	(87,674)	1,162,587
II Off-balance sheet items	**119,190,911**	**(188,054)**	**119,002,857**
Guarantees issued, unsecured letters of credit and acceptances	55,003,971	(99,957)	54,904,014
Irrevocable commitments per credit lines	64,186,940	(88,097)	64,098,843
Total	**569,009,009**	**(8,861,910)**	**560,147,099**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Portfolio Quality

The table below summarises the quality of the **gross portfolio** based on the Bank's internal rating as of **31 December 2025**:

In RSD thousand
31 December 2025

	Placements to customers			Placements to banks			Balance sheet assets exposed to credit risk	Off-balance sheet items exposed to credit risk			
Rating	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Total
R1	-	-	-	231,598	-	-	231,598	-	-	-	231,598
R2	-	-	-	-	-	-	-	-	-	-	-
R3	2	-	-	-	-	-	2	1	-	-	3
R4	-	-	-	-	-	-	-	54,755	-	-	54,755
R5	1	-	-	-	-	-	1	-	-	-	1
R6	44	-	-	-	-	-	44	79,646	522	-	80,212
R7	19	-	-	-	-	-	19	14,134	165	-	14,318
R8	2,281,719	1	-	-	-	-	2,281,720	11,752,308	8,551	-	14,042,579
R9	6,204,314	1	-	-	-	-	6,204,315	4,017,865	1,564	-	10,223,744
R10	22,790,038	18,534	-	706,305	-	-	23,514,877	23,307,888	193,123	-	47,015,888
R11	25,687,080	15,705	-	11	-	-	25,702,796	31,607,771	468,848	-	57,779,415
R12	42,004,557	113,304	-	10,447,892	-	-	52,565,753	25,562,447	67,809	-	78,196,009
R13	67,368,654	563,246	-	-	-	-	67,931,900	24,523,603	280,236	-	92,735,739
R14	37,569,955	637,807	-	2,540	-	-	38,210,302	7,328,718	57,689	-	45,596,709
R15	48,791,598	306,452	-	368,680	-	-	49,466,730	16,108,306	321,105	-	65,896,141
R16	54,208,676	499,629	-	175,647	-	-	54,883,952	8,614,782	140,462	-	63,639,196
R17	39,967,982	1,717,380	-	-	-	-	41,685,362	3,213,162	71,124	-	44,969,648
R18	22,606,047	24,030,737	-	-	-	-	46,636,784	3,934,523	337,958	-	50,909,265
R19	7,846,835	2,020,005	-	-	-	-	9,866,840	832,241	379,535	-	11,078,616
R20	5,821,328	2,116,278	-	-	-	-	7,937,606	848,329	318,480	-	9,104,415
R21	2,704,058	7,404,883	-	991,892	-	-	11,100,833	41,948	29,333	-	11,172,114
R22	3,420,855	4,887,847	-	-	-	-	8,308,702	294,205	361,901	-	8,964,808
R23	1,773,380	2,416,694	-	-	-	-	4,190,074	1,249	901,479	-	5,092,802
R24	1,026,766	1,984,960	-	-	-	-	3,011,726	373	526,397	-	3,538,496
R25	61,643	3,113,538	-	-	-	-	3,175,181	1	39,280	-	3,214,462
R26	-	-	12,135,848	-	-	228,261	12,364,109	-	-	391,900	12,756,009
Aaa - Aa3	-	-	-	891,569	-	-	891,569	-	-	-	891,569
A1-A3	-	-	-	18,555,415	-	-	18,555,415	-	-	-	18,555,415
Baa1-Baa3	-	-	-	12,100,617	-	-	12,100,617	-	-	-	12,100,617
Ba1-Ba3	777	-	-	45,027,602	-	-	45,028,379	2,247	-	-	45,030,626
B1-B3	-	1,042,147	-	-	-	-	1,042,147	999,873	-	-	2,042,020
Caa1 and lower	-	-	-	-	-	-	-	-	-	-	-
Total	**392,136,328**	**52,889,148**	**12,135,848**	**89,499,768**	**-**	**228,261**	**546,889,353**	**163,140,375**	**4,505,561**	**391,900**	**714,927,189**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Portfolio Quality (Continued)

The table below summarises the quality of the **gross portfolio** based on the Bank's internal rating as of **31 December 2024**:

In RSD thousand
31 December 2024

	Placements to customers			Placements to banks			Balance sheet assets exposed to credit risk	Off-balance sheet items exposed to credit risk			
Rating	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
R1	-	-	-	1,770,818	-	-	1,770,818	-	-	-	1,770,818
R2	-	-	-	-	-	-	-	-	-	-	-
R3	-	-	-	-	-	-	-	-	-	-	-
R4	-	-	-	-	-	-	-	-	-	-	-
R5	-	-	-	-	-	-	-	-	-	-	-
R6	2,270,584	7,176	-	-	-	-	2,277,760	1,386,868	-	-	3,664,628
R7	2,341,921	7,109	-	-	-	-	2,349,030	6,101,698	9	-	8,450,737
R8	15,330,626	109,896	-	-	-	-	15,440,522	26,277,658	477	-	41,718,657
R9	13,617,036	192,466	-	-	-	-	13,809,502	13,152,431	19,547	-	26,981,480
R10	29,574,976	174,158	-	9,627,284	-	-	39,376,418	16,122,419	194,777	-	55,693,614
R11	26,845,212	160,430	-	-	-	-	27,005,642	12,618,732	18,677	-	39,643,051
R12	12,552,999	91,991	-	-	-	-	12,644,990	10,488,842	281,725	-	23,415,557
R13	12,455,855	114,948	-	1,006,754	-	-	13,577,557	4,183,582	14,374	-	17,775,513
R14	26,385,559	180,387	-	-	-	-	26,565,946	6,241,981	1,013,002	-	33,820,929
R15	7,365,510	7,650,699	-	-	-	-	15,016,209	1,354,616	1,974,809	-	18,345,634
R16	8,682,401	664,703	-	176,417	-	-	9,523,521	4,532,046	105,209	-	14,160,776
R17	15,301,833	1,210,645	-	-	-	-	16,512,478	6,264,070	301,650	-	23,078,198
R18	14,644,364	5,648,717	-	-	-	-	20,293,081	3,697,009	61,332	-	24,051,422
R19	9,280,392	479,163	-	600	-	-	9,760,155	531,363	49,785	-	10,341,303
R20	7,775,970	92,896	-	-	-	-	7,868,866	619,672	38,301	-	8,526,839
R21	1,469,552	4,235,592	-	-	-	-	5,705,144	20,195	11,455	-	5,736,794
R22	294,514	4,426,030	-	-	-	-	4,720,544	65,468	29,287	-	4,815,299
R23	513,043	2,952,506	-	-	-	-	3,465,549	1,616	23,014	-	3,490,179
R24	162,477	831,913	-	-	-	-	994,390	60	8,765	-	1,003,215
R25	117,162	1,362,766	-	-	-	-	1,479,928	30	300,321	-	1,780,279
R26	-	-	6,783,509	-	-	182,112	6,965,621	-	-	86,194	7,051,815
Aaa - Aa3	-	-	-	571,647	-	-	571,647	-	-	-	571,647
A1-A3	-	-	-	15,955,183	-	-	15,955,183	56	-	-	15,955,239
Baa1-Baa3	-	-	-	4,826,576	-	-	4,826,576	-	-	-	4,826,576
Ba1-Ba3	18	-	-	51,895,112	-	-	51,895,130	-	-	-	51,895,130
B1-B3	-	-	-	-	-	-	-	997,789	-	-	997,789
Caa1 and lower	-	-	-	-	-	-	-	-	-	-	-
Total	**206,982,004**	**30,594,191**	**6,783,509**	**85,830,391**	**-**	**182,112**	**330,372,207**	**114,658,201**	**4,446,516**	**86,194**	**449,563,118**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment

The tables below present movements in the allowance for impairment during the reporting period, analysed by classes of assets:

In RSD thousand

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI	2025 Total
Allowance for impairment as of 31 December 2024	**(2,409,669)**	**(2,430,645)**	**(3,348,430)**	**(102,050)**	**(8,290,794)**
Movements in the allowance for Impairment:					
– Transfer to Stage 1	(525,695)	476,433	49,262	-	-
– Transfer to Stage 2	455,523	(643,956)	188,433	-	-
– Transfer to Stage 3	17,258	253,124	(270,382)	-	-
– POCI	-	-	-	-	-
Increase due to changes in the credit risk	(413,109)	(346,024)	(1,444,435)	-	(2,203,568)
Decrease due to changes in the credit risk	396,256	279,177	1,614,424	-	2,289,857
Newly acquired/originated assets	(9,335,713)	(5,361,088)	(5,544,287)	(1,333,027)	(21,574,115)
Decrease due to derecognition	8,718,477	6,278,145	2,919,018	53,234	17,968,874
Write-offs	-	-	2,108	556	2,664
Other changes	1	31	-	-	32
Effects of the merger with Eurobank Direktna	(931,457)	(1,335,587)	(131,162)	-	(2,398,206)
FX differences	(2,830)	(1,950)	(5,502)	(119)	(10,401)
Transfer to off-balance sheet items	53,615	44,525	1,007,343	50,094	1,155,577
Allowance for impairment as of 31 December 2025	**(3,977,343)**	**(2,787,815)**	**(4,963,610)**	**(1,331,312)**	**(13,060,080)**

In RSD thousand

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(1,925,731)**	**(2,392,498)**	**(2,953,258)**	**(436,096)**	**(7,707,583)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	(280,975)	179,459	101,516	-	-
– Transfer to Stage 2	76,700	(436,134)	359,434	-	-
– Transfer to Stage 3	49,736	79,395	(129,131)	-	-
– POCI	-	-	-	-	-
Increase due to changes in the credit risk	(495,580)	(1,051,150)	(1,813,473)	-	(3,360,203)
Decrease due to changes in the credit risk	798,001	1,313,113	1,452,523	-	3,563,637
Newly acquired/originated assets	(6,493,921)	(3,195,074)	(3,892,669)	(176,894)	(13,758,558)
Decrease due to derecognition	5,937,724	2,805,140	2,190,579	211,269	11,144,712
Write-offs	2,882	-	111,946	-	114,828
Other changes	(271,304)	(6,003)	(91,905)	(74,959)	(444,171)
FX differences	(1,597)	1,381	(303)	(166)	(685)
Transfer to off-balance sheet items	194,396	271,726	1,316,311	374,796	2,157,229
Allowance for impairment as of 31 December 2024	**(2,409,669)**	**(2,430,645)**	**(3,348,430)**	**(102,050)**	**(8,290,794)**

In 2025, changes in allowances for impairment by risk level resulted from the following business developments:

- The impact of macroeconomic factors on the retail portfolio;
- The deterioration in the financial condition of certain customers and their migration to higher-risk categories, as well as the migration of certain customers (retail and corporate) to lower-risk categories and regular loan repayments; and
- Additional impairment recognised for POCI customers.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment (Continued)

In RSD thousand

Loans and placements to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	2025 Total
Allowance for impairment 31 December 2024	**(59,392)**	**-**	**(182,088)**	**-**	**(241,480)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	-	-	-	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(181,762)	-	(250,455)	-	(432,217)
Decrease due to derecognition	142,815	-	219,210	-	362,025
Write-offs	-	-	-	-	-
Effects of the merger with Eurobank Direktna	(5,501)	-	(8,598)	-	(14,099)
Other changes	-	-	74	-	74
FX differences	(78)	-	7,519	-	7,441
Allowance for impairment 31 December 2025	**(103,918)**	**-**	**(214,338)**	**-**	**(318,256)**

In RSD thousand

Loans and placements to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment 31 December 2023	**(15,132)**	**(135,656)**	**(190,112)**	**-**	**(340,900)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	23	-	(23)	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(173,889)	-	(55)	-	(173,944)
Decrease due to derecognition	123,540	135,656	5,263	-	264,459
Write-offs	-	-	-	-	-
FX differences	6,066	-	2,839	-	8,905
Allowance for impairment 31 December 2024	**(59,392)**	**-**	**(182,088)**	**-**	**(241,480)**

In RSD thousand

Securities	Stage 1	Stage 2	Stage 3	POCI	2025 Total
Allowance for impairment as of 31 December 2024	**(2,085)**	**-**	**(43,818)**	**-**	**(45,903)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	-	-	-	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(28,299)	-	-	-	(28,299)
Decrease due to derecognition	2,211	-	-	-	2,211
Write-offs, transfer to off-balance sheet items and sales	-	-	613	-	613
Allowance for impairment as of 31 December 2025	**(28,173)**	**-**	**(43,205)**	**-**	**(71,378)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment (Continued)

In RSD thousand

Securities	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(3,205)**	**(109)**	**(43,952)**	**-**	**(47,266)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	(44)	-	44	-	-
– Transfer to Stage 2	-	-	-	-	-
– Transfer to Stage 3	-	-	-	-	-
Newly acquired/originated assets	(3,844)	-	-	-	(3,844)
Decrease due to derecognition	5,008	109	90	-	5,207
Write-offs, transfer to off-balance sheet items and sales	-	-	-	-	-
Allowance for impairment as of 31 December 2024	**(2,085)**	**-**	**(43,818)**	**-**	**(45,903)**

In RSD thousand

Other assets	Stage 1	Stage 2	Stage 3	POCI	2025 Total
Allowance for impairment as of 31 December 2024	**(9,747)**	**(2,832)**	**(67,505)**	**(7,590)**	**(87,674)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	(10,743)	369	10,374	-	-
– Transfer to Stage 2	182	(395)	213	-	-
– Transfer to Stage 3	17	135	(152)	-	-
– POCI	-	-	-	-	-
Newly acquired/originated assets	(1,179)	(567)	(137,462)	(2,951)	(142,159)
Decrease due to derecognition	16,567	5,767	125,845	54	148,233
Write-offs	72	17	3,006	602	3,697
FX differences	(538)	-	(19)	-	(557)
Effects of the merger with Eurobank Direktna	(2,056)	(3,230)	(128,331)	-	(133,617)
Other changes	(3)	-	1	-	(2)
Allowance for impairment as of 31 December 2025	**(7,428)**	**(736)**	**(194,030)**	**(9,885)**	**(212,079)**

In RSD thousand

Other assets	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(13,745)**	**(1,218)**	**(69,561)**	**(11,043)**	**(95,567)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	(4,294)	723	3,571	-	-
– Transfer to Stage 2	40	(913)	873	-	-
– Transfer to Stage 3	13	33	(46)	-	-
– POCI	-	-	-	-	-
Newly acquired/originated assets	(79,474)	(1,529)	(20,235)	(57)	(101,295)
Decrease due to derecognition	87,068	96	14,109	2,595	103,868
Write-offs	635	2	3,644	915	5,196
FX differences	10	-	224	-	234
Other changes	-	(26)	(84)	-	(110)
Allowance for impairment as of 31 December 2024	**(9,747)**	**(2,832)**	**(67,505)**	**(7,590)**	**(87,674)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Allowance for Impairment (Continued)

In RSD thousand

Cash and balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	2025 Total
Allowance for impairment as of 31 December 2024	**(8,005)**	**-**	**-**	**-**	**(8,005)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	-	-	-	-	-
Newly acquired/originated assets	(15,235)	-	-	-	(15,235)
Decrease due to derecognition	11,259	-	-	-	11,259
Effects of the merger with Eurobank Direktna	(574)	-	-	-	(574)
FX differences	(14)	-	-	-	(14)
Allowance for impairment as of 31 December 2025	**(12,569)**	**-**	**-**	**-**	**(12,569)**

In RSD thousand

Cash and balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Allowance for impairment as of 31 December 2023	**(9,790)**	**-**	**-**	**-**	**(9,790)**
Movements in the allowance for impairment:					
– Transfer to Stage 1	-	-	-	-	-
Newly acquired/originated assets	(14,393)	-	-	-	(14,393)
Decrease due to derecognition	16,172	-	-	-	16,172
FX differences	6	-	-	-	6
Allowance for impairment as of 31 December 2024	**(8,005)**	**-**	**-**	**-**	**(8,005)**

In RSD thousand

Off-balance sheet assets	Stage 1	Stage 2	Stage 3	POCI	2025 Total
Provision as of 31 December 2024	**(141,741)**	**(37,230)**	**(9,083)**	**-**	**(188,054)**
Movements in provisions:					
– Transfer to Stage 1	(1,838)	768	1,070	-	-
– Transfer to Stage 2	3,194	(3,264)	70	-	-
– Transfer to Stage 3	16	209	(225)	-	-
Newly acquired/originated assets	(392,849)	(47,569)	(407,344)	-	(847,762)
Decrease due to derecognition	469,286	95,976	441,029	-	1,006,291
Effects of the merger with Eurobank Direktna	(101,044)	(39,731)	(160,956)	-	(301,731)
FX differences	(189)	(14)	(7)		(210)
Provision as of 31 December 2025	**(165,165)**	**(30,855)**	**(135,446)**	**-**	**(331,466)**

In RSD thousand

Off-balance sheet assets	Stage 1	Stage 2	Stage 3	POCI	2024 Total
Provision as of 31 December 2023	**(91,040)**	**(30,165)**	**(25,143)**	**-**	**(146,348)**
Movements in provisions:					
– Transfer to Stage 1	(308)	302	6	-	-
– Transfer to Stage 2	16,643	(16,838)	195	-	-
– Transfer to Stage 3	1,213	492	(1,705)	-	-
Newly acquired/originated assets	(242,822)	(14,993)	(841)	-	(258,656)
Decrease due to derecognition	174,443	23,970	18,402	-	216,815
FX differences	130	2	3	-	135
Provision as of 31 December 2024	**(141,741)**	**(37,230)**	**(9,083)**	**-**	**(188,054)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and placements to customers, banks and other financial institutions by risk level

In RSD thousand
31 December 2025

	Exposure				Allowance for impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate customers	237,869,374	45,553,583	6,642,161	290,065,118	(1,788,947)	(2,184,227)	(3,133,138)	(7,106,312)
Entrepreneurs	5,881,938	613,525	231,735	6,727,198	(77,515)	(41,555)	(137,300)	(256,370)
Total corporate customers	**243,751,312**	**46,167,108**	**6,873,896**	**296,792,316**	**(1,866,462)**	**(2,225,782)**	**(3,270,438)**	**(7,362,682)**
Cash loans	90,842,527	5,283,977	4,174,503	100,301,007	(1,934,649)	(526,159)	(2,635,430)	(5,096,238)
Credit cards	3,713,977	414,255	158,278	4,286,510	(40,298)	(22,292)	(100,959)	(163,549)
Current accounts - overdraft	1,223,773	106,832	46,111	1,376,716	(12,070)	(3,394)	(23,301)	(38,765)
Housing loans	52,519,804	848,982	775,517	54,144,303	(122,210)	(13,532)	(247,817)	(383,559)
Agricultural loans	84,106	67,994	107,543	259,643	(908)	(1,083)	(12,550)	(14,541)
Other	52	-	-	52	-	-	-	-
Total retail customers	**148,384,239**	**6,722,040**	**5,261,952**	**160,368,231**	**(2,110,135)**	**(566,460)**	**(3,020,057)**	**(5,696,652)**
Total	**392,135,551**	**52,889,148**	**12,135,848**	**457,160,547**	**(3,976,597)**	**(2,792,242)**	**(6,290,495)**	**(13,059,334)**
Loans and placements to banks	**89,499,768**	**-**	**228,261**	**89,728,029**	**(103,918)**	**-**	**(214,338)**	**(318,256)**
Other – not covered by models	**777**	**-**	**-**	**777**	**(746)**	**-**	**-**	**(746)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and placements to customers, banks and other financial institutions by risk level (Continued)

In RSD thousand
31 December 2024

	Exposure				Allowance for impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate customers	150,403,342	26,918,007	4,684,252	182,005,601	(1,988,225)	(1,767,641)	(1,971,576)	(5,727,442)
Entrepreneurs	2,708,730	291,056	136,847	3,136,633	(21,907)	(16,723)	(103,724)	(142,354)
Total corporate customers	**153,112,072**	**27,209,063**	**4,821,099**	**185,142,234**	**(2,010,132)**	**(1,784,364)**	**(2,075,300)**	**(5,869,796)**
Cash loans	29,708,514	2,465,887	1,434,433	33,608,834	(274,972)	(583,944)	(1,143,854)	(2,002,770)
Credit cards	1,568,291	93,324	25,797	1,687,412	(20,703)	(19,408)	(20,144)	(60,255)
Current accounts - overdraft	560,934	15,100	11,050	587,084	(4,577)	(3,621)	(8,411)	(16,609)
Housing loans	21,875,973	619,432	437,278	22,932,683	(96,569)	(29,118)	(191,875)	(317,562)
Agricultural loans	52	-	-	52	-	-	-	-
Other	156,150	191,385	52,995	400,530	(2,716)	(12,797)	(7,432)	(22,945)
Total retail customers	**53,869,914**	**3,385,128**	**1,961,553**	**59,216,595**	**(399,537)**	**(648,888)**	**(1,371,716)**	**(2,420,141)**
Total	**206,981,986**	**30,594,191**	**6,782,652**	**244,358,829**	**(2,409,669)**	**(2,433,252)**	**(3,447,016)**	**(8,289,937)**
Loans and placements to banks	**85,830,391**	**-**	**182,112**	**86,012,503**	**(59,392)**	**-**	**(182,088)**	**(241,480)**
Other – not covered by models	**18**	**-**	**857**	**875**	**-**	**-**	**(857)**	**(857)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

The Bank classifies risk categories based on the classification of receivables in accordance with the Decision of the National Bank of Serbia on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items. Receivables classified in categories A and B are considered low-risk; receivables classified in categories V and G are considered medium-risk; while high-risk receivables are those classified in category D.

The tables below present the trends in exposures by asset class and risk level:

			In RSD thousand 31 December 2025
Cash and balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**
Low	108,411,192	-	-
Total gross carrying value	**108,411,192**	**-**	**-**
Allowance for impairment	**(12,569)**	**-**	**-**

			In RSD thousand 31 December 2024
Cash and balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**
Low	66,082,059	-	-
Total gross carrying value	**66,082,059**	**-**	**-**
Allowance for impairment	**(8,005)**	**-**	**-**

			In RSD thousand 31 December 2025
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low	73,722,233	2	-
Medium	1	-	-
High	-	-	43,205
Total gross carrying value	**73,722,234**	**2**	**43,205**
Allowance for impairment	**(28,173)**	**-**	**(43,205)**

			In RSD thousand 31 December 2024
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low	51,982,477	1	-
Medium	77,892	-	-
High	2	-	43,819
Total gross carrying value	**52,060,371**	**1**	**43,819**
Allowance for impairment	**(2,085)**	**-**	**(43,818)**

				In RSD thousand 31 December 2025
Loans and placements to banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**
Low	89,497,534	-	-	-
Medium	-	-	-	-
High	2,234	-	214,339	13,922
Total gross carrying value	**89,499,768**	**-**	**214,339**	**13,922**
Allowance for impairment	**(103,918)**	**-**	**(214,338)**	**-**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and placements to banks and other financial institutions	Stage 1	Stage 2	Stage 3
	In RSD thousand 31 December 2024		
Low	85,825,371	-	181,989
High	5,020	-	123
Total gross carrying value	**85,830,391**	**-**	**182,112**
Allowance for impairment	**(59,392)**	**-**	**(182,088)**

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI
	In RSD thousand 31 December 2025			
Low	365,759,735	46,962,094	620,060	538,349
Medium	25,743,656	2,618,865	132,928	143,407
High	632,937	2,968,069	9,035,933	2,005,291
Total gross carrying value	**392,136,328**	**52,549,028**	**9,788,921**	**2,687,047**
Allowance for impairment	**(3,977,343)**	**(2,787,814)**	**(4,963,611)**	**(1,331,312)**

Loans and placements to customers	Stage 1	Stage 2	Stage 3	POCI
	In RSD thousand 31 December 2024			
Low	148,909,213	26,990,757	614,167	31,050
Medium	54,261,084	2,905,117	1,545,328	61,997
High	3,811,707	632,032	4,437,034	160,218
Total gross carrying value	**206,982,004**	**30,527,906**	**6,596,529**	**253,265**
Allowance for impairment	**(2,409,669)**	**(2,430,645)**	**(3,348,430)**	**(102,050)**

Other assets	Stage 1	Stage 2	Stage 3	POCI
	In RSD thousand 31 December 2025			
Low	2,438,158	10,965	22,777	1,186
Medium	80,846	2,204	194	24
High	26,791	471	199,317	11,193
Total gross carrying value	**2,545,795**	**13,640**	**222,288**	**12,403**
Allowance for impairment	**(7,428)**	**(736)**	**(194,030)**	**(9,885)**

Other assets	Stage 1	Stage 2	Stage 3	POCI
	In RSD thousand 31 December 2024			
Low	960,945	2,511	11,340	316
Medium	80,951	35,422	2,162	174
High	29,485	1,964	116,054	8,937
Total gross carrying value	**1,071,381**	**39,897**	**129,556**	**9,427**
Allowance for impairment	**(9,747)**	**(2,832)**	**(67,505)**	**(7,590)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Off-balance sheet items	Stage 1	Stage 2	Stage 3
			In RSD thousand 31 December 2025
Low	157,724,632	4,444,979	88,407
Medium	5,308,671	53,734	994
High	107,072	6,848	302,499
Total gross carrying value	**163,140,375**	**4,505,561**	**391,900**
Provisions	**(165,165)**	**(30,855)**	**(135,446)**

Off-balance sheet items	Stage 1	Stage 2	Stage 3
			In RSD thousand 31 December 2024
Low	101,704,284	3,979,940	22,428
Medium	11,624,033	227,222	19,759
High	1,329,884	239,354	44,007
Total gross carrying value	**114,658,201**	**4,446,516**	**86,194**
Provisions	**(141,741)**	**(37,230)**	**(9,083)**

Loans with Renegotiated (Modified) Initially Agreed Terms

Loans with renegotiated original terms are loans that have been rescheduled and/or restructured (forborne) due to the borrower's deteriorated financial condition or difficulty in meeting obligations as they fall due. Restructuring agreements introduce terms that differ significantly from those originally agreed, and all (or a substantial part) of the existing receivables are replaced by a new loan.

Significantly different terms include, in particular, extension of the repayment date for principal and interest, reduction of the interest rate or of the outstanding amount (including partial write-off of principal through derecognition in the balance sheet and partial write-off of accrued interest), changes in the due dates of principal and/or interest, changes in valuation methods, and other modifications that ease the borrower's position.

Loan restructuring (forbearance) is acceptable to the Bank only for loans that would otherwise not be collectible and where, under a financial restructuring plan, it is expected that within a period acceptable to the Bank the borrower's financial position will improve significantly, with a high probability that the loan will be recovered in the renegotiated amount and by the new maturity date, supported by additional collateral or credit enhancements (such as co-debtors or pledges over movable and immovable property of third parties) that improve asset quality.

Following restructuring, the Bank performs a financial analysis of the borrower and, if it concludes that the borrower will generate sufficient cash flows to service principal and interest, it approves the restructuring.

The table below presents the gross exposure of restructured and rescheduled placements:

	Restructured		Rescheduled	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
				In RSD thousand
Corporate customers	18,987,182	9,608,357	162,624	-
Retail customers	1,851,905	1,772,365	61,131	53,237
Total	**20,839,087**	**11,380,722**	**223,755**	**53,237**

The total volume of restructured loans has increased as a result of a rising trend in restructured loans to corporate customers.

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Concentration Risk

The Bank manages concentration risk by setting a system of limits on exposures sharing the same or similar risk factors (industry sectors/activities, geographic regions, individual customers or groups of related entities, collateral, etc.).

Net loans and placements to customers, banks and other financial institutions, by sector

	In RSD thousand 31 December 2025	 31 December 2024
Finance and insurance	89,409,773	85,771,023
Public enterprises	21,058,383	20,784,987
Corporate clients	240,155,948	139,491,993
Entrepreneurs	6,470,828	2,995,290
Public sector	10,686,585	2,297,531
Retail clients	153,508,292	55,763,027
Foreign entities	10,047,950	13,939,529
Private households and registered agricultural producers	249,507	375,069
Other clients	1,923,751	421,484
Balance as of	**533,511,017**	**321,839,933**

Net loans and placements to customers, banks and other financial institutions, by geographic region

	Serbia	Europe	Other	In RSD thousand 31 December 2025 Total
Loans and placements to banks and other financial institutions	54,891,553	34,230,399	287,821	89,409,773
Loans and placements to customers	434,023,955	9,609,301	467,988	444,101,244
Total	**488,915,508**	**43,839,700**	**755,809**	**533,511,017**

	Serbia	Europe	Other	In RSD thousand 31 December 2024 Total
Loans and placements to banks and other financial institutions	60,947,988	24,495,612	327,423	85,771,023
Loans and placements to customers	222,129,382	13,600,809	338,719	236,068,910
Total	**283,077,370**	**38,096,421**	**666,142**	**321,839,933**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Concentration Risk (Continued)

Loans and placements to customers, by industry

In RSD thousand

	31 December 2025			31 December 2024		
Industry	Gross exposure	Share in %	Allowance for impairment	Gross exposure	Share in %	Allowance for impairment
Retail	160,368,231	35%	(5,696,652)	59,216,594	24%	(2,420,142)
Manufacturing industry	58,412,028	13%	(2,390,318)	33,577,999	14%	(1,677,750)
Wholesale and retail trade, repair of motor vehicles and motorcycles	66,074,898	15%	(1,169,520)	31,129,735	13%	(630,382)
Construction	31,732,191	7%	(650,744)	21,652,717	9%	(597,211)
Real estate	23,868,682	5%	(341,314)	22,856,755	9%	(497,540)
Supply of electricity, gas, steam and air conditioning	23,248,254	5%	(232,542)	18,569,989	8%	(269,023)
Information and communication	16,086,707	4%	(77,367)	9,460,160	4%	(99,063)
Transportation and storage	23,556,891	5%	(749,352)	16,793,603	7%	(720,980)
Mining	13,768,419	3%	(806,639)	7,589,896	3%	(493,411)
Agriculture, forestry and fishing	14,859,020	3%	(338,243)	5,586,242	2%	(199,064)
Accommodation and catering	6,580,675	1%	(107,809)	6,207,322	3%	(307,351)
Administration and ancillary activities	3,420,149	1%	(59,715)	2,353,972	1%	(93,240)
Finance and insurance	3,348,659	1%	(42,355)	2,974,564	1%	(38,274)
Professional, scientific, innovative and technical activities	6,766,177	2%	(146,882)	2,496,223	1%	(51,063)
Water supply, wastewater management, control of waste disposal processes and similar activities	1,087,260	0%	(7,333)	795,514	0%	(14,637)
Arts, entertainment and recreation	1,523,160	0%	(49,491)	2,013,507	1%	(96,449)
Public administration and defence, compulsory social security	1,303,337	0%	(42,671)	384,641	0%	(2,374)
Education	382,530	0%	(134,168)	372,004	0%	(77,121)
Health and social protection	649,158	0%	(9,343)	236,566	0%	(4,261)
Other service activities	124,898	0%	(7,622)	91,701	0%	(1,458)
Total	**457,161,324**	**100%**	**(13,060,080)**	**244,359,704**	**100%**	**(8,290,794)**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Collaterals

For the purposes of protection against credit risk, in addition to the regular monitoring of customers' operations, the Bank most commonly obtains collateral to secure the collection of its receivables and to mitigate credit risk.

As a standard type of loan collateral, the Bank demands and receives from clients contractual authorizations for account withdrawals and bills of exchange, whereas, additional collaterals agreed upon include the following: mortgages assigned over property; pledge liens assigned over movable assets; partial or full loan coverage with deposits; obtaining guarantees from another bank or a legal entity, adequate securities, arranging co-surety or debt adherence whereby another legal entity becomes a co-debtor; and when housing loans are at issue, insurance of the National Mortgage Insurance Corporation.

In the case of mortgages on real estate or pledges over movable property, the Bank always requires an appraisal performed by a certified independent appraiser in order to minimize potential risks.

In the breakdown below, the value of collateral is presented at fair value, capped at the gross loan amount where the collateral value exceeds the loan amount. Where the value of collateral is lower than the gross loan amount, the fair value of the collateral is presented.

The values of collateral and guarantees received to mitigate credit risk exposure arising from loans granted to customers are presented in the tables below:

					In RSD thousand 31 December 2025
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate customers	114,128,930	1,332,966	11,601,419	72,760,684	199,823,999
Entrepreneurs	531,479	-	137,265	25,731	694,475
Total corporate customers	**114,660,409**	**1,332,966**	**11,738,684**	**72,786,415**	**200,518,474**
Cash loans	440,483	-	291,247	-	731,730
Credit cards	-	-	107,151	-	107,151
Current account overdrafts	-	-	-	-	-
Housing loans	41,835,738	-	42,949	-	41,878,687
Agricultural loans	208,757	-	324	-	209,081
Other	33,360	-	5,663	-	39,023
Total retail customers	**42,518,338**	**-**	**447,334**	**-**	**42,965,672**
Total	**157,178,747**	**1,332,966**	**12,186,018**	**72,786,415**	**243,484,146**

4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Collaterals (Continued)

In RSD thousand
31 December 2024

	Mortgages	Guarantees	Deposits	Other	Total
Corporate customers	82,243,616	3,166,696	14,479,877	66,905,597	166,795,786
Entrepreneurs	596,876	-	129,151	20,489	746,516
Total corporate customers	**82,840,492**	**3,166,696**	**14,609,028**	**66,926,086**	**167,542,302**
Cash loans	271,997	-	295,056	-	567,053
Credit cards	-	-	278,318	-	278,318
Current account overdrafts	-	-	2	-	2
Housing loans	13,723,737	-	59,431	10,712	13,793,880
Agricultural loans	185,676	-	1,945	773	188,394
Other	5,129,783	-	26,511	115,007	5,271,301
Total retail customers	**19,311,193**	**-**	**661,263**	**126,492**	**20,098,948**
Total	**102,151,685**	**3,166,696**	**15,270,291**	**67,052,578**	**187,641,250**

Note: A portion of the housing loans secured by mortgaged properties is insured by the National Mortgage Insurance Corporation (December 2025: RSD 21,382,674 thousand; December 2024: RSD 6,708,047 thousand).

Other collateral includes pledges over goods, receivables, equipment, shares and precious metals.

The ratio of the loan amount to the revalued amount of the property pledged as collateral is monitored as the loan-to-value (LTV) ratio.

Overview of housing loans by LTV ratio range

In RSD thousand

	31 December 2025	31 December 2024
<50%	18,244,585	8,182,320
51% - 70%	10,044,524	5,309,370
71% - 100%	22,256,333	8,340,874
100% - 150%	2,334,106	845,155
>150%	836,991	391,068
Other	-	-
Total	**53,716,539**	**23,068,787**
Average LTV ratio	*46.8%*	*49%*

Assets acquired in the process of debt collection (repossessed property following the foreclosure on loans)

An overview of collateral acquired by the Bank in the process of debt collection is as follows:

In RSD thousand

	31 December 2025	31 December 2024
Commercial buildings (Note 35(b))	466,362	430,172
Equipment (Note 35(b))	7,417	7,417
Non-current assets held for sale (Note 34)	533,252	5,537
Total	**1,007,031**	**443,126**

4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk

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

- The withdrawal of existing funding sources or the inability to obtain new sources of funding (funding liquidity risk); or
- Difficulties in converting assets into liquid assets due to market disruptions (market liquidity risk).

Liquidity risk is manifested as a daily mismatch between cash inflows and outflows, a maturity mismatch between assets and liabilities, a mismatch between RSD and foreign currency inflows and outflows (i.e. assets and liabilities), a mismatch between cash and non-cash flows, or a disproportion in the amounts and structure of on- and off-balance sheet assets and liabilities or their components. In this regard, the Bank's liquidity is assessed from several perspectives, including long-term and short-term liquidity, market liquidity risk, funding concentration risk, financing cost risk, transfer risk, liquidity in cash and non-cash operations, and liquidity in RSD and foreign currency operations.

In order to minimise liquidity risk, the Bank:

- Diversifies sources of funding by currency and maturity;
- Establishes and maintains sufficient liquidity reserves;
- Manages daily liquidity and funding, and monitors RSD and foreign currency account balances;
- Monitors and forecasts future cash flows and liquidity; and
- Periodically tests its Liquidity Contingency Plan.

The liquidity risk management process is implemented through the identification, measurement, mitigation, monitoring, and control of liquidity risk, as well as reporting thereon.

The basic method of measuring liquidity risk involves assessing and comparing all future cash inflows and outflows arising from on- and off-balance sheet items across different time horizons, in order to identify potential shortages of liquid assets, both under normal business conditions and in stress events, i.e. liquidity crises. For the purposes of monitoring and measuring liquidity risk, the Bank has established the following processes:

- Daily planning and monitoring of all projected cash inflows and outflows, separately for all significant currencies in which the Bank operates and in aggregate for all foreign currencies;
- Monitoring of asset and liability balances and changes therein by remaining maturity and by significant currencies, both individually and in aggregate for all currencies; and
- Daily measurement and monitoring of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for regulatory reporting purposes of the Group to which the Bank belongs.

Liquidity risk measurement is performed through the calculation and monitoring of liquidity ratios and the monitoring of departures of the Bank's actual ratios from the internally defined and regulatory limits. In order to protect itself against liquidity risk and for its measurement, the Bank performs a ratio analysis, a GAP analysis and stress testing. Stress testing examines the effects of three types of scenarios: idiosyncratic, market and combined with two variants of severity (adverse and extreme), whereby the results of the combined adverse scenario and the survival period in the event of its occurrence are presented for the purposes of ILAAP (the internal liquidity adequacy assessment process).

Liquidity risk is mitigated through the diversification, transfer, reduction and/or avoidance of risks that may arise from the Bank's liquidity risk exposure. In order to minimize liquidity risk, the Bank uses long-term and short-term protection measures against liquidity risk. In addition, the Bank analyses the behaviour of the depositors and identifies sources of funds that are stable under various circumstances, as well as those that will be gradually withdrawn with the problems arising and those that will be withdrawn at the first sign of problem.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

The Bank conducts its operations in compliance with the regulatory liquidity ratios, which in 2025 were maintained well above the prescribed minimum limits, as presented below:

	Current liquidity ratio		Narrow liquidity ratio	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
As of	2.85	3.13	1.91	1.98
Average for the period	2.71	3.11	1.97	2.16
Maximum	3.48	3.71	2.55	3.31
Minimum	2.10	2.39	1.51	1.35
Regulatory limit	**1.00**		**0.70**	

The Bank also aligns its operations with the regulatory Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements and reports thereon to the National Bank of Serbia. These ratios remained above the prescribed minimum levels in 2025:

	Liquidity coverage ratio (LCR)		Net stable funding ratio (NSFR)	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
As of	189%	187%	160%	163%
Average for the period	174%	171%	162%	162%
Maximum	197%	197%	170%	164%
Minimum	153%	144%	155%	160%
Regulatory limit	**100%**		**100%**	

n the process of liquidity risk measurement, the Bank applies GAP analysis by grouping on- and off-balance sheet items into time buckets according to contractually defined maturity dates or expected cash flow dates, i.e. the timing of cash inflows or outflows. When preparing the internal liquidity GAP report, the Bank considers total assets, liabilities, and off-balance sheet items that may give rise to potential cash outflows and allocates them into defined time buckets.

During 2025, the Bank continued to enhance its liquidity risk management process in line with the harmonisation of Group standards and consistently complied with the Risk Appetite Statement (RAS) as well as internally defined liquidity risk limits and targets. Liquidity risk remained within approved limits and was actively managed through preventive measures aimed at minimising liquidity risk exposure.

At least once a year, the Bank tests its Liquidity Contingency Plan for unforeseen events, assessing its survival period and the means of accessing available and potential liquidity sources, particularly those not normally used in the ordinary course of business.

The Liquidity Contingency Plan sets out procedures for the early detection of potential liquidity problems, including early-warning indicators, and specifies the names and functions of the persons responsible for identifying such problems and the persons who must be informed thereof.

A breakdown of the maturity structure of monetary assets and monetary liabilities as of 31 December 2025 and 31 December 2024 is provided in the following tables. The monetary items are grouped by outstanding maturity. The Bank applied a rather conservative assumption on the transaction deposits and demand deposits, which, accordingly, were allocated to the time bucket of up to one-month maturity.

A breakdown of the maturity structure of monetary assets and monetary liabilities as of 31 December 2025 and 31 December 2024 is presented in the following tables. Monetary items are grouped by their remaining contractual maturity. The Bank applied a conservative assumption for transaction and demand deposits, allocating them to the up-to-one-month maturity bucket

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4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

In RSD thousand
31 December 2025

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and balances with Central Bank	108,398,623	-	-	-	-	-	108,398,623
Derivatives	33,331	1,808	8,452	5,557	115,971	35,762	200,881
Securities	19,475,003	964,983	1,084,863	351,545	35,619,826	16,197,843	73,694,063
Loans and placements to banks and other financial institutions	75,588,135	448,693	10,555,704	1,386,434	1,430,807	-	89,409,773
Loans and placements to customers	6,961,097	17,695,846	40,776,996	69,584,032	226,764,631	82,318,642	444,101,244
Other assets	2,169,101	385,353	-	-	27,593	-	2,582,047
TOTAL ASSETS	**212,625,290**	**19,496,683**	**52,426,015**	**71,327,568**	**263,958,828**	**98,552,247**	**718,386,631**
Derivatives	191,026	-	-	-	-	-	191,026
Deposits and other liabilities due to banks, other financial institutions and Central Bank	44,554,271	7,671,231	16,224,669	27,711,458	1,272,535	-	97,434,164
Deposits and other liabilities due to customers	245,522,224	73,654,372	40,566,535	113,701,729	41,804,308	4,062,560	519,311,728
Subordinated liabilities	-	77	76	153	7,799,957	-	7,800,263
Other liabilities	3,907,616	317,625	194,101	357,615	2,204,597	660,587	7,642,141
TOTAL LIABILITIES	**294,175,137**	**81,643,305**	**56,985,381**	**141,770,955**	**53,081,397**	**4,723,147**	**632,379,322**
Net maturity mismatch as of 31 December 2025	**(81,549,847)**	**(62,146,622)**	**(4,559,366)**	**(70,443,387)**	**210,877,431**	**93,829,100**	**86,007,309**
Cumulative net maturity mismatch as of 31 December 2025	**(81,549,847)**	**(143,696,469)**	**(148,255,835)**	**(218,699,222)**	**(7,821,791)**	**86,007,309**	**-**

4. RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

In RSD thousand
31 December 2024

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and balances with Central Bank	66,074,054	-	-	-	-	-	66,074,054
Derivatives	8,241	1,139	-	-	-	-	9,380
Securities	10,390,055	670,014	169,123	9,527,906	24,927,500	6,373,690	52,058,288
Loans and placements to banks and other financial institutions	69,419,704	453,409	5,064,082	1,258,498	3,726,428	5,848,902	85,771,023
Loans and placements to customers	10,522,220	16,667,097	22,610,609	33,206,898	109,650,568	43,411,518	236,068,910
Other assets	862,381	292,294	-	5	7,820	87	1,162,587
TOTAL ASSETS	**157,276,655**	**18,083,953**	**27,843,814**	**43,993,307**	**138,312,316**	**55,634,197**	**441,144,242**
Derivatives	25,855	19,918	-	-	-	-	45,773
Deposits and other liabilities due to banks, other financial institutions and Central Bank	5,602,280	4,159,386	9,591,844	9,401,241	14,575,523	-	43,330,274
Deposits and other liabilities due to customers	179,147,383	30,699,075	23,659,430	72,255,905	33,013,459	600,527	339,375,779
Other liabilities	3,992,078	261,773	324,091	225,385	1,083,107	83,955	5,970,389
TOTAL LIABILITIES	**188,767,596**	**35,140,152**	**33,575,365**	**81,882,531**	**48,672,089**	**684,482**	**388,722,215**
Net maturity mismatch as of 31 December 2024	**(31,490,941)**	**(17,056,199)**	**(5,731,551)**	**(37,889,224)**	**89,640,227**	**54,949,715**	**52,422,027**
Cumulative net maturity mismatch as of 31 December 2024	**(31,490,941)**	**(48,547,140)**	**(54,278,691)**	**(92,167,915)**	**(2,527,688)**	**52,422,027**	**-**

Reporting on the liquidity risk includes internal and external reporting, which is performed on a daily basis according to the established schedule and in compliance with the system in place.

4. RISK MANAGEMENT (Continued)

4.3. Market Risks

Market risks are the possibility of adverse effects on the Bank's financial result and capital arising from changes in the value of its on- and off-balance sheet positions caused by movements in market prices. In a narrow sense, market risk includes foreign exchange risk across all banking activities, equity price risk relating to items in the trading book, and commodity risk, while in a broader sense it also encompasses interest rate risk in the Banking Book. The objective of market risk management is to keep the Bank's exposure to these risks at levels acceptable to the Bank, while at the same time maximising financial performance by taking market positions in respect of existing and new products. To ensure sound market risk management, the Bank has put in place an organisational structure appropriate to the scope, type and complexity of its activities and has segregated risk-taking functions from support and control functions.

In 2025, the Bank operated within both internally and externally prescribed foreign exchange risk limits.

As of 31 December 2025, the Bank held corporate shares with a total market value of RSD 0.73 billion and interest rate swap (IRS) contracts with a nominal value of RSD 32.6 billion in its Trading Book. Following the integration with Eurobank Direktna, the Bank met the conditions for calculating the capital requirement for equity price risk in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks, due to the migrated interest rate swap positions (both long and short), of which the National Bank of Serbia was duly notified. The capital requirement for general price risk on debt securities amounted to RSD 5.9 million, while the capital requirement for equity price risk amounted to RSD 116.2 million. In 2025, the Bank was not exposed to commodity price risk, as it did not hold any physical commodity positions.

4.3.1. Foreign Exchange Risk

Foreign exchange risk is the possibility of adverse effects on the Bank's financial result and equity due to movements in exchange rates. The Bank is exposed to foreign exchange risk through all positions denominated in foreign currencies, dinar-denominated positions indexed to a foreign currency clause, and positions in gold.

The foreign exchange risk management process comprises the identification, measurement, mitigation, monitoring, control and reporting of foreign exchange risk. The Bank identifies its foreign exchange risk exposure by calculating open positions in individual currencies and on an aggregate basis for all currencies in which it operates. The Bank's open foreign currency position represents the difference between its foreign currency assets and liabilities in a given currency, together with the difference between RSD assets and liabilities indexed to a foreign currency clause, and includes the absolute amount of the net open position in gold.

The measurement of foreign exchange risk involves assessing the Bank's exposure against regulatory limits (foreign currency risk indicator) and internal methodologies, based on the calculation of foreign currency positions for each individually significant currency and for all other currencies in aggregate. Foreign exchange risk monitoring includes forward-looking projections aimed at reducing the Bank's exposure, enabling the definition of precautionary measures to limit this risk. Foreign exchange risk is measured and monitored daily, with mandatory detailed reporting on the foreign exchange risk ratio, in line with the Bank's internal procedures, in the following cases:

- When the difference between two consecutive foreign currency risk indicators reaches 2 percentage points; and
- When the sum of five consecutive absolute differences between consecutive foreign currency risk indicators exceeds 5 percentage points.

In 2025, the Bank's foreign currency risk indicator remained within the internally and legally prescribed limits:

	31 December 2025	31 December 2024
As of	2.14%	1.94%
Maximum	8.58%	8.22%
Minimum	0.06%	0.02%
Regulatory limit	Maximum 20%	Maximum 20%

To ensure efficient control of foreign exchange risk, the Bank focuses on maintaining compliance of the foreign currency risk indicator with prescribed limits, and continuously monitors its foreign currency position and any breaches or deviations from internal and regulatory limits..

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.1. Foreign Exchange Risk (Continued)

The tables below present the Bank's exposure to foreign exchange risk, i.e. the net open foreign exchange position by individual currencies as of 31 December 2025 and 31 December 2024.

In RSD thousand
31 December 2025

	EUR	USD	CHF	Other currencies	Foreign currency total
Cash and balances with Central Bank	48,234,374	585,176	657,004	133,480	49,610,034
Derivatives	186,299	-	-	-	186,299
Securities	11,174,756	75,284	-	-	11,250,040
Loans and placements to banks and other financial institutions	44,679,399	5,627,203	427,283	533,321	51,267,206
Loans and placements to customers	279,933,526	-	361,235	-	280,294,761
Other assets	2,669,209	2,420	67	4,985	2,676,681
TOTAL ASSETS	**386,877,563**	**6,290,083**	**1,445,589**	**671,786**	**395,285,021**
Derivatives	189,204	-	-	-	189,204
Deposits and other liabilities due to banks, other financial institutions and Central Bank	43,367,178	12,181	1,036,315	1,064	44,416,738
Deposits and other liabilities due to customers	319,960,662	5,982,549	10,611,131	642,152	337,196,494
Subordinated liabilities	7,800,263	-	-	-	7,800,263
Provisions	261,030	18	-	-	261,048
Other liabilities	3,463,454	262,036	433	194	3,726,117
TOTAL LIABILITIES	**375,041,791**	**6,256,784**	**11,647,879**	**643,410**	**393,589,864**
Off-balance sheet items - net spot position	(9,970,495)	-	10,326,457	1,522	357,484
Long foreign currency position	1,865,277	33,299	124,167	46,236	2,068,979
Short foreign currency position	-	-	-	16,338	16,338
Net open foreign currency position as of 31 December 2025	**1,865,277**	**33,299**	**124,167**	**46,236**	**2,068,979**

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4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.1. Foreign Exchange Risk (Continued)

In RSD thousand
31 December 2024

	EUR	USD	CHF	Other currencies	Foreign currency total
Cash and balances with Central Bank	29,714,664	460,035	463,006	42,247	30,679,952
Securities	7,403,045	-	-	-	7,403,045
Loans and placements to banks and other financial institutions	30,161,602	894,196	150,099	116,808	31,322,705
Loans and placements to customers	161,476,813	458,167	114,547	-	162,049,527
Other assets	2,171,815	2,734	126	-	2,174,675
TOTAL ASSETS	**230,927,939**	**1,815,132**	**727,778**	**159,055**	**233,629,904**
Deposits and other liabilities due to banks, other financial institutions and Central Bank	17,728,343	272,768	532,789	11	18,533,911
Deposits and other liabilities due to customers	199,605,121	5,531,006	6,752,348	378,373	212,266,848
Provisions	115,793	51	-	767	116,611
Other liabilities	1,642,793	89,846	7,386	22,718	1,762,743
TOTAL LIABILITIES	**219,092,050**	**5,893,671**	**7,292,523**	**401,869**	**232,680,113**
Off-balance sheet items - net spot position	(12,982,569)	4,194,310	6,565,336	185,819	(2,037,104)
Long foreign currency position	-	115,771	591	9,875	126,237
Short foreign currency position	1,146,680	-	-	66,872	1,213,552
Net open foreign currency position as of 31 December 2024	**(1,146,680)**	**115,771**	**591**	**(66,872)**	**(1,213,552)**

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.1. Foreign Exchange Risk (Continued)

The Bank regularly performs foreign exchange risk stress testing to assess the impact of extraordinary circumstances and stress events on its financial result, equity and foreign currency risk indicator.

These stress tests quantify how hypothetical changes in exchange rates would affect the foreign currency risk indicator and the Bank's net open foreign currency position, as illustrated in the table below:

	Foreign currency risk indicator (%)	31 December 2025 Open foreign currency position (000 RSD)
RSD depreciation (10%)	2.35%	2,275,878

Foreign exchange risk reporting comprises both internal and external reporting, and is performed on a daily basis.

For the purposes of further monitoring and assessment of foreign exchange risk, since the beginning of 2020 the Bank has also applied a Value-at-Risk (VaR) model to its open foreign currency position, which is monitored on a daily basis. VaR represents a measure of the maximum expected loss that the Bank may incur under normal market conditions over a defined time horizon and at a given confidence level (probability). The three key parameters considered in VaR estimation are the holding period, the confidence level, and the currency.

The Bank applies the following parameters in the assessment of VaR:

- Period of time – one day;
- Probability (confidence interval) – 99%; and
- Currency (all currencies in which the Bank has an open foreign currency position).

The Bank calculates the VaR of the open foreign currency position on a daily basis (taking into account the net long or net short position in each currency) on the one hand, and the realized profit/loss compared to the previous day, depending on the rate of exchange fluctuations. On the other hand, the Bank has also established the internal limit system – "VaR limit".

The internal limit for monitoring the VaR of an open foreign currency position is set as an absolute amount, whereby it is monitored that the maximum estimated loss based on the calculated VaR of the open foreign currency position does not exceed the set limit.

4.3.2. Interest Rate Risk

Interest rate risk is the probability of adverse effects on the Bank's financial result and equity arising from positions in the banking book due to movements in interest rates, which directly influence interest income when there is a mismatch between total interest-bearing assets and interest-bearing liabilities or fixed-rate instruments.

The types of interest rate risk are as follows:

- Maturity mismatch risk (GAP risk), arising from the maturity structure of interest-sensitive instruments;
- Basis risk, to which the Bank is exposed due to differences in reference interest rates for interest rate-sensitive items with similar maturity or repricing characteristics; and
- Optionality risk, to which the Bank is exposed due to contractual option features that may alter cash flow levels and timing, such as loans with prepayment options and deposits with early withdrawal options (behavioural options).

The interest rate risk management process consists of identification, measurement, mitigation, monitoring, control, and reporting of interest rate risk.

The Bank identifies, measures, and manages interest rate risk on a monthly basis for all significant currencies in the Banking Book.

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

The identification of interest rate risk focuses primarily on determining which specific forms of interest rate risk the Bank is exposed to, assessing the extent of exposure to each of these forms, and defining possibilities and methods for measuring each individual form of interest rate risk.

Interest rate risk measurement entails measuring the impact of the changes in interest rates on the financial performance and economic value of the equity of the Bank. The Bank uses the following techniques for interest rate risk measurement: GAP analysis, EVE and NII methodologies and stress testing. Stress testing is used to measure the sensitivity of the economic value of equity (standard shock and six scenarios of interest rate changes), as well as changes in net interest income in relation to the Bank's equity.

Interest rate risk monitoring primarily includes the analysis of balances, movements, and trends in the Bank's interest rate risk exposure. The Bank manages interest rate risk through defined limits and prescribed mitigation measures.

Mitigation of interest rate risk means maintaining it at a level acceptable to the Bank's risk profile.

The Bank defines internal limits for interest rate risk exposure based on the internal interest rate GAP report. These internal limits include limits on Economic Value of Equity (EVE) sensitivity under standard interest rate shocks, EVE sensitivity under six stress scenarios, limits on changes in net interest income in response to interest rate movements, and the mismatch coefficient limit.

The table below provides an overview of the aforementioned internal limits and stress testing results as of 31 December 2025 and 31 December 2024:

Interest rate risk ratios	Limits	31 December 2025	31 December 2024
EVE sensitivity in a severely adverse scenario/Tier 1	14%	(7.22%)	(3.47%)
NII changes in a severely adverse scenario /Tier 1	4.5%	3.83%	2.10%

Interest rate risk exposure is assessed using the interest GAP report, which provides an overview of the Bank's monetary assets and liabilities, as shown in the tables below.

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

The Bank's interest rate risk exposure as of 31 December 2025 and 31 December 2024 is disclosed in the tables below.

In RSD thousand
31 December 2025

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total interest-bearing	Non-interest-bearing	Total
Cash and balances with Central Bank	85,151,868	-	-	-	-	-	85,151,868	23,246,755	108,398,623
Derivatives	-	-	-	-	-	-	-	200,881	200,881
Securities	23,172,118	-	842,554	-	30,543,327	15,859,913	70,417,912	3,276,151	73,694,063
Loans and placements to banks and other financial institutions	75,775,761	10,384,519	327	1,310,741	1,415,265	-	88,886,613	523,160	89,409,773
Loans and placements to customers	116,672,039	162,123,416	33,473,137	20,822,738	79,505,663	24,049,652	436,646,645	7,454,599	444,101,244
Other assets	-	-	-	-	-	-	-	2,582,047	2,582,047
TOTAL ASSETS	**300,771,786**	**172,507,935**	**34,316,018**	**22,133,479**	**111,464,255**	**39,909,565**	**681,103,038**	**37,283,593**	**718,386,631**
Derivatives	-	-	-	-	-	-	-	191,026	191,026
Deposits and other liabilities due to banks, other financial institutions and Central Bank	13,314,262	18,579,751	39,985,174	23,573,817	1,338,113	-	96,791,117	643,047	97,434,164
Deposits and other liabilities due to customers	268,496,949	90,038,306	34,963,863	101,430,223	19,272,465	1,661,271	515,863,077	3,448,651	519,311,728
Subordinated liabilities	-	762,333	-	-	7,036,920	-	7,799,253	1,010	7,800,263
Other liabilities	-	-	-	-	-	-	-	7,642,141	7,642,141
TOTAL LIABILITIES	**281,811,211**	**109,380,390**	**74,949,037**	**125,004,040**	**27,647,498**	**1,661,271**	**620,453,447**	**11,925,875**	**632,379,322**
Net gap as of 31 December 2025	**18,960,575**	**63,127,545**	**(40,633,019)**	**(102,870,561)**	**83,816,757**	**38,248,294**	**60,649,591**	**25,357,718**	**86,007,309**
Cumulative net gap as of 31 December 2025	**18,960,575**	**82,088,120**	**41,455,101**	**(61,415,460)**	**22,401,297**	**60,649,591**	**60,649,591**	**25,357,718**	**86,007,309**

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

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

In RSD thousand
31 December 2024

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total interest-bearing	Non-interest-bearing	Total
Cash and balances with Central Bank	53,415,153	-	-	-	-	-	53,415,153	12,658,901	66,074,054
Derivatives	-	-	-	-	-	-	-	9,380	9,380
Securities	4,990,217	-	-	9,494,620	24,563,942	10,574,840	49,623,619	2,434,669	52,058,288
Loans and placements to banks and other financial institutions	68,328,742	3,892,557	4,594,154	141,310	-	5,848,902	82,805,665	2,965,358	85,771,023
Loans and placements to customers	68,212,876	96,412,287	11,083,051	11,316,577	35,848,970	10,397,302	233,271,063	2,797,847	236,068,910
Other assets	-	-	-	-	-	-	-	1,162,587	1,162,587
TOTAL ASSETS	**194,946,988**	**100,304,844**	**15,677,205**	**20,952,507**	**60,412,912**	**26,821,044**	**419,115,500**	**22,028,742**	**441,144,242**
Derivatives	-	-	-	-	-	-	-	45,773	45,773
Deposits and other liabilities due to banks, other financial institutions and Central Bank	18,711,750	2,594,018	9,360,683	8,992,780	968,883	-	40,628,114	2,702,160	43,330,274
Deposits and other liabilities due to customers	150,165,896	56,835,984	27,759,382	69,793,856	31,575,992	437,519	336,568,629	2,807,150	339,375,779
Other liabilities	-	-	-	-	-	-	-	5,970,389	5,970,389
TOTAL LIABILITIES	**168,877,646**	**59,430,002**	**37,120,065**	**78,786,636**	**32,544,875**	**437,519**	**377,196,743**	**11,525,472**	**388,722,215**
Net gap as of 31 December 2024	**26,069,342**	**40,874,842**	**(21,442,860)**	**(57,834,129)**	**27,868,037**	**26,383,525**	**41,918,757**	**10,503,270**	**52,422,027**
Cumulative net gap as of 31 December 2024	**26,069,342**	**66,944,184**	**45,501,324**	**(12,332,805)**	**15,535,232**	**41,918,757**	**41,918,757**	**10,503,270**	**52,422,027**

4. RISK MANAGEMENT (Continued)

4.3. Market Risks (Continued)

4.3.2. Interest Rate Risk (Continued)

In the process of interest rate risk measurement, the Bank uses GAP analysis encompassing all interest-bearing balance sheet and off-balance sheet items in accordance with:

- Re-fixing the interest rate (in instances of variable interest rates) – all assets and liabilities maturing prior to the date of re-fixing the interest rate are grouped in time brackets based on the remaining maturity. In instances of administrative interest rates (e.g. key policy rate, discount rate) for which the re-fixing date is not known, classification into appropriate time brackets is performed based on historical data analysis; and
- Remaining maturities of respective items (in case of fixed interest rates) – classification in the time brackets is performed according to the repayment schedule.

One of the segments of interest rate risk management entails considering interest rate risk exposure under stress circumstances. The Bank performs stress testing on a monthly basis in order to identify and measure interest rate risk under extraordinary circumstances, by analysing the possible impact on the Bank's financial result and equity. The results of the conducted stress testing are considered against the internally set limits for their impact on the economic value of equity (EVE) and NII. There were no limit breaches in 2025.

4.3.3. Price Risk

As of 31 December 2025, the Bank held equity securities (corporate shares) with a total market value of RSD 0.73 billion and interest rate swap (IRS) contracts with a nominal value of RSD 32.6 billion in its Trading Book. Following the integration process with Eurobank Direktna, and given that the value of the Bank's trading book positions exceeded RSD 1.8 billion for more than three consecutive business days in a calendar month and also exceeded RSD 2.4 billion (Article 310, Paragraph 4, of the National Bank of Serbia's Decision on Capital Adequacy of Banks), the Bank calculated capital requirements for general and specific market risks as of 31 December 2025. The capital requirement for general price risk on debt securities amounted to RSD 5.9 million, while the capital requirement for equity price risk amounted to RSD 116.2 million.

The Bank's Trading Book was in compliance with internally defined limits throughout 2025.

The Bank did not enter into any forward transactions.

4.4. Operational Risk

Operational risk is the possibility of adverse effects on the Bank's financial result and equity arising from employee oversights (whether intentional or unintentional), inadequate internal procedures and processes, inadequate management of information and other systems, errors in development, inappropriate implementation or use of the Bank's internal models, as well as unforeseen external events. Operational risk also covers the risk of adverse stress effects and losses resulting from fraudulent activities committed by third parties, by the Bank's employees, or jointly, and additionally comprises legal risk, conduct risk, ICT and information security risk, ICT outsourcing risk, model risk and other outsourcing risk.

The operational risk management process also covers risks connected to the processing of personal data, such as accidental or unlawful destruction, loss, alteration, unauthorized disclosure or access to personally identifiable information that is transferred, stored or otherwise processed.

Operational risks are identified for all significant products, service outsourcing, processes, systems and external factors. Operational risk identification throughout the Bank is performed through a combination of mapping operational risks, the performance of risk self-assessments and controls, as well as the collection of information on events deemed to constitute operational risks.

The Bank monitors operational risk events per the following business lines: corporate financing, trading and sales, broker-dealer operations with retail customers, banking operations with corporate customers, banking operations with retail customers, payment transactions, managed funds, asset management and corporate items.

4. RISK MANAGEMENT (Continued)

4.4. Operational Risk (Continued)

The Bank classifies identified events into predefined categories of events giving rise to losses: internal and external fraud, relations with employees and the safety system at work, customers, products and operating procedures, damage to tangible assets, interruptions in operations and errors in the Bank's systems, omissions in the performance of transactions and deliveries and process management in the Bank.

The Bank performs both quantitative and qualitative measurements of its operational risk exposure. The measurement includes risk assessment, early warning risk indicators, scenario analysis and the collection of information and data on operational risk events.

The Bank measures and assesses operational risk exposure taking into account the frequency of risk occurrence as well as its potential impact on the Bank's financial result, with particular focus on low-frequency events that are nevertheless known or expected to potentially cause significant material losses if they occur. Following the measurement and assessment of operational risk, the Bank specifically evaluates whether it is or may be exposed to this type of risk in relation to the introduction of new products, activities, processes and systems, as well as whether and how outsourced activities (if any) may affect the overall level of operational risk.

The control, monitoring of and reporting on the identified and assessed sources of risk, as well as undertaking measures to alleviate the possible adverse effect of these risks are an integral part of the operational risk management process.

The Bank's Board of Directors has adopted a Business Continuity Plan and a Disaster Recovery Plan, while the Executive Board is responsible for their implementation, for organising employee training and testing, and for familiarising staff with their roles and responsibilities in emergency situations.

To ensure continuity of operations, the Bank has identified key activities (including those performed by third parties), resources and systems necessary for carrying out business processes, defined critical time frames for specific processes, and identified risks that may disrupt business continuity, while its Recovery Strategy sets out the main objectives to be achieved in case of disrupted operations.

The Bank's capital requirement for operational risk amounted to RSD 4.91 billion as of 31 December 2025 and RSD 2.58 billion as of 31 December 2024.

4.5. Investment Risk

The Bank's investment risk relates to its investments in other legal entities, as well as in property, plant and equipment and investment property, and is subject to regulatory concentration limits that cap:

- The Bank's investment in a single non-financial sector entity at no more than 10% of its regulatory capital; and
- The total of all such investments in non-financial entities, property, plant and equipment and investment property at no more than 60% of regulatory capital, with an exemption for shares acquired for resale within six months of acquisition.

During 2025, the Bank's exposure to investment risk remained within these prescribed limits, with the Bank's investment indicator amounting to 14.07% of regulatory capital as of 31 December 2025 (31 December 2024: 11.12%)

4.6. Exposure Risk

Concentration risk, i.e. the risk of the Bank's exposure to the same or similar source or type of risk, relates to the Bank's large exposures to a single party or a group of related parties exceeding 10% of its capital, defined as the sum of core capital and supplementary capital up to one third of core capital, in line with the National Bank of Serbia's Decision on Risk Management by Banks. The Bank's exposure to any single party or group of related parties may not exceed 25% of its capital, while the aggregate amount of all such exposures may not exceed 400% of the Bank's capital calculated in the aforementioned manner.

The Bank manages concentration risk by applying predefined exposure limits that support loan portfolio diversification and the use of tangible and intangible collateral, in line with the National Bank of Serbia's Decision on the Capital Adequacy of Banks.

As of 31 December 2025, the aggregate amount of the Bank's large exposures totalled 97.82% of its regulatory capital (31 December 2024: 134.93%).

4. RISK MANAGEMENT (Continued)

4.7. Country Risk

Country risk is the risk associated with:

- The country of origin of a counterparty with which the Bank does business; and
- The possibility of adverse effects on the Bank's financial result and equity arising from an inability to collect receivables from that counterparty due to political, economic or social circumstances in its home country.

Country risk comprises:

- Political and economic risk, where collection is impeded by government measures or general systemic conditions in the borrower's country; and
- Transfer risk, where receivables denominated in a foreign currency cannot be collected because regulations in the borrower's country restrict settlements to foreign creditors in that currency.

The Bank manages country risk by setting and monitoring exposure limits by counterparty country of origin, applying internationally recognised standards for assessing and measuring country risk, and implementing its Risk Management Policy and dedicated Country Risk Management Procedure.

The Bank's country risk exposure in 2025 was monitored in line with these internal procedures.

4.8. Capital Management

The Bank has established a risk management system that is aligned with the scope and structure of its operations, while capital management is aimed at achieving the Bank's strategic business objectives.

The Bank defines its strategic business objectives and the periods for their achievement in its Business Policies and Business Strategy, which are set out in a three-year strategic plan.

The calculation of the amount of capital and the capital adequacy ratio is performed in accordance with the Basel III standard.

The key objectives of capital management are to:

- Maintain a minimum capital amount of EUR 10 million, in RSD equivalent, at the official middle exchange rate of the National Bank of Serbia on the date of calculation.
- Maintain minimum regulatory capital adequacy ratios in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks, thereby preserving confidence in the safety and stability of the Bank's operations.
- Achieve business and financial plans that support the expected growth in loans, future funding sources and their deployment.
- Implement the Bank's dividend policy.

The Bank's strategic objective is to maintain its capital adequacy ratios at levels above the prescribed minimum (4.5% for the common equity Tier 1 capital adequacy ratio, 6% for the Tier 1 capital adequacy ratio and 8% for the total capital adequacy ratio), and at a minimum level that also enables coverage of the combined capital buffer requirement, in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks.

As of 31 December 2025, the Bank calculated the common equity Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the total capital adequacy ratio in accordance with the National Bank of Serbia's Decision on Capital Adequacy of Banks.

4. RISK MANAGEMENT (Continued)

4.9. Capital Adequacy Ratio

	In RSD thousand 31 December 2025
Basic share capital (common equity)	89,298,159
Supplementary capital	7,553,986
Capital	**96,852,145**
Credit risk-weighted assets	430,950,184
Risk-weighted assets based on market risk exposure	3,594,968
Risk-weighted assets based on operational risk exposure	61,404,650
Risk-weighted assets based on credit risk adjustment	983,077
Common equity Tier 1 capital adequacy ratio (min. 4.5%)	***17.97%***
Tier 1 capital adequacy ratio (min. 6%)	***17.97%***
Capital adequacy ratio (min. 8%)	***19.49%***

	In RSD thousand 31 December 2024
Basic share capital (common equity)	59,880,283
Supplementary capital	2,619,570
Equity	**62,499,853**
Credit risk-weighted assets	270,098,605
Risk-weighted assets based on market risk exposure	-
Risk-weighted assets based on operational risk exposure	32,221,409
Risk-weighted assets based on credit risk adjustment	86,430
Common equity Tier 1 capital adequacy ratio (min. 4.5%)	***19.80%***
Tier 1 capital adequacy ratio (min. 6%)	***19.80%***
Capital adequacy ratio (min. 8%)	***20.67%***

In 2025, the Bank's capital adequacy ratio was above the prescribed regulatory minimum of 8%, increased by the applicable additional capital buffers, and was driven by the strengthening of the capital base through the allocation of profit to regulatory capital, capital increases and the merger with the subsidiary.

The amount and structure of the Bank's capital must at all times ensure coverage of the minimum regulatory capital requirements and the internal capital requirements for the risks to which the Bank is exposed in its operations, in accordance with the Risk Management Strategy and Policy.

In line with its Capital Management Strategy and Plan, the Bank conducts an internal capital adequacy assessment process, determining the amount of internal capital in accordance with its risk-weighted portfolio and calculating capital requirements for risks it has identified as materially significant.

The Bank's Capital Management Strategy and Plan ensure that the Bank continuously maintains a level and structure of internal capital that enable full compliance with all legal obligations, preserve the confidence of shareholders and depositors in the safety and stability of its operations, and support the achievement of its business and financial plans, including the expected growth in loans and investments, future funding sources and their deployment, the Bank's dividend policy, as well as any changes to the prescribed minimum capital requirements.

4. RISK MANAGEMENT (Continued)

4.9. Capital Adequacy Ratio (Continued)

The Bank's Capital Management Strategy and Plan includes:

- The organisation of the internal capital management process, including the competencies and responsibilities of the Bank's governing bodies and committees – the General Meeting of Shareholders, the Board of Directors, the Executive Board, other Bank committees and the relevant divisions and departments: Risk Control Sector, Treasury Sector, Compliance Sector, Planning, Analysis and Controlling Department, and Internal Audit Department;
- Procedures for planning adequate internal capital levels;
- The definition of the Bank's capital – core capital, supplementary capital and deductible items;
- The internal capital adequacy assessment process (described in detail in the Methodology for Internal Capital Requirement Assessment) ;
- The calculation of capital requirements for credit risk (determining credit risk-weighted assets and capital requirements for settlement risk and counterparty risk);
- The calculation of capital requirements for market risk and operational risk;
- The main principles of the internal capital adequacy assessment process;
- The management of available internal capital; and
- The business continuity plan in the event of unforeseen events that could affect the amount of the Bank's internal capital.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation and presentation of the financial statements in accordance with IFRS Accounting Standards require the Bank's management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, as well as income and expenses. Actual results may differ from these estimates. Estimates and assumptions are subject to ongoing review and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the current circumstances. Changes in accounting estimates are recognized in the period in which they are revised, as well as in any future periods affected by such revisions.

The estimates and assumptions that carry a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.1. Key Sources of Estimate Uncertainty

Provisions for Credit Losses

Impairment of assets carried at amortised cost is measured in accordance with the accounting policy described in Note 3.9. - Impairment of Financial Instruments.

A specific counterparty component within the overall impairment allowance is applied to financial assets subject to individual assessment for impairment and is based on management's best estimate of the present value of expected future cash flows. In estimating these cash flows, management makes judgments regarding the financial position of the counterparty and the net realizable value of any underlying collateral. Each impaired asset is assessed with respect to its credit quality and recovery strategy, while the Bank's credit risk function independently reviews and approves the estimated recoverable cash flows.

Impairment assessed on a collective basis (group level) covers credit losses inherent in portfolios of loans and receivables, as well as debt securities measured at amortized cost, that share similar credit risk characteristics. This includes losses for which there is objective evidence of impairment but which cannot yet be individually identified. In estimating the need for collective impairment allowances, management considers factors such as credit quality, portfolio size, concentration of risk, and current economic conditions.

In order to determine the appropriate level of impairment allowance, management makes assumptions regarding the methodology for modelling inherent losses in the portfolio and determines the key inputs based on historical experience and current economic conditions. The accuracy of the impairment allowance depends on the reliability of estimated future cash flows for individually assessed exposures, as well as on the assumptions and inputs used in the models for collective assessment.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key Sources of Estimate Uncertainty (Continued)

Fair Value Assessment

Determining the fair value of financial assets and liabilities for which no observable market price exists requires the use of estimation techniques as described in the accounting policy in Note 3.9. - Fair Value Measurement. The fair values of financial instruments that are infrequently traded and for which pricing information is not readily available are less objective and require varying degrees of judgment, depending on factors such as liquidity, market concentration, uncertainty of market inputs, pricing assumptions, and other risks specific to the instruments.

Retirement Benefits

The costs of defined employee benefits payable upon termination of employment, i.e. retirement, in accordance with applicable legal requirements, are determined based on an actuarial valuation. The actuarial valuation includes assumptions regarding the discount rate, future salary increases, mortality rates, and employee turnover.

As these plans are long-term in nature, they are subject to significant uncertainties that may affect the outcome of the valuation. Additional information is disclosed in Note 39(b) to the financial statements.

5.2. Key Accounting Estimates in the Application of the Bank's Accounting Policies

Measurement of Financial Instruments

The Bank's accounting policy on fair value measurement is disclosed in Note 3.9.

The Bank measures the fair value of financial assets using the following hierarchy of inputs to valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: valuation techniques based on inputs other than quoted prices for identical instruments that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes instruments measured using official quoted prices of instruments with similar characteristics in an active market, quoted prices for identical or similar instruments in a market that is not considered active, or other valuation techniques where all significant inputs are directly or indirectly observable in the market.
- Level 3: valuation techniques that use inputs which are not based on observable market data. This level includes all instruments whose fair value is determined using significant unobservable inputs that materially affect the measurement. Such instruments may be measured using observable market prices for instruments with similar characteristics, subject to significant adjustments or assumptions to reflect the differences between instruments.

The fair values of financial assets and financial liabilities traded in an active market are based on quoted market prices. The Bank determines the fair value of all other financial instruments using appropriate valuation techniques.

Valuation techniques include net present value and discounted cash flow methods, comparison with similar instruments for which observable market prices are available, and other relevant methods. Assumptions and inputs used in valuation techniques include risk-free rates and key policy interest rates, credit spreads and other factors used in estimating discount rates, bond and equity prices, foreign exchange rates, equity indices, and the expected volatility of prices and correlations. The objective of valuation techniques is to determine the fair value that reflects the price of a financial instrument at the reporting date, which would be determined by market participants in an arm's length transaction.

The Bank uses generally accepted valuation models to determine the fair value of standard and commonly traded financial instruments such as interest rate and currency swaps, for which only observable inputs are used, thereby requiring fewer estimates and assumptions by management. Observable inputs are primarily available in markets for quoted debt and equity instruments, trading derivatives, and simple derivatives such as interest rate swaps.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.2. Key Accounting Estimates in the Application of the Bank's Accounting Policies (Continued)

Measurement of Financial Instruments (Continued)

The availability of observable market prices and model inputs reduces the need for management estimates and assumptions and decreases the uncertainty associated with determining fair value. The availability of observable market prices and inputs varies depending on the product and market and is subject to change due to various events and general market conditions.

Assessment whether the Bank has Control over Legal Entities

In accordance with the requirements of IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities", the Bank reassesses whether it exercises control over its investees and considers all facts, events, and circumstances that may indicate a change in one or more of the three elements of control. The Bank also considers changes affecting its exposure to, or rights to, variable returns from its involvement with the investee.

The Bank's initial assessment of control is not revised solely due to changes in market conditions (e.g. changes in returns from the investee driven by market conditions), unless such changes result in a change in one or more of the three elements of control or in the overall relationship with the investee.

Under IFRS 10, control over an investee exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect those returns. Accordingly, an investor controls an investee only when all of the following criteria are met:

(a) Power over the investee;
(b) Exposure or rights to variable returns from its involvement with the investee, and
(c) The ability to use its power over the investee to affect the amount of returns.

Taking into consideration the requirements of the aforementioned standards and based on its internal assessment, the Bank determined that it obtained control over the investee (AIK Leasing d.o.o. Belgrade) in 2024. However, the Bank is not required to prepare annual consolidated financial statements for the year ended 31 December 2025, as it meets the requirements of IFRS 10.4 and Article 32 of the Law on Accounting, since its ultimate domestic parent company - M&V Investments a.d. Belgrade - is identified as the reporting entity required to prepare consolidated financial statements. As disclosed in Note 1 to the financial statements, the Bank merged with its subsidiary Eurobank Direktna in March 2025.

Useful Life of Intangible Assets, Property, Plant and Equipment

The determination of the useful lives of intangible assets, property, plant and equipment is based on historical experience with similar assets, as well as expected technical developments and changes driven by various economic and industry factors.

The appropriateness of the estimated useful lives is reviewed on an annual basis, or whenever there is an indication of significant changes in the underlying assumptions.

Right-of-use Assets and Lease Liabilities

IFRS 16 "Leases" requires the use of certain estimates, primarily related to the determination of the lease term and the incremental borrowing rate used to measure lease liabilities.

Lease liabilities are remeasured upon the occurrence of certain events, such as changes in the lease term or in future lease payments resulting from changes in an index or rate used to determine those payments. The lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the carrying amount of the right-of-use asset.

6. FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION AND FAIR VALUE

The following tables present the breakdown of financial instruments measured at fair value at the end of the reporting period, classified by the levels of the fair value hierarchy applied in the measurement:

	Level 1	Level 2	Level 3	In RSD thousand 31 December 2025 Total assets/liabilities at fair value
Assets				
Derivatives	-	200,881	-	200,881
Securities measured at fair value through profit or loss	5,981,106	-	-	5,981,106
Securities measured at fair value through other comprehensive income	-	62,056,564	-	62,056,564
Total assets	**5,981,106**	**62,257,445**	**-**	**68,238,551**
Liabilities				
Derivatives	-	191,026	-	191,026
Total liabilities	**-**	**191,026**	**-**	**191,026**

	Level 1	Level 2	Level 3	In RSD thousand 31 December 2024 Total assets/liabilities at fair value
Assets				
Derivatives	-	9,380	-	9,380
Securities measured at fair value through profit or loss	4,098,470	-	-	4,098,470
Securities measured at fair value through other comprehensive income	-	47,626,724	-	47,626,724
Total assets	**4,098,470**	**47,636,724**	**-**	**51,734,574**
Liabilities				
Derivatives	-	45,773	-	45,773
Total liabilities	**-**	**45,773**	**-**	**45,773**

Level 1 includes financial instruments traded on the stock exchange, while Level 2 includes securities the fair values of which are assessed based on the internally developed models that are based on the information from auctions on the secondary securities market. Fair values of assets determined based on the prices from the stock market for instruments with similar characteristics are classified into Level 3.

6. FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION AND FAIR VALUE (Continued)

The carrying amounts and fair values of financial assets and financial liabilities not measured at fair value are presented in the tables below:

In RSD thousand
31 December 2025

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Loans and placements to customers	444,101,244	444,742,648	-	-	444,742,648
Securities measured at amortised cost	5,656,393	5,547,305	-	-	5,547,305
Financial liabilities					
Deposits and other liabilities due to customers	519,311,728	521,543,647			521,543,647

In RSD thousand
31 December 2024

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Loans and placements to customers	236,068,910	238,643,368	-	-	238,643,368
Securities measured at amortised cost	333,094	334,253	-	-	334,253
Financial liabilities					
Deposits and other liabilities due to customers	339,375,779	341,583,352	-	-	341,583,352

The methodology and assumptions used in determining the fair values of the aforementioned financial assets and liabilities that are not measured at fair value in the financial statements are as follows:

Assets whose fair values approximate their carrying amounts

For highly liquid financial assets and liabilities with short-term maturities (up to one year), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings deposits without a defined maturity, and all financial instruments with variable interest rates.

Fixed-rate financial instruments

The fair value of fixed-rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates at initial recognition with current market rates for similar financial instruments with comparable characteristics.

The estimated fair values of fixed-rate financial instruments are based on discounted cash flows using interest rates prevailing in the money market for instruments with similar credit risk characteristics and maturities.

Financial assets held to maturity, loans, and deposits include a portion of fixed-rate instruments, which gives rise to differences between their carrying amounts and fair values.

7. INTEREST INCOME AND EXPENSES

Interest income and expenses according to financial instrument classes are presented below:

	In RSD thousand Year Ended 31 December 2025	2024
Interest income		
Loans and placements to customers	27,593,455	18,882,266
Loans and placements to banks	1,488,662	1,158,707
Deposits held with the National Bank of Serbia	410,648	347,355
Securities:		
- Repo transactions	1,400,037	1,735,941
- Republic of Serbia's RSD bonds	2,363,412	1,662,556
- Corporate RSD bonds	-	-
- Republic of Serbia's foreign currency bonds	302,695	220,914
Promissory notes	99,736	36,700
Corporate bonds held to maturity	26,236	-
Total	**33,684,881**	**24,044,439**
Interest expenses		
Borrowings from banks	(1,554,897)	(404,275)
Borrowings from customers	(276,689)	(111,933)
Deposits from customers	(9,260,591)	(7,584,381)
Deposits from banks	(1,230,208)	(731,227)
Securities	(564,043)	(459,640)
Lease liabilities (Note 40.1)	(101,913)	(22,666)
Other interest expenses	(277,272)	(162)
Total	**(13,265,613)**	**(9,314,284)**
Net interest income	**20,419,268**	**14,730,155**

8. FEE AND COMMISSION INCOME AND EXPENSES

	In RSD thousand Year Ended 31 December 2025	2024
Fee and commission income		
Payment card transactions	2,461,609	1,597,604
Payment transaction services	3,233,288	1,588,092
Fees on issued guarantees	831,376	824,847
Realised foreign exchange gains	952,926	863,364
Other fees and commission	576,175	335,970
Total	**8,055,374**	**5,209,877**
Fee and commission expenses		
Payment card transactions	(1,621,892)	(1,312,459)
Payment transaction services	(292,725)	(194,123)
Realised foreign exchange losses	(75,713)	(191,903)
Other fees and commission	(137,320)	(42,835)
Total	**(2,127,650)**	**(1,741,320)**
Net fee and commission income	**5,927,724**	**3,468,557**

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

	In RSD thousand Year Ended 31 December 2025	2024
Changes in fair value of held-for-trading securities	816	16,596
Changes in fair value of investment units	141,316	110,595
Changes in fair value of derivatives	(338,018)	131,571
Net (losses)/gains	**(195,886)**	**258,762**

10. NET GAINS FROM DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	In RSD thousand Year Ended 31 December 2025	2024
Losses on sale of securities measured at fair value through profit or loss	-	(222)
Gains on sale of securities measured at fair value through other comprehensive income	439,392	38,401
Net gains	**439,392**	**38,179**

11. NET FOREIGN EXCHANGE GAINS/(LOSSES) AND EFFECTS OF CONTRACTED FOREIGN CURRENCY CLAUSE

	In RSD thousand Year Ended 31 December 2025	2024
Foreign exchange gains		
Foreign exchange gains	3,887,148	1,945,633
Positive effects of contracted foreign currency clause	997,275	283,602
Total foreign exchange gains	**4,884,423**	**2,229,235**
Foreign exchange losses		
Foreign exchange losses	(3,990,916)	(2,031,108)
Negative effects of contracted foreign currency clause	(620,463)	(443,290)
Total foreign exchange losses	**(4,611,379)**	**(2,474,398)**
Net foreign exchange gains/(losses)	**273,044**	**(245,163)**

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

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

(a) (Charged)/Credited to the Income Statement

	In RSD thousand Year Ended 31 December 2025	2024
Impairment losses - financial assets measured at amortised cost		
Cash and balances with Central Bank (Note 20)	(15,235)	(14,393)
Securities measured at amortised cost (Note 23)	(28,299)	(3,844)
Loans and placements to banks (Note 24)	(432,217)	(173,944)
Loans and placements to customers (Note 25)	(21,487,826)	(13,555,124)
Other assets (Note 35)	(142,109)	(92,504)
	(22,105,686)	**(13,839,809)**
Provisions for off-balance sheet items (Note 39(c))	**(847,762)**	**(258,656)**
Losses from impairment of financial assets measured at FVOCI (Note 41(ii))	**(74,357)**	**(13,894)**
Write-off of irrecoverable receivables		
Loans and placements to customers	(24,943)	(3,725)
Other assets	(16,404)	(10,916)
	(41,347)	**(14,641)**
Losses from modification of financial instruments	**-**	**(334,199)**
Total losses	**(23,069,152)**	**(14,461,199)**
Reversal of impairment losses		
Cash and balances with Central Bank (Note 20)	11,259	16,172
Securities measured at amortised cost (Note 23)	2,211	5,207
Loans and placements to banks (Note 24)	362,025	264,459
Loans and placements to customers (Note 25)	17,968,874	11,144,712
Other assets (Note 35)	148,233	105,336
	18,492,602	**11,535,886**
Release of provision for off-balance sheet items (Note 39(c))	**1,006,291**	**216,815**
Reversal of impairment losses on financial assets measured at FVOCI (Note 41(ii))	**43,309**	**10,536**
Recovery of receivables previously written-off		
Loans and placements to customers	2,509,874	2,135,220
Other assets	95,751	11,893
	2,605,625	**2,147,113**
Total gains	**22,147,827**	**13,910,350**
Net losses from impairment of financial assets and credit risk-weighted off-balance sheet items	**(921,325)**	**(550,849)**

12. NET LOSSES FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) Movements in the Allowance for Impairment and Provisions for Credit Risk-weighted Off-balance Sheet Items during the Year

In RSD thousand

	Cash and balances with Central Bank (Note 20)	Securities at amortized cost (Note 23.3.)	Loans and placements to banks (Note 24)	Loans and placements to customers (Note 25)	Other assets (Note 35)	Off-balance sheet assets (Note 39(c))	Total
Balance as of 1 January 2024	**9,790**	**47,266**	**340,900**	**7,707,583**	**120,403**	**146,348**	**8,372,290**
Impairment losses	14,393	3,844	173,944	13,555,124	92,504	258,656	14,098,465
Reversal of impairment losses and release of provision	(16,172)	(5,207)	(264,459)	(11,144,712)	(105,336)	(216,815)	(11,752,701)
Impairment of interest on impaired loans	-	-	-	444,174	-	-	444,174
Write-offs and derecognition of financial instruments	-	-	-	(114,828)	(5,196)	-	(120,024)
Transfer to off-balance sheet items	-	-	-	(2,157,229)	-	-	(2,157,229)
FX differences	(6)	-	(8,905)	685	(234)	(135)	(8,595)
Other	-	-	-	(3)	(14,417)	-	(14,420)
Balance as of 31 December 2024	**8,005**	**45,903**	**241,480**	**8,290,794**	**87,724**	**188,054**	**8,861,960**
Balance as of 1 January 2025	**8,005**	**45,903**	**241,480**	**8,290,794**	**87,724**	**188,054**	**8,861,960**
Effects of the merger with Eurobank Direktna	574	-	14,099	2,398,206	133,617	301,731	2,848,227
Impairment losses	15,235	28,299	432,217	21,487,826	142,109	847,762	22,953,448
Reversal of impairment losses and release of provision	(11,259)	(2,211)	(362,025)	(17,968,874)	(148,233)	(1,006,291)	(19,498,893)
Impairment of interest on impaired loans	-	-	-	425,808	-	-	425,808
Write-offs and derecognition of financial instruments	-	(613)	-	(2,664)	(3,697)	-	(6,974)
Transfer to off-balance sheet items	-	-	(74)	(1,581,385)	-	-	(1,581,459)
FX differences	14	-	(7,441)	10,401	557	210	3,741
Other	-	-	-	(32)	2	-	(30)
Balance as of 31 December 2025	**12,569**	**71,378**	**318,256**	**13,060,080**	**212,079**	**331,466**	**14,005,828**

13. NET GAINS FROM DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

	In RSD thousand Year Ended 31 December 2025	2024
Net gains from derecognition of financial instruments - sales of loans	-	112,168
Net gains	**-**	**112,168**

14. OTHER OPERATING INCOME

	In RSD thousand Year Ended 31 December 2025	2024
Rental income	32,471	63,383
Reimbursed cost	745,487	539,834
Dividend income	161	1,738,976
Other operating income	366,357	55,014
Total	**1,144,476**	**2,397,207**

Rental income in 2025 in the amount of RSD 32,471 thousand (2024: RSD 63,383 thousand) relates entirely to income from the lease of investment property to third parties (Note 31).

Income from reimbursed costs in 2025 in the amount of RSD 745,487 thousand (2024: RSD 539,834 thousand) mainly relates to reimbursement of operating expenses in the amount of RSD 608,495 thousand (2024: RSD 404,597 thousand).

In 2024, dividend income in the amount of RSD 1,738,976 thousand related to dividends received from Eurobank Direktna a.d. Belgrade.

Other operating income in 2025 in the amount of RSD 366,357 thousand mainly relates to income from support provided by Mastercard in respect of card operations in the amount of RSD 334,267 thousand.

15. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES

	In RSD thousand Year Ended 31 December 2025	2024
Salaries	3,422,801	2,087,643
Compensations	556,611	285,968
Payroll taxes and contributions	2,288,241	1,337,100
Other personal expenses for temporary jobs	133,850	59,853
Provisions for employee benefits (Notes 39(b) and 40)	477,577	583,415
Gains from release of provisions for employee benefits (Note 39(b))	(184)	-
Total	**6,878,896**	**4,353,979**

The increase in employee expenses is mainly attributable to an increase in the number of employees following the merger with Eurobank Direktna (Note 1).

16. DEPRECIATION AND AMORTISATION EXPENSE

	In RSD thousand Year Ended 31 December 2025	2024
Amortisation of intangible assets (Note 28)	497,528	268,751
Depreciation of buildings (Note 29)	74,295	6,927
Depreciation of equipment and other assets (Note 29)	615,339	283,614
Depreciation of right-of-use assets (Note 30)	714,340	363,064
Total	**1,901,502**	**922,356**

17. OTHER INCOME

	In RSD thousand Year Ended 31 December 2025	2024
Release of provision for litigations (Note 39(a))	168,472	41,231
Release of other provisions (Note 39(d))	17,783	-
Gains on sale of property, plant and equipment and small inventory	88,453	132,625
Liabilities waived	492,963	131,387
Income from collected purchased receivables	598,302	347,377
Other income	5,268,116	90,273
Valuation gains on investment property (Note 31)	10,164	794
Total	**6,644,253**	**743,687**

In 2025, provisions for completed litigations were released, resulting in income of RSD 168,472 thousand.

Gains on sale of property, plant and equipment and small inventory in 2025, totalling RSD 88,453 thousand, related to gains on the sale of property of RSD 48,054 thousand, sale of equipment of RSD 16,249 thousand, sale of assets held for sale of RSD 1,185 thousand (Note 34), as well as gains on the sale of tangible assets of RSD 22,965 thousand (Note 35(b)).

Gains on sale of property, plant and equipment and small inventory in 2024, totalling RSD 132,625 thousand, related to gains on the sale of investment property of RSD 23,232 thousand, sale of equipment of RSD 90,664 thousand and sale of foreclosed assets of RSD 18,729 thousand.

Other gains in 2025, totalling RSD 5,268,116 thousand, mainly related to gains arising from the bargain purchase and merger with Eurobank Direktna, in the net amount of RSD 5,043,121 thousand (Note 27).

18. OTHER EXPENSES

	In RSD thousand Year Ended 31 December 2025	2024
Cost of material	360,899	232,032
Rental costs and other costs related to leased business premises	238,193	184,474
Telecommunications and postage services	1,208,796	713,129
Other services	66,150	54,778
Property maintenance	1,087,730	584,351
Marketing and advertising fees	413,875	208,428
Donations and sponsorships	104,584	135,349
Entertainment	79,941	42,391
Audit and expertise costs	363,183	671,144
Insurance premiums	1,799,435	982,468
Membership fees	10,633	5,763
Lawyer, appraiser and expert fees	581,573	281,278
Court and other fees	107,489	47,775
Broker and Central Registry fees	21,625	12,714
Security costs	205,333	135,658
Other non-material costs	890,559	525,343
Taxes and contributions	133,860	85,037
Re-invoiced costs	8,686	21,358
Provisions for litigations (Note 39(a))	395,396	162,295
Provisions for restructuring (Note 39(d))	-	278,825
Losses on sale of property	14,015	33,893
Other expenses	334,714	319,217
Valuation losses on property	19,107	44,916
Total	**8,445,776**	**5,762,616**

Valuation losses on property in 2025 in the amount of RSD 19,107 thousand (2024: RSD 44,916 thousand) comprise negative fair value adjustments on investment property of RSD 9,892 thousand (2024: RSD 21,767 thousand) (Note 31), impairment of repossessed property following foreclosure of RSD 9,002 thousand (2024: negative effect of RSD 23,149 thousand), and impairment of property, plant and equipment of RSD 213 thousand."

19. INCOME TAXES

19.1. Components of Income Taxes

	In RSD thousand 2025	2024
Current income tax expense	1,876,230	711,934
Deferred tax expense/(income) (Note 33.2)	143,273	(30,571)
Total income tax expense	**2,019,503**	**681,363**

19. INCOME TAXES (Continued)

19.2. Numerical Reconciliation of Income Tax Recognised in the Income Statement and Profit for the Year before Tax

	In RSD thousand 2025	2024
Profit before tax	**16,504,772**	**9,913,752**
Income tax at the statutory tax rate (15%)	**2,475,716**	**1,487,063**
Tax effects of non-deductible expenses/income	(72,444)	(304,826)
Tax effects of the net capital gains/losses	(5,905)	(1,828)
Tax effects of interest income on debt securities issued by the Republic of Serbia	(521,137)	(468,475)
Effects of other temporary differences	143,273	(30,571)
Total tax expense reported in the income statement	**2,019,503**	**681,363**
Effective tax rate	***12.24%***	***6.87%***

Corporate income tax payable determined in the 2025 tax return amounted to RSD 1,876,230 thousand and was fully offset against monthly advance tax payments. As the calculated corporate income tax payable was lower than the advance tax payments, the Bank recognized a current tax asset in the amount of RSD 676,049 thousand as at 31 December 2025 (Note 31).

20. CASH AND BALANCES WITH CENTRAL BANK

	In RSD thousand 31 December 2025	31 December 2024
In RSD:		
Current account	43,058,068	26,401,631
Cash in hand	15,721,939	8,987,430
Other funds	40	40
Interest, fees and accruals on funds held with the Central Bank	14,885	9,030
	58,794,932	**35,398,131**
In foreign currency:		
Cash in hand	7,522,499	4,634,302
Other cash equivalents	52,365	-
Required foreign currency reserve held with the National Bank of Serbia	42,041,394	26,049,626
	49,616,258	**30,683,928**
Other cash and cash equivalents	2	-
Total	**108,411,192**	**66,082,059**
Less: Allowance for impairment	(12,569)	(8,005)
Balance as of	**108,398,623**	**66,074,054**
Adjustments to cash and cash equivalents for the purposes of the Statement of Cash Flows		
Foreign currency accounts with foreign banks (Note 24)	3,777,500	5,513,110
Interest, fees and accruals on funds held with the Central Bank	(14,885)	(9,030)
Required foreign currency reserve held with the National Bank of Serbia	(42,041,394)	(26,049,626)
	(38,278,779)	**(20,545,546)**
Cash and cash equivalents reported in the Statement of Cash Flows	**70,132,413**	**45,536,513**

20. CASH AND BALANCES WITH CENTRAL BANK (Continued)

Movements in the allowance for impairment during the year were as follows:

	In RSD thousand	
	2025	2024
Balance as of	**(8,005)**	**(9,790)**
Effects of the merger with Eurobank Direktna	(574)	-
Charge for the year (Note 12)	(15,235)	(14,393)
Reversal of impairment losses (Note 12)	11,259	16,172
FX differences	(14)	6
Balance as of 31 December	**(12,569)**	**(8,005)**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include: the current account held with the National Bank of Serbia, cash on hand in RSD and foreign currencies, balances on accounts held with foreign banks, and the account held with the Central Securities Depository and Clearing House.

Banks allocate the required dinar reserve on their current accounts with the National Bank of Serbia. The required dinar reserve represents the minimum dinar reserve maintained in accordance with the Decision on Banks' Required Reserves with the National Bank of Serbia ("RS Official Gazette", Nos. 76/2018 and 77/2023).

The Bank is required to calculate and allocate its required dinar reserve on the basis of the average daily balance of its RSD liabilities in the preceding calendar month, by applying a rate of 7% to liabilities with a maturity of up to 2 years (i.e. up to 730 days) and 2% to liabilities with a maturity of over 2 years (i.e. over 730 days) (2024: 7% and 2%).

In addition, the required dinar reserve includes 46% and 38% of the RSD equivalent of the calculated required foreign currency reserve (2024: 46% and 38%).

The Bank is required to maintain, over the maintenance period, an average daily balance of dinar required reserves equal to the amount of the calculated required dinar reserve.

The calculated dinar required reserve to be maintained on the current account for the period from 18 December 2025 to 17 January 2026 amounted to RSD 51,034,297 thousand (for the period from 18 December 2024 to 17 January 2025: RSD 30,865,240 thousand) and was in compliance with the Decision of the National Bank of Serbia.

Pursuant to the Decision on Banks' Required Reserves with the National Bank of Serbia, the Bank calculates and allocates the obligatory foreign currency reserve on the basis of the average daily balance of foreign currency liabilities from the preceding month, at a rate of 23% applied to liabilities with a contractual maturity of up to 2 years (i.e. up to 730 days), 16% applied to liabilities with a contractual maturity of over 2 years (i.e. over 730 days) (2024: 23% and 16%), and 100% applied to the average daily balance of RSD liabilities indexed to a foreign currency clause (2024: 100%).

The Bank allocates the required foreign currency reserve to foreign currency accounts with the National Bank of Serbia. Of the total calculated required foreign currency reserve, 54% (for liabilities with a maturity of up to 2 years, i.e. up to 730 days) and 62% (for liabilities with a maturity of over 2 years, i.e. over 730 days) is held in foreign currencies, while the remaining 46% and 38%, respectively, is held in RSD on the current account.

The Bank is required to maintain, over the maintenance period, an average daily balance of the required foreign currency reserve equal to the amount of the calculated required foreign currency reserve. The calculated required foreign currency reserve for the period from 18 December 2025 to 17 January 2026 amounted to EUR 365,838 thousand (for the period from 18 December 2024 to 17 January 2025: EUR 226,232 thousand) and was in compliance with the Decision of the National Bank of Serbia.

21. PLEDGED FINANCIAL ASSETS

	In RSD thousand 31 December 2025	 31 December 2024
Equity instruments – shares of Eurobank Direktna a.d. Belgrade	-	6,806,777
Balance as of	**-**	**6,806,777**

A pledge over the shares of Eurobank Direktna a.d. Belgrade was established pursuant to a Share Pledge Agreement entered into between the Bank and Eurobank S.A., Athens, Greece, on 2 November 2023. The pledge was established as collateral for the liabilities of Eurobank Direktna a.d. Belgrade under the Liquidity Loan Agreement with Eurobank S.A., Athens, Greece. The loan was fully repaid on 27 February 2025.

22. DERIVATIVES

22.1. DERIVATIVES RECEIVABLE

	In RSD thousand 31 December 2025	 31 December 2024
Derivatives receivable - currency swap	14,582	9,380
Derivatives receivable - interest swap	186,299	-
Balance as of	**200,881**	**9,380**

22.2. DERIVATIVES PAYABLE

	In RSD thousand 31 December 2025	 31 December 2024
Derivatives payable - currency swap	1,822	45,773
Derivatives payable - interest swap	189,204	-
Balance as of	**191,026**	**45,773**

Financial assets and liabilities arising from derivatives held for trading relate to the effects of changes in the fair value of instruments whose notional amounts are disclosed within off-balance sheet items (Note 42.2).

23. SECURITIES

	In RSD thousand 31 December 2025	 31 December 2024
Securities measured at fair value through profit or loss	5,981,106	4,098,470
Securities measured at fair value through other comprehensive income	62,056,564	47,626,724
Securities measured at amortised cost	5,656,393	333,094
Balance as of	**73,694,063**	**52,058,288**

23. SECURITIES (Continued)

23.1. Securities Measured at Fair Value through Profit or Loss

	In RSD thousand	
	31 December 2025	31 December 2024
In RSD:		
Securities held for trading – shares	726,356	733,725
Securities initially recognized at fair value	3,236,543	2,281,619
	3,962,899	**3,015,344**
In foreign currency:		
Securities held for trading – shares	75,284	-
Securities initially recognized at fair value	1,942,923	1,083,126
	2,018,207	**1,083,126**
Balance as of	**5,981,106**	**4,098,470**

The Bank's investments in RSD securities held for trading, totalling RSD 726,356 thousand as of 31 December 2025, relate entirely to shares of Fintel energija a.d. Belgrade. As of 31 December 2024, the Bank's investments in RSD securities held for trading, totalling RSD 733,725 thousand, also related to shares of Fintel energija a.d. Belgrade.

The Bank's investments in securities initially recognised at fair value – investment units in RSD amounted to RSD 3,236,543 thousand as of 31 December 2025 (31 December 2024: RSD 2,281,619 thousand), and relate to investment units in Raiffeisen Cash of RSD 476,413 thousand (31 December 2024: RSD 460,715 thousand), Kombank Cash Fund of RSD 474,587 thousand (31 December 2024: RSD 457,118 thousand), and Intesa Invest Cash of RSD 2,285,543 thousand (31 December 2024: RSD 1,363,786 thousand).

Securities held for trading – foreign currency shares in the amount of RSD 75,284 thousand relate to Visa and Mastercard shares.

The Bank's investments in securities initially recognised at fair value – investment units in foreign currency totalled RSD 1,942,923 thousand as of 31 December 2025 and relate entirely to investment units of Intesa Invest EUR Cash (31 December 2024: RSD 1,083,126 thousand).

23.2. Securities Measured at Fair Value through Other Comprehensive Income

	In RSD thousand	
	31 December 2025	31 December 2024
In RSD:		
Republic of Serbia's bonds	52,824,731	41,309,956
	52,824,731	**41,309,956**
In foreign currency:		
Republic of Serbia's bonds	9,231,833	6,316,768
	9,231,833	**6,316,768**
Balance as of	**62,056,564**	**47,626,724**

As of 31 December 2025, the Bank has investments in RSD-denominated government bonds of the Republic of Serbia with fixed interest rates. The bonds have maturities ranging from 24 to 144 months and yields at the date of acquisition ranging from 2.29% to 5.50% per annum (31 December 2024: maturities from 24 to 144 months and yields ranging from 2.07% to 5.85% per annum).

The Bank's investments in foreign currency-denominated government bonds of the Republic of Serbia as of 31 December 2025 and 2024 have maturities ranging from 60 to 180 months and yields ranging from 1.23% to 5.44% per annum as of 31 December 2025 (31 December 2024: yields ranged from 1.60% to 5.44% per annum).

23. SECURITIES (Continued)

23.3. Securities Measured at Amortised Cost

	In RSD thousand	
	31 December 2025	31 December 2024
Corporate bills of exchange	5,101,535	378,997
Corporate bonds	626,236	-
	5,727,771	**378,997**
Less: Allowance for impairment	(71,378)	(45,903)
Balance as of	**5,656,393**	**333,094**

Movements in the allowance for impairment during the year were as follows:

	In RSD thousand	
	2025	2024
Balance as of 1 January	**(45,903)**	**(47,266)**
Charge for the year (Note 12)	(28,299)	(3,844)
Reversal of impairment losses (Note 12)	2,211	5,207
Write-off, sales, FX differences	613	-
Balance as of 31 December	**(71,378)**	**(45,903)**

24. LOANS AND PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	In RSD thousand	
	31 December 2025	31 December 2024
RSD loans:		
Loans per REPO transactions	37,000,000	49,000,000
Transaction account loans	428	19,490
Liquidity and working capital loans	11,587,699	9,480,956
Investment loans	16,418	596
Other loans	753	-
Other placements	4,039	693,669
Interest and fees receivable	30,971	7,282
Deferred loan origination fee as part of the effective interest rate	(3,298)	(3,510)
	48,637,010	**59,198,483**
Foreign currency loans:		
Foreign currency accounts with foreign banks - nostro	3,777,500	5,513,110
Loans per REPO transactions	701,468	1,296,584
Overnight deposits	18,565,547	12,871,639
Other foreign currency loans	1,172,820	5,850,745
Other deposits	15,827,577	-
Other earmarked deposits	1,029,314	296,161
Other placements	-	973,632
Interest and fees receivable	16,793	12,149
	41,091,019	**26,814,020**
Gross loans and placements	**89,728,029**	**86,012,503**
Less: Allowance for impairment	(318,256)	(241,480)
Balance as of	**89,409,773**	**85,771,023**

24. LOANS AND PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

Movements in the allowance for impairment during the year were as follows:

	2025	In RSD thousand 2024
Balance as of 1 January	**(241,480)**	**(340,900)**
Effects of the merger with Eurobank Direktna	(14,099)	-
Charge for the year (Note 12)	(432,217)	(173,944)
Reversal of impairment losses (Note 12)	362,025	264,459
Write-off, FX differences and other changes	7,441	8,905
Transfer to off-balance sheet items	74	-
Balance as of 31 December	**(318,256)**	**(241,480)**

In 2025, the Bank invested RSD funds in repo transactions with the National Bank of Serbia at annual interest rates ranging from 4.49% to 4.50%. Funds placed in repo transactions with other counterparties and in foreign currencies during 2025 earned annual interest rates ranging from 3.10% to 4.25%.

In 2025, the Bank placed RSD funds at interest rates ranging from 4.49% to 5.26% per annum and EUR funds at rates ranging from 1.86% to 2.89% per annum (2024: RSD funds from 4.25% to 5.26% per annum and EUR funds from 2.59% to 3.86% per annum).

Other foreign currency placements totalling RSD 973,632 thousand as of 31 December 2024 related to the settlement account balances with Mastercard and Visa International.

25. LOANS AND PLACEMENTS TO CUSTOMERS

	31 December 2025	In RSD thousand 31 December 2024
Corporate customers:		
Transaction account loans	1,835,163	1,485,550
Working capital loans	96,989,656	49,182,451
Export loans	6,203,265	-
Investment loans	160,371,595	113,153,664
Deposits placed	113	162
Foreign currency loans	19,371,324	13,570,374
Advances per guarantees and acceptances	38,335	8,327
Factoring receivables	6,687,228	7,713,428
Other loans and advances	5,082,453	291,318
Interest and fees receivable	1,081,390	631,567
Deferred loan origination fee as part of the effective interest rate	(609,170)	(495,067)
	297,051,352	**185,541,774**
Retail customers:		
Transaction account loans	1,082,645	440,148
Consumer loans	1,414,510	4,071
Housing loans	53,377,327	22,555,534
Cash loans	98,181,138	33,110,001
Other loans and advances	4,859,519	2,224,286
Interest and fees receivable	1,287,515	580,105
Deferred loan origination fee as part of the effective interest rate	(92,682)	(96,215)
	160,109,972	**58,817,930**
Gross loans and advances	**457,161,324**	**244,359,704**
Less: Allowance for impairment	(13,060,080)	(8,290,794)
Balance as of	**444,101,244**	**236,068,910**

25. LOANS AND PLACEMENTS TO CUSTOMERS (Continued)

Movements in the allowance for impairment during the year were as follows:

	2025	In RSD thousand 2024
Balance as of 1 January	**(8,290,794)**	**(7,707,583)**
Effects of the merger with Eurobank Direktna	(2,398,206)	-
Charge for the year (Note 12)	(21,487,826)	(13,555,124)
Reversal of impairment losses (Note 12)	17,968,874	11,144,712
Impairment of interest on impaired loans	(425,808)	(444,174)
Write-off, FX differences	(7,737)	114,143
Transfer to off-balance sheet items	1,581,385	2,157,229
Other	32	3
Balance as of 31 December	**(13,060,080)**	**(8,290,794)**

Short-term RSD loans were granted to corporate customers and entrepreneurs for periods of up to 12 months, predominantly at nominal interest rates ranging from 4% to 26.5% per annum. Short-term foreign currency-indexed loans were granted to corporate customers at interest rates ranging from 4.1% to 6M Euribor + 11.1% per annum.

Long-term RSD loans were granted to corporate customers at interest rates ranging from 4% to 24% per annum. Long-term RSD loans with a foreign currency clause were granted to corporate customers and entrepreneurs at interest rates ranging from 4.1% to 6M Euribor + 11.1% per annum.

Loans and placements to entrepreneurs are granted under the same terms and conditions as those applicable to SME corporate customers.

Short-term RSD loans were granted to retail customers at a fixed nominal interest rate of 6.1% per annum. Short-term RSD loans were granted to registered agricultural households at nominal interest rates ranging from 4.10% to 30% per annum.

Long-term RSD loans were extended to retail customers at a fixed nominal interest rate of 6.1% per annum, or at a variable interest rate of 3M Belibor + 3% per annum. Long-term RSD loans indexed to EUR were extended at a variable nominal interest rate of 6M Euribor + 1.55% per annum, or at a fixed nominal interest rate of 4.10% per annum.

Short-term foreign currency loans were granted to registered agricultural households that qualify as retail customers at nominal interest rates ranging from 4.10% to 6M Euribor + 6.95% per annum.

Long-term RSD loans were extended to registered agricultural households that qualify as retail customers at nominal interest rates ranging from 4.1% to 24% per annum.

Long-term RSD loans with a foreign currency clause were extended to registered agricultural households at a fixed nominal interest rate of 4.1% per annum.

Interest rates on loans granted against earmarked term deposits are determined by applying an appropriate interest margin to the interest rates on such earmarked term deposits.

26. INVESTMENTS IN SUBSIDIARIES

	31 December 2025	In RSD thousand 31 December 2024
Equity investments in:		
- Eurobank Direktna a.d. Belgrade	-	33,053,174
- AIK Leasing d.o.o. Belgrade	536,120	536,120
Less: Pledged shares	-	(6,806,777)
Balance as of	**536,120**	**26,782,517**

In line with its strategy for further growth and development, and following the successful completion of a purchase transaction on 29 February 2024, the Bank became the sole owner of NDM Leasing d.o.o. Belgrade, which subsequently changed its name to AIK Leasing d.o.o. Belgrade.

27. SUBSIDIARY MERGER

27.1. Acquired Entity

On 2 March 2023, the Bank signed a purchase agreement with Eurobank S.A. Athens, Greece, for the acquisition of 100% of the ownership interest in Eurobank Direktna a.d. Belgrade ("Eurobank Direktna"). On 2 November 2023, after obtaining the approval of the National Bank of Serbia and other competent regulatory authorities, the Bank officially became the sole owner of Eurobank Direktna.

A decision on the merger of Eurobank Direktna with AIK Banka a.d. Belgrade was adopted at the Bank's Shareholders' Assembly meeting held on 23 December 2024.

Following the merger with its subsidiary Eurobank Direktna, the Bank aims to realise synergistic effects that will strengthen its presence and market position in the local banking sector and enhance control over capital and risk management processes.

On 28 March 2025, the Bank completed a corporate transformation through the merger with its subsidiary Eurobank Direktna, which became effective vis-à-vis third parties on the day following the publication of the merger, i.e. on 29 March 2025.

In connection with the merger of Eurobank Direktna into the Bank, there was no change in the Bank's share capital, as the acquiring entity, in respect of the amount of subscribed and paid-in capital upon completion and registration of the merger. In other words, no proportional exchange of shares took place because the Bank merged with a subsidiary in which it held 100% of the shares (i.e. the parent bank is also the acquiring bank), and the existing shareholders of the Bank remained shareholders of the Bank without any changes.

27.2. Equity Investments in the Acquired Entity

	In RSD thousand
Transferred cash consideration	33,053,174
Total	**33,053,174**

27. SUBSIDIARY MERGER (Continued)

27.3. Recognition of Acquired Assets and Liabilities

An overview of the acquired assets and assumed liabilities of Eurobank Direktna as of the merger date are presented in the following table:

	In RSD thousand
ACQUIRED ASSETS	
Cash and cash equivalents, securities and derivatives	68,548,102
Loans and placements	190,188,605
Intangible assets, plant and equipment, investment property and non-current assets held for sale	5,780,157
Other assets	1,754,555
TOTAL ACQUIRED ASSETS	**266,271,419**
LIABILITIES	
Deposits	215,224,407
Subordinated liabilities	7,844,104
Provisions	536,436
Other liabilities	2,922,041
TOTAL LIABILITIES	**226,526,988**
NET ASSETS	**39,744,431**
Equity investment	(33,053,174)
Net assets reduced by equity investment	**6,691,257**
Income statement (Note 17)	**5,043,121**
Other income – gain recognised on the acquisition date	6,769,911
Other income – adjustment of the allocation of the acquisition-date cost of the acquired entity	(1,726,790)
Equity	**1,648,136**
Retained earnings	1,367,804
Revaluation reserves – other comprehensive income	280,332

The equity of the merged entity, in the amount of RSD 1,648,136 thousand, includes the operating result of the acquired entity from the acquisition date to the merger date in the amount of RSD 1,367,804 thousand, as well as revaluation reserves recognised from the acquisition date to the merger date in the amount of RSD 280,332 thousand.

Gains from a bargain purchase, in the amount of RSD 6,769,911 thousand, were calculated as the difference between the net fair value of the assets at the acquisition date and the consideration transferred. After adjusting the allocation of the acquired entity's cost in the amount of RSD 1,726,790 thousand, the gains were recognised in the amount of RSD 5,043,121 thousand within Other income in the income statement for the current reporting period (Note 17).

28. INTANGIBLE ASSETS

	In RSD thousand	
	31 December 2025	31 December 2024
Cost		
Patents, licenses and software	6,734,788	3,521,137
Intangible assets under construction	175,791	1,526
Other intangible assets	146,171	163,898
	7,056,750	**3,686,561**
Less: Accumulated amortisation	(5,473,167)	(3,026,991)
Carrying value as of	**1,583,583**	**659,570**

28. INTANGIBLE ASSETS (Continued)

Movements in intangible assets during 2024 and 2025 were as follows:

In RSD thousand

	Patents, licenses and software	Intangible assets under construction	Other intangible assets	Total
COST				
As of 1 January 2024	**3,011,782**	**150**	**163,898**	**3,175,830**
Additions	494,644	16,237	-	510,881
Write-off and disposals	-	(150)	-	(150)
Transfer (from)/to	14,711	(14,711)	-	-
Balance as of 31 December 2024	**3,521,137**	**1,526**	**163,898**	**3,686,561**
Effects of the merger with Eurobank Direktna	4,125,053	29,649	-	4,154,702
Additions	1,102,232	144,616	-	1,246,848
Write-off and disposals	(2,013,634)	-	(17,727)	(2,031,361)
Balance as of 31 December 2025	**6,734,788**	**175,791**	**146,171**	**7,056,750**
ACCUMULATED AMORTISATION				
As of 1 January 2024	**2,594,342**	**-**	**163,898**	**2,758,240**
Amortisation expense (Note 16)	268,751	-	-	268,751
Balance as of 31 December 2024	**2,863,093**	**-**	**163,898**	**3,026,991**
Effects of the merger with Eurobank Direktna	3,979,478	-	-	3,979,478
Amortisation expense (Note 16)	497,528	-	-	497,528
Write-off and disposals	(2,013,103)	-	(17,727)	(2,030,830)
Balance as of 31 December 2025	**5,326,996**	**-**	**146,171**	**5,473,167**
Carrying value as of:				
- 31 December 2025	**1,407,792**	**175,791**	**-**	**1,583,583**
- 31 December 2024	**658,044**	**1,526**	**-**	**659,570**

29. PROPERTY, PLANT AND EQUIPMENT

	In RSD thousand	
	31 December 2025	31 December 2024
Cost		
Buildings	6,648,157	3,306,794
Equipment	5,664,003	3,162,724
Construction in progress	33,641	110,600
Leasehold improvements	1,485,344	904,164
Right-of-use assets (Note 30)	5,220,854	1,824,661
	19,051,999	**9,308,943**
Less: Accumulated depreciation	(7,186,409)	(3,458,036)
Carrying value as of	**11,865,590**	**5,850,907**

Movements in property and equipment during 2024 and 2025 were as follows:

In RSD thousand

	Buildings	Equipment	Construction in progress	Leasehold improve-ments	Right-of-use assets	Total
COST						
As of 1 January 2024	**121,150**	**2,797,813**	**2,300,164**	**632,831**	**1,582,333**	**7,434,291**
Additions	532,428	608,182	481,298	331,769	764,816	2,718,493
Write-off and disposals	(14,970)	(243,271)	(2,676)	(60,436)	(522,488)	(843,841)
Transfer (from)/to	2,668,186	-	(2,668,186)	-	-	-
Balance as of 31 December 2024	**3,306,794**	**3,162,724**	**110,600**	**904,164**	**1,824,661**	**9,308,943**
Effects of the merger with Eurobank Direktna	3,235,896	2,280,368	5,381	872,742	3,507,857	9,902,244
Additions	178,532	789,386	3,616	414,182	1,518,851	2,904,567
Write-off and disposals	(72,840)	(572,091)	(76,959)	(711,125)	(1,630,515)	(3,063,530)
Transfer (from)/to	-	3,616	(8,997)	5,381	-	-
Impairment	(225)	-	-	-	-	(225)
Balance as of 31 December 2025	**6,648,157**	**5,664,003**	**33,641**	**1,485,344**	**5,220,854**	**19,051,999**
ACCUMULATED DEPRECIATION						
As of 1 January 2024	**10,615**	**2,093,412**	**-**	**552,240**	**866,282**	**3,522,549**
Depreciation expenses (Note 16)	6,927	235,440	-	48,174	363,064	653,605
Write-off and disposals	-	(199,741)	-	(57,691)	(460,686)	(718,118)
Balance as of 31 December 2024	**17,542**	**2,129,111**	**-**	**542,723**	**768,660**	**3,458,036**
Effects of the merger with Eurobank Direktna	632,739	1,571,478	-	655,674	1,785,387	4,645,278
Depreciation expenses (Note 16)	74,295	460,094		155,245	714,340	1,403,974
Write-off and disposals	(150)	(503,305)	-	(676,661)	(1,140,751)	(2,320,867)
Impairment	(12)	-	-	-	-	(12)
Balance as of 31 December 2025	**724,414**	**3,657,378**	**-**	**676,981**	**2,127,636**	**7,186,409**
Carrying value as of:						
- 31 December 2025	**5,923,743**	**2,006,625**	**33,641**	**808,363**	**3,093,218**	**11,865,590**
- 31 December 2024	**3,289,252**	**1,033,613**	**110,600**	**361,441**	**1,056,001**	**5,850,907**

The Bank has not pledged any of its buildings as collateral for loan repayments.

In line with the requirements of IAS 36 “Impairment of Assets”, an independent certified appraiser assessed the value of the Bank’s buildings as of 31 December 2025, and impairment was identified in the amount of RSD 213 thousand (Note 18).

As of 31 December 2025, the Bank does not hold title deeds for six buildings with a carrying value of RSD 81,108 thousand, and the Bank’s management is taking all necessary actions to obtain the title deeds.

30. RIGHT-OF-USE ASSETS

30.1. Structure of Right-of-use Assets

In RSD thousand

	31 December 2025	31 December 2024
Business premises	2,852,458	982,328
Parking spaces and vehicles	227,436	26,354
ATM premises	13,324	47,319
Carrying value as of	**3,093,218**	**1,056,001**

30.2. Movements in right-of-use assets during 2025 and 2024

In RSD thousand

	Business premises	Parking spaces and vehicles	ATM premises	Total
GROSS CARRYING VALUE				
As of 1 January 2024	**1,397,071**	**-**	**185,262**	**1,582,333**
Additions	731,110	27,445	6,261	764,816
Inactive contracts	(486,657)	-	(35,831)	(522,488)
Balance as of 31 December 2024	**1,641,524**	**27,445**	**155,692**	**1,824,661**
Effects of the merger with Eurobank Direktna	3,389,521	-	118,336	3,507,857
Additions	1,135,573	246,573	136,705	1,518,851
Inactive contracts	(1,334,203)	(2,815)	(293,497)	(1,630,515)
Balance as of 31 December 2025	**4,832,415**	**271,203**	**117,236**	**5,220,854**
ACCUMULATED DEPRECIATION				
As of 1 January 2024	**785,043**	**-**	**81,239**	**866,282**
Depreciation expense (Note 16)	323,692	1,091	38,281	363,064
Inactive contracts	(449,539)	-	(11,147)	(460,686)
Balance as of 31 December 2024	**659,196**	**1,091**	**108,373**	**768,660**
Effects of the merger with Eurobank Direktna	1,674,411	-	110,976	1,785,387
Depreciation expense (Note 16)	658,809	42,955	12,576	714,340
Inactive contracts	(1,012,459)	(279)	(128,013)	(1,140,751)
Balance as of 31 December 2025	**1,979,957**	**43,767**	**103,912**	**2,127,636**
Carrying value as of:				
- 31 December 2025	**2,852,458**	**227,436**	**13,324**	**3,093,218**
- 31 December 2024	**982,328**	**26,354**	**47,319**	**1,056,001**

31. INVESTMENT PROPERTY

	31 December 2025	In RSD thousand 31 December 2024
Investment property	1,018,348	1,093,373
Balance as of	**1,018,348**	**1,093,373**

Movements in investment property during 2024 and 2025 were as follows:

	In RSD thousand
Balance as of 1 January 2024	**1,733,280**
Sales	(618,934)
Change in fair value	(20,973)
Carrying value as of 31 December 2024	**1,093,373**
Effects of the merger with Eurobank Direktna	113,597
Sales	(188,894)
Change in fair value	272
Carrying value as of 31 December 2025	**1,018,348**

In 2025, the Bank sold two buildings classified as investment property, with a total carrying value of RSD 188,894 thousand, and incurred a total loss on disposal in the amount of RSD 13,058 thousand.

The total carrying value of the sold investment property in the amount of RSD 188,894 thousand relates to the following investment property:

- Seed processing facilities in Ruma, with a total area of 5,861 m² and a carrying value of RSD 110,377 thousand; and
- A business and warehouse complex in Nis, 25 May 81, with a carrying value of RSD 78,517 thousand.

The Bank's income from leased investment property in 2025 amounted to RSD 32,471 thousand (Note 14).

In accordance with IFRS 13, the Bank determines the fair value of investment property by engaging independent certified appraisers. Fair value assessments by independent certified appraisers are performed once a year for each investment property individually. To determine fair value, the appraisers consider all three methods permitted by the standard – comparable market transactions, yield capitalisation and the replacement cost method – and select, for each property, the method that is most appropriate in the given circumstances. The estimated fair value would increase (decrease) if real estate prices in the relevant local market were to increase (decrease). Given that the fair values of investment property for 2025 are determined using a combination of the above methods and rely predominantly on observable market inputs, these measurements are classified within Level 2 of the fair value hierarchy.

According to a certified appraiser's valuation, the Bank recognised a net increase in the value of investment property in the amount of RSD 272 thousand in 2025. The valuation gains amounted to RSD 10,164 thousand (Note 17), while the valuation losses amounted to RSD 9,892 thousand (Note 18).

As of 31 December 2025, the Bank does not hold title deeds for six buildings classified as investment property, with a total carrying value of RSD 93,122 thousand. The Bank's management is undertaking all necessary actions to obtain the title deeds.

32. CURRENT TAX ASSETS

	In RSD thousand 31 December 2025	 31 December 2024
Current tax assets	676,049	3,023,477
Balance as of	**676,049**	**3,023,477**

Corporate income tax payable, as determined in the Bank's 2025 tax return, amounts to RSD 1,876,230 thousand and was fully offset against monthly advance tax payments (Note 19.2).

33. DEFERRED TAX ASSETS, NET

33.1. Deferred Tax Assets and Liabilities

			In RSD thousand 2025
	Tax assets	Tax liabilities	Net deferred tax assets
Buildings and equipment	-	(78,228)	(78,228)
Impairment of assets	259,702	-	259,702
Provisions for litigations	85,194	-	85,194
Provisions for restructuring	29,478	-	29,478
Provisions for retirement benefits under IAS 19	17,026	-	17,026
Securities measured at fair value through other comprehensive income (FVOCI)	-	(102,472)	(102,472)
Actuarial losses	-	(1,626)	(1,626)
Balance as of 31 December 2025	**391,400**	**(182,326)**	**209,074**

			In RSD thousand 2024
	Tax assets	Tax liabilities	Net deferred tax assets
Buildings and equipment	-	(69,812)	(69,812)
Impairment of assets	389,702	-	389,702
Provisions for litigations	71,263	-	71,263
Provisions for restructuring	41,824	-	41,824
Securities measured at fair value through other comprehensive income (FVOCI)	-	(55,073)	(55,073)
Actuarial losses	1,974	-	1,974
Balance as of 31 December 2024	**504,763**	**(124,885)**	**379,878**

33. DEFERRED TAX ASSETS, NET (Continued)

33.2. Movements in Deferred Tax Assets, net, during 2025 and 2024

In RSD thousand

	Balance as of 1 January	Effects of the merger with Eurobank Direktna	Recognized in income statement	Recognized in equity	Total
2025					
Buildings and equipment	(69,812)	(8,416)	-	-	(78,228)
Impairment of assets	389,702		(130,000)	-	259,702
Provisions for litigations	71,263	27,266	(13,335)	-	85,194
Provisions for restructuring	41,824		(12,346)	-	29,478
Provisions for retirement benefits under IAS 19	-	5,052	11,974	-	17,026
Unrealized gains/(losses) on FVOCI securities (Note 41(ii))	(55,073)	-	-	(47,399)	(102,472)
Actuarial losses (Note 41(iii))	1,974	(7,058)	434	3,024	(1,626)
Balance as of 31 December 2025	**379,878**	**16,844**	**(143,273)**	**(44,375)**	**209,074**
2024					
Buildings and equipment	(69,848)	-	36	-	(69,812)
Impairment of assets	472,254	-	(82,552)	-	389,702
Provisions for litigations	-	-	71,263	-	71,263
Provisions for restructuring	-	-	41,824	-	41,824
Unrealized gains/(losses) on FVOCI securities (Note 41(ii))	156,287	-	-	(211,360)	(55,073)
Actuarial losses (Note 41(iii))	811	-	-	1,163	1,974
Balance as of 31 December 2024	**559,504**	**-**	**30,571**	**(210,197)**	**379,878**

34. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In RSD thousand

	31 December 2025	31 December 2024
Non-current assets held for sale	533,252	5,537
Balance as of	**533,252**	**5,537**

Movements in non-current assets held for sale during the year were as follows:

	In RSD thousand
Balance as of 1 January 2025	**5,537**
Effects of the merger with Eurobank Direktna	234,369
Acquisition	298,883
Sales during the year	(5,537)
Balance as of 31 December 2025	**533,252**

In 2025, the Bank acquired one building classified as a non-current asset held for sale with a total value of RSD 298,883 thousand.

Additionally, in 2025, the Bank sold two buildings classified as held for sale with a total carrying amount of RSD 5,537 thousand and recognized gains of RSD 1,185 thousand (Note 17).

35. OTHER ASSETS

	In RSD thousand	
	31 December 2025	31 December 2024
Other RSD receivables:		
Fees receivable per other assets	151,750	68,930
Advances paid for working capital	110,470	147,220
Advances paid for capital expenditures	244,711	82,920
Other receivables	941,142	292,235
Receivables in settlement	965,944	526,881
	2,414,017	**1,118,186**
Other foreign currency receivables:		
Fees receivable per other assets	3,888	360
Advances paid for working capital	24,937	27,061
Advances paid for capital expenditures	3,518	-
Other receivables in foreign currency	347,766	104,654
	380,109	**132,075**
Other investments:		
Equity investments (a)	2,333,055	2,030,764
	2,333,055	**2,030,764**
Prepayments and accruals:		
Deferred interest expense	1,564	5,551
Deferred other expenses	279,276	51,124
	280,840	**56,675**
Inventories:		
Other inventories	1,084	981
Repossessed property following foreclosure (b)	473,779	437,589
	474,863	**438,570**
Other receivables, gross	**5,882,884**	**3,776,270**
***Less:* Allowance for impairment**		
Other receivables in RSD	(99,171)	(77,700)
Other receivables in foreign currency	(112,908)	(9,974)
Prepayments and accruals	-	(50)
	(212,079)	**(87,724)**
Balance as of	**5,670,805**	**3,688,546**

Movements in the allowance for impairment during the year were as follows:

	In RSD thousand	
	2025	2024
Balance as of 1 January	**(87,724)**	**(120,403)**
Effects of the merger with Eurobank Direktna	(133,617)	-
Charge for the year (Note 12)	(142,109)	(92,504)
Reversal of impairment losses (Note 12)	148,233	105,336
Write-off, FX differences	3,140	5,430
Other	(2)	14,417
Balance as of 31 December	**(212,079)**	**(87,724)**

35. OTHER ASSETS (Continued)

(a) As of 31 December 2025 and 2024, the Bank held equity investments in the following legal entities:

	31 December 2025	In RSD thousand 31 December 2024
Equity investments up to 10%:		
Addiko Bank AG, Vienna	2,314,937	2,022,240
SWIFT	5,492	
Univerzal banka a.d. Belgrade - in bankruptcy	14,381	14,381
Ikarbus a.d. Belgrade	3,819	3,819
Yu trade Železnik d.o.o. Belgrade - in bankruptcy	3,171	3,171
Proinvestment International Balkan d.o.o. Belgrade - in bankruptcy	2,189	-
AMS osiguranje a.d.o. Belgrade	3,850	2,030
Politika a.d. Belgrade	844	1,085
Other equity investments	2,047	1,626
Impairment	(17,675)	(17,588)
Balance as of	**2,333,055**	**2,030,764**

On 8 November 2024, the Bank acquired shares of Addiko Bank AG, Vienna, in the total amount of EUR 17,545 thousand, representing a 4.5% equity interest in that bank.

Impairment in the amount of RSD 17,675 thousand as of 31 December 2025 mainly relates to the impairment of the equity interest in Univerzal banka a.d. Belgrade - in bankruptcy, in the amount of RSD 14,381 thousand, and Yu Trade Železnik d.o.o. Belgrade - in bankruptcy, in the amount of RSD 3,171 thousand

(b) Repossessed property following foreclosure include:

	31 December 2025	In RSD thousand 31 December 2024
Buildings	466,362	430,172
Equipment	7,417	7,417
Balance as of	**473,779**	**437,589**

Movements in repossessed property during the year were as follows:

	2025	In RSD thousand 2024
Balance as of 1 January	**437,589**	**727,549**
Effects of the merger with Eurobank Direktna	190,801	-
Assets acquired during the year	-	5,191
Sales	(145,609)	(272,002)
Impairment (Note 18)	(9,002)	(23,149)
Balance as of 31 December	**473,779**	**437,589**

According to the independent appraiser's assessment, repossessed property obtained through foreclosure in 2025 was impaired by RSD 9,002 thousand.

In 2025, the Bank sold nine items of repossessed property obtained through foreclosure, with a total carrying value of RSD 145,609 thousand, the largest part of which related to:

- The business facility "Feriti" in Zemun Polje, 9 Batajnički drum Street, with a carrying value of RSD 123,441 thousand;
- A flat in Belgrade, 110 Mire Popare Street, with a carrying value of RSD 13,485 thousand; and
- A family residential building with land in Mionica, with a carrying value of RSD 2,313 thousand.

35. OTHER ASSETS (Continued)

(b) Repossessed property following foreclosure (Continued)

The Bank realised gains on the sale of the above-mentioned repossessed property in 2025 in the amount of RSD 22,965 thousand (Note 17), while losses on sale amounted to RSD 6 thousand.

The Bank did not repossess any property through foreclosure in 2025.

The Bank's management is undertaking all necessary actions to sell the repossessed property.

As of 31 December 2025, the Bank does not hold title deeds for five items of repossessed property obtained through foreclosure, with a total carrying value of RSD 44,466 thousand, and the Bank's management is undertaking all necessary actions to obtain the title deeds.

36. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND CENTRAL BANK

	In RSD thousand	
	31 December 2025	31 December 2024
Transaction deposits	4,471,829	2,676,608
Demand deposits	467,597	426,159
Earmarked deposits	1,002,850	981,147
Other deposits	33,240,768	21,319,541
Deposits and loans maturing within one day	178	2,340,298
Borrowings	57,580,951	15,211,937
Other financial liabilities	110,712	19,109
Interest, accrued interest and fees payable	559,279	355,475
Balance as of	**97,434,164**	**43,330,274**

In 2025, the Bank paid interest at rates ranging from 4.45% to 4.50% per annum on funds borrowed from banks in RSD with a maturity of one day (2024: 4.50% to 5.25% per annum). In 2025, the Bank paid interest at a rate of 4.50% per annum on borrowed funds in RSD with maturities of more than one day (2024: 4.50% per annum). Interest rates on EUR-denominated borrowed funds ranged from 1.00% to 2.65% per annum.

As of 31 December 2025, the Bank had borrowings from the following financial institutions:

- International Finance Corporation (IFC), in the total amount of RSD 12,314,610 thousand, maturing in 2029.
- European Bank for Reconstruction and Development (EBRD), in the total amount of RSD 15,353,567 thousand, maturing in 2028.
- European Fund for Southeast Europe (EFSE), in the total amount of RSD 3,518,460 thousand, maturing in 2028.
- Green for Growth Fund (GGF), in the total amount of RSD 4,691,280 thousand, maturing in 2029.
- Eurobank S.A. Athens, in the total amount of RSD 11,728,200 thousand, maturing in 2026.
- CaixaBank S.A. Valencia, in the total amount of RSD 9,974,834 thousand, maturing by the end of 2026.

In 2025, the Bank paid interest at rates ranging from 4.00% to 6.55% per annum on RSD-denominated funds received from financial institutions with maturities of up to one year (2024: 3.70% to 6.55% per annum). In 2025, interest rates on EUR-denominated funds from financial institutions with maturities of up to one year ranged from 2.00% to 3.90% per annum (2024: 2.60% to 4.75% per annum).

As of 31 December 2025, the Bank was in compliance with all covenants related to borrowings received from the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), the Green for Growth Fund (GGF), the European Fund for Southeast Europe, and Eurobank S.A., Athens.

37. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

	31 December 2025	In RSD thousand 31 December 2024
Corporate customers		
Transaction deposits	79,672,606	64,522,022
Demand deposits	4,085,267	3,118,311
Deposits for granted loans	13,309,842	12,290,315
Earmarked deposits	4,627,015	4,699,533
Other deposits	100,620,479	74,552,791
Overnight deposits and loans	4,598,240	2,023,825
Borrowings	1,096,534	1,123,308
Other financial liabilities	251,884	339,714
Interest, accrued interest and fees payable	543,738	480,653
	208,805,605	**163,150,472**
Retail customers		
Transaction deposits	106,241,082	45,849,449
Savings deposits	198,751,175	125,762,304
Deposits for issued loans	2,202,303	1,746,795
Earmarked deposits	207,449	125,955
Other deposits	827,732	815,402
Other financial liabilities	62,040	100,440
Interest, accrued interest and fees payable	2,214,342	1,824,962
	310,506,123	**176,225,307**
Balance as of	**519,311,728**	**339,375,779**

The Bank paid interest at rates ranging from REF - 3.50% to REF - 4.30% per annum on RSD transaction deposits of corporate and public sector customers. The Bank paid interest at rates ranging from 0% to 1% per annum and from 0% to 1.25% per annum on foreign currency transaction deposits of corporate and public sector customers in EUR and USD, respectively.

Interest rates on RSD term deposits of corporate and public sector customers ranged from REF - 0.50% to REF + 2.20% per annum. The term deposits had maturities ranging from one day to over one year. Interest rates on EUR term deposits of corporate and public sector customers ranged from 0.95% to 2.55% per annum. The term deposits had maturities ranging from one day to over one year.

As of 31 December 2025, the Bank has borrowings from the European Investment Bank (EIB) and the Revolving Credit Fund in the amount of RSD 1,097 million. The loans received from the EIB through the Government of the Republic of Serbia relate to APEX loan agreements concluded with the National Bank of Serbia and will mature by 2031, while loans from the Revolving Credit Fund will mature in 2026.

Transaction deposits from retail customers in RSD and foreign currencies are non-interest-bearing. The nominal interest rate on sight savings deposits of retail customers was 0.01% per annum.

Nominal interest rates on standard savings deposits in EUR with maturities of up to one year ranged from 0.50% to 3.75% per annum, i.e. from 0.05% to 0.10% per annum on CHF deposits and from 0.55% to 2.50% per annum on USD deposits. Nominal interest rates on standard savings deposits in EUR with maturities of over one year (over 12 months and up to 36 months) ranged from 2.20% to 3.50% per annum, whereas nominal interest rates on USD savings deposits with maturities of over one year (over 12 months and up to 36 months) ranged from 1.05% to 1.75% per annum.

Nominal interest rates on standard term savings deposits in RSD with maturities of up to one year ranged from 2.25% to 5.00% per annum. Nominal interest rates on RSD term savings deposits with maturities of over one year (over 12 months and up to 36 months) ranged from 4.50% to 4.70% per annum.

37. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS (Continued)

Movements in liabilities arising from *financing activities*, i.e. borrowings from banks and other financial institutions (Note 36) and from other customers, presented in the ***Statement of Cash Flows*** are shown below:

	In RSD thousand	
	2025	2024
Balance as of 1 January	**16,335,245**	**7,296,960**
Receipts from borrowings	33,109,860	30,181,444
Repayment of borrowings	(11,726,366)	(21,135,175)
Net FX differences	59,836	(7,984)
Effects of the merger with Eurobank Direktna	20,898,910	-
Balance as of 31 December	**58,677,485**	**16,335,245**

38. SUBORDINATED LIABILITIES

	In RSD thousand	
	31 December 2025	31 December 2024
Subordinated liabilities	7,799,253	-
Interest on subordinated liabilities	1,010	-
Balance as of	**7,800,263**	**-**

Subordinated liabilities relate entirely to loans from Eurobank S.A., Athens, maturing in the period from 2027 to 2029.

39. PROVISIONS

	In RSD thousand	
	31 December 2025	31 December 2024
Provisions for litigations (a)	567,963	475,085
Provisions for employee benefits (b)	601,398	523,220
Provisions for off-balance sheet items (c)	331,466	188,054
Other provisions (d)	200,813	278,825
Balance as of	**1,701,640**	**1,465,184**

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

	In RSD thousand	
	2025	2024
Balance as of 1 January	**475,085**	**604,246**
Effects of the merger with Eurobank Direktna	164,458	-
Charge for the year (Note 18)	395,396	162,295
Release of provision (Note 17)	(168,472)	(41,231)
Used provisions	(298,504)	(250,225)
Balance as of 31 December	**567,963**	**475,085**

39. PROVISIONS (Continued)

(b) Movements in provisions for employee benefits (retirement benefits, jubilee awards and other benefits) during the year were as follows:

	2025	In RSD thousand 2024
Balance as of 1 January	**523,220**	**82,959**
Effects of the merger with Eurobank Direktna	246,866	-
Charge for the year (Note 15))	358,524	583,415
Actuarial losses (Note 41(iii))	20,161	7,754
Release of provisions (Note 15)	(184)	-
Used provisions	(547,189)	(150,908)
Balance as of 31 December	**601,398**	**523,220**

Main actuarial assumptions used in the calculation of provisions for retirement benefits were as follows:

	31 December 2025	31 December 2024
	7.0%	7.0%
Discount rate	6.0%	6.0%
Salary growth rate	12%	10%
Employee turnover rate		

(c) Movements in provisions for off-balance sheet items during the year were as follows:

	2025	In RSD thousand 2024
Balance as of 1 January	**188,054**	**146,348**
Effects of the merger with Eurobank Direktna	301,731	-
Charge for the year (Note 12)	847,762	258,656
Release of provision (Note 12)	(1,006,291)	(216,815)
FX differences	210	(135)
Balance as of 31 December	**331,466**	**188,054**

(d) Movements in other provisions during the year were as follows:

	2025	In RSD thousand 2024
Balance as of 1 January	278,825	**-**
Effects of the merger with Eurobank Direktna	22,089	-
Charge for the year (Note 18)	-	278,825
Release of provision (Note 17)	(17,783)	-
Used provisions	(82,318)	-
Balance as of 31 December	**200,813**	**278,825**

Other provisions as of 31 December 2025 include unused restructuring provisions in the amount of RSD 196,521 thousand, which were recognised in accordance with IAS 37 and the Headcount Optimisation Plan implemented as part of the integration with Eurobank Direktna a.d. Belgrade, as well as provisions for other liabilities in the amount of RSD 4,292 thousand.

40. OTHER LIABILITIES

	In RSD thousand	
	31 December 2025	31 December 2024
Other liabilities:		
Trade payables	477,429	325,412
Advances received	140,978	19,522
Lease liabilities (Note 40.1)	2,992,402	1,075,648
Liabilities arising from activated guarantees and acceptances	-	258
Liabilities from profit	51,515	58,771
Liabilities for managed funds	17,887	14,182
Other liabilities from operating activities	1,521,103	1,225,013
Liabilities in settlement	523,786	1,553,123
Suspense and temporary accounts	7,580	7,062
Liabilities to employees	1,257	2,201
Other liabilities in foreign currency	620,458	712,774
	6,354,395	**4,993,966**
Taxes payable:		
Value added tax	81,269	115,991
Other taxes and contributions	10,102	11,711
	91,371	**127,702**
Accruals and deferred income:		
Accrued expenses for employee benefits (Note 15)	119,053	-
Accrued other expenses	657,933	472,300
Deferred income	2,289	56,987
Other deferrals	417,100	319,434
	1,196,375	**848,721**
Balance as of	**7,642,141**	**5,970,389**

40.1. Lease Liabilities

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

	In RSD thousand	
	31 December 2025	31 December 2024
Maturity:		
- Up to 1 year	706,128	321,950
- Up to 2 years	672,868	251,605
- Up to 3 years	621,828	198,872
- Up to 4 years	532,015	179,042
- Up to 5 years	309,853	116,794
- Over 5 years	149,710	7,385
Total	**2,992,402**	**1,075,648**

40. OTHER LIABILITIES (Continued)

40.1. Lease Liabilities (Continued)

The maturity structure of *undiscounted expected cash outflows* arising from lease liabilities (including interest outflows) is presented in the following table:

	In RSD thousand	
	31 December 2025	31 December 2024
Maturity:		
- Up to 1 year	754,546	339,675
- Up to 2 years	719,004	306,509
- Up to 3 years	664,465	245,489
- Up to 4 years	568,493	214,356
- Up to 5 years	331,099	126,600
- Over 5 years	159,974	12,089
Total	**3,197,581**	**1,244,718**

The structure of total lease payments reported in the Statement of Cash Flows in 2025 and 2024 is presented in the following table.

	In RSD thousand	
	2025	2024
Fixed payments	573,023	217,492
Variable payments	168,859	152,348
Total	**741,882**	**369,840**

Variable payments that are included in a lease liability are index-dependent payments. Out of the total cash outflows of RSD 741,882 thousand in 2025 (2024: RSD 369,840 thousand), an amount of RSD 639,969 thousand (2024: RSD 347,174 thousand) relates to the principal, which is reported within cash outflows from financing activities, whereas an amount of RSD 101,913 thousand (2024: RSD 22,666 thousand) relates to interest, which is reported within cash outflows from operating activities.

The structure of rental expenses in 2025 and 2024 was as follows:

	In RSD thousand	
	2025	2024
Interest expense on lease liabilities (Note 7)	(101,913)	(22,666)
Depreciation of right-of-use assets (Note 16)	(714,340)	(363,064)
Rental costs (Note 18)	(238,193)	(184,474)
Total	**(1,054,446)**	**(570,204)**

41. EQUITY

Equity Structure

	31 December 2025	In RSD thousand 31 December 2024
Share capital:		
Ordinary shares	19,349,169	19,349,169
Preference shares	2,442,512	2,442,512
	21,791,681	**21,791,681**
Share premium	14,196,293	14,196,293
	35,987,974	**35,987,974**
Treasury shares	**(252,968)**	-
Reserves:		
Reserves from profit and other reserves	13,953,877	13,953,877
Gains/(losses) from changes in fair value of equity instruments	219,014	(32,842)
Gains from changes in fair value of debt instruments	361,665	344,925
Actuarial gains/(losses) on defined employee benefit plans	9,213	(11,189)
	14,543,769	**14,254,771**
Retained earnings	**53,537,668**	**47,842,093**
Balance as of	**103,816,443**	**98,084,838**

(i) Share Capital

Shareholder Structure

The Bank's shareholder structure for holdings above 1% as of 31 December 2025 and 2024 is as follows:

	Total share capital	Share in %	Controlling capital	In RSD thousand 31 December 2025 Share %
M&V Investments a.d. Belgrade	21,538,713	98.84	19,349,169	100.00
Treasury shares	252,968	1.16	-	-
Total	**21,791,681**	**100.00**	**19,349,169**	**100.00**

	Total share capital	Share in %	Controlling capital	31 December 2024 Share %
M&V Investments a.d. Belgrade	21,538,713	98.84	19,349,169	100.00
BDD M&V Investments – 80200ZMVI0008	252,968	1.16	-	-
Total	**21,791,681**	**100.00**	**19,349,169**	**100.00**

The total number of the Bank's subscribed and paid-in shares as of 31 December 2025 is 10,424,447, comprising 9,256,027 ordinary shares and 1,168,420 preference shares, with a nominal value per share of RSD 2,090.44 (31 December 2024: 9,256,027 ordinary shares and 1,168,420 preference shares, with a nominal value per share of RSD 2,090.44).

41. EQUITY (Continued)

(i) Share Capital (Continued)

Pursuant to Decision No. 05-LXXX/2025 on the distribution of the Bank's profit generated according to the financial statements for the year ended 31 December 2024, passed by the Shareholders' Assembly on 28 February 2025, profit in the total amount of RSD 9,232,389,042.83 was allocated for dividend payment to the Bank's shareholders. Dividend payment was made in accordance with Decision No. 06-LXXX/2025, also passed by the Shareholders' Assembly on 28 February 2025, following prior approval from the National Bank of Serbia.

Pursuant to Decision No. 04-LXXXXVI/2025 on the acquisition of treasury shares, passed by the Bank's Shareholders' Assembly on 27 November 2025, following prior approval from the National Bank of Serbia, the Bank repurchased 115,012 cumulative preference shares and 6,000 preference shares, with a total nominal value of RSD 252,968 thousand, from a minority shareholder from a pool account (80200ZMVI0008). The change in ownership was registered with the Central Securities Depository and Clearing House on 17 December 2025.

(ii) Revaluation Reserves - Unrealized Gains/(Losses) on Securities

Revaluation reserves arising from equity and debt instruments, i.e. securities measured at fair value through other comprehensive income, as of 31 December 2025 and 2024 comprise the following items:

	In RSD thousand	
	2025	**2024**
Balance as of 1 January	**312,083**	**(885,626)**
Effects of the merger with Eurobank Direktna:		
- based on valuation	251,646	-
- based on reversal of impairment	(8,853)	-
Net gains from changes in fair value:		
- based on valuation	42,154	1,405,711
- based on impairment (Note 12(a))	31,048	3,358
Deferred taxes related to items of other comprehensive income (Note 33.2)	(47,399)	(211,360)
Balance as of 31 December	**580,679**	**312,083**

(iii) Actuarial gains/(losses)

Actuarial gains/(losses) as of 31 December 2025 and 2024 relate entirely to actuarial gains/(losses) on provisions for retirement benefits.

	In RSD thousand	
	2025	**2024**
Balance as of 1 January	**(11,189)**	**(4,598)**
Effects of the merger with Eurobank Direktna	37,539	-
Actuarial losses (Note 39(b))	(20,161)	(7,754)
Deferred taxes related to items of other comprehensive income (Note 33.2)	3,024	1,163
Balance as of 31 December	**9,213**	**(11,189)**

42. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ITEMS

42.1. Litigations

The Bank acts as a defendant in 21,099 legal disputes as of 31 December 2025 (31 December 2024: 5,321 disputes) in which plaintiffs seek monetary claims against the Bank. The total value of these claims, which may result in cash outflows (e.g. damages, debts, etc.) in the event of an adverse outcome for the Bank, amounts to RSD 19,717,374 thousand (31 December 2024: RSD 9,685,270 thousand).

According to the Bank's legal advisors, as of 31 December 2025, cases with an estimated favourable outcome account for 92.51% of the total number of lawsuits with monetary claims against the Bank.

In accordance with IAS 37 and its internal methodology, the Bank has recognised provisions which as of 31 December 2025 amount to RSD 567,963 thousand (31 December 2024: RSD 475,085 thousand) (Note 39(a)) for claims assessed by legal advisors as having an adverse outcome.

With respect to cases related to the former Eurobank Direktna, in accordance with the Share Purchase Agreement for Eurobank Direktna, the former shareholders bear the costs arising from losses in disputes existing as of the acquisition date (2 November 2023), as well as disputes initiated after that date which arise from contractual relationships established prior to 2 November 2023. This liability of the former shareholders is agreed for a period of 30 months from the acquisition date; however, for timely notified claims, the liability of the former shareholders continues until the final resolution of the dispute. For a portion of the lawsuits within the portfolio of the former Eurobank Direktna, agreements were also concluded with the former shareholders under which funds were advanced to cover such losses.

The current level of provisions has been assessed by the Bank's management as adequate; however, the Bank will closely monitor market conditions and the outcomes of such litigations and will recognise appropriate provisions in future reporting periods, based on the best estimates, in order to avoid any unexpected impact on the Bank's performance.

The Bank is also involved as a plaintiff in a number of lawsuits against third parties, mainly for the purpose of debt collection.

42.2. Off-Balance Sheet Items

	In RSD thousand 31 December 2025	 31 December 2024
Managed funds on behalf of third parties (a)	5,508,575	1,722,250
Guarantees and other sureties issued (b)	100,869,060	64,401,920
Assets to secure obligations (c)	-	6,806,777
Derivatives held for trading at contracted value (d)	53,241,821	22,068,227
Securities received as pledges (e)	148,676,874	164,689,271
Other off-balance sheet assets (f)	1,772,924,148	1,322,988,080
Balance as of	**2,081,220,478**	**1,582,676,525**

42. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ITEMS (Continued)

42.2. Off-Balance Sheet Items (Continued)

	31 December 2025	In RSD thousand 31 December 2024
a) Managed funds on behalf of third parties		
Loans in RSD:		
- short-term	8,329	5,235
- long-term	5,500,246	1,717,015
	5,508,575	**1,722,250**
b) Commitments		
Payment guarantees:		
- in RSD	10,525,236	7,774,774
- in foreign currency	2,088,197	983,622
Performance guarantees:		
- in RSD	46,830,147	43,463,007
- in foreign currency	2,295,147	2,782,568
	61,738,727	**55,003,971**
Undrawn letters of credit	553,258	27,147
Undrawn loan facilities	25,435,404	3,182,588
	25,988,662	**3,209,735**
Irrevocable commitments - own guarantees and spot transactions:		
- in RSD	1,075,920	2,713,666
- in foreign currency	12,065,751	3,474,548
	13,141,671	**6,188,214**
Total guarantees and other sureties issued	**100,869,060**	**64,401,920**
(c) Assets to secure obligations		
Financial assets for securing obligations	-	6,806,777
	-	**6,806,777**
(d) Derivatives		
Currency swap	20,647,273	22,068,227
Interest rate swap	32,594,548	-
	53,241,821	**22,068,227**
(e) Sureties received as pledges		
Securities received as collaterals	148,676,874	164,689,271
	148,676,874	**164,689,271**
(f) Other off-balance sheet items		
Tangible assets, guarantees and other sureties received as collateral	1,556,655,730	1,221,065,942
Unused revocable loan facilities	80,310,447	60,977,205
Depositary operations	589	566
Loro guarantees	6,988,087	7,605,457
Suspended interest	10,288,625	2,678
Receivables transferred to off-balance sheet items	54,288,072	25,835,567
Other	64,392,598	7,500,665
	1,772,924,148	**1,322,988,080**
Balance as of	**2,081,220,478**	**1,582,676,525**

42. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ITEMS (Continued)

42.2. Off-Balance Sheet Items (Continued))

A breakdown of the Bank's credit risk-weighted off-balance sheet items as of 31 December 2025 and 2024 is presented below:

	31 December 2025	In RSD thousand 31 December 2024
Guarantees	61,738,727	55,003,971
Irrevocable commitments – undrawn letters of credit and loan facilities	25,988,662	3,209,735
Irrevocable commitments - own guarantees and spot transactions	1,055,602	468,193
Revocable commitments	80,310,447	60,977,205
Balance as of	**169,093,438**	**119,659,104**

43. RELATED PARTY DISCLOSURES

(a) Remuneration of Key Management Personnel

Remuneration of key management personnel for 2025 and 2024 is presented below:

	2025	In RSD thousand 2024
Members of the Executive Board	237,737	227,343
Members of the Board of Directors	49,861	48,228
Total	**287,599**	**275,571**

43. RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with the Bank's Related Parties

In the regular course of business, the Bank enters into transactions with its shareholders and other related parties under standard market conditions.

The following tables summarise related party transactions (balances of receivables, payables, off-balance sheet items, as well as income and expenses) at the reporting date.

In RSD thousand
2025

	Parent Company	Subsidiaries	Key management	Other related parties*
Financial receivables and other assets				
Loans and placements	-	10,443,201	92,835	7,457,077
Allowance for impairment	(1)	(27,142)	(161)	(12,058)
Equity investments in subsidiaries	-	536,120	-	-
Securities	-	-	-	-
Other assets	915	71,284	510	72,856
Total assets	**914**	**11,023,463**	**93,184**	**7,517,875**
Liabilities				
Deposits	459,946	556,707	685,253	12,267,476
Other liabilities	120	287,000	3,901	12,018
Provisions for issued guarantees and commitments	-	-	14	67
Total liabilities	**460,066**	**843,707**	**689,168**	**12,279,561**
Off-balance sheet items				
Issued guarantees and loan commitments	-	1,311,213	25,166	89,746
Total off-balance sheet items	**-**	**1,311,213**	**25,166**	**89,746**
Income and expenses				
Interest income	-	242,093	6,219	635,124
Interest expenses	(13,464)	(30,177)	(8,642)	(173,029)
Fee and commission income	1,956	455	4,178	25,073
Fee and commission expenses	(596)	(4)	(16)	(6,038)
Reversal of impairment losses/ (impairment losses)	2	(13,684)	37	66,635
(Provisions for)/release of provision for off-balance sheet items	-	-	(12)	84
Other income	10,854	29,619	188	665,672
Other expenses	(6,503)	(47,300)	(511)	(302,804)
Total income and expenses	**(7,751)**	**181,002**	**1,441**	**910,717**

* Other related parties include entities that are members of the same group or are under common control, close family members of key management, and legal entities that are controlled or significantly influenced by key management and their close family members.

43. RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with the Bank's Related Parties (Continued)

In RSD thousand

	Parent Company	Subsidiaries	Key management	Other related parties*
				2024
Financial receivables and other assets				
Loans and placements	-	3,739,797	98,805	6,472,761
Allowance for impairment	(3)	(13,394)	(197)	(4,445)
Equity investments in subsidiaries	-	33,589,294	-	-
Securities	-	-	-	-
Other assets	953	1,394	179	84,591
Total assets	**950**	**37,317,091**	**98,787**	**6,552,907**
Liabilities				
Deposits	400,330	2,853,522	264,700	10,186,453
Other liabilities	-	27,053	1,113	70,160
Provisions for issued guarantees and commitments	-	-	1	101
Total liabilities	**400,330**	**2,880,575**	**265,814**	**10,256,714**
Off-balance sheet items				
Issued guarantees and loan commitments	-	940,800	20,833	138,659
Total off-balance sheet items	**-**	**940,800**	**20,833**	**138,659**
Income and expenses				
Interest income	-	52,801	7,008	553,451
Interest expenses	(17,653)	(63,924)	(3,076)	(156,584)
Fee and commission income	1,016	1,945	1,451	38,739
Fee and commission expenses	-	(1,326)	(4)	(5,911)
(Impairment losses)/reversal of impairment losses	(3)	(13,396)	30	102,040
Release of provision for off-balance sheet items	-	-	9	385
Other income	8,719	1,732,937	100	424,064
Other expenses	(1,736)	(2,425)	(2,545)	(255,974)
Total income and expenses	**(9,657)**	**1,706,612**	**2,973**	**700,210**

44. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

According to Article 22 of the Law on Accounting, the Bank is required to reconcile outstanding receivable and payable balances with its counterparties at least once a year, before the preparation of the financial statements.

In line with the Bank's internal procedures, 30 November of the current year is designated as the reconciliation date for receivables and payables with customers.

Out of the total receivables submitted for reconciliation, unreconciled balances amount to RSD 3,057,612 thousand (148 unreconciled IOS forms), representing 0.52% of the total receivables requested for reconciliation and 0.81% of the total amount of receivables for which confirmations were sent.

Out of the total payables submitted for reconciliation, unreconciled balances amount to RSD 51,122 thousand (58 unreconciled IOS forms), representing 0.02% of the total payables requested for reconciliation and 0.63% of the total amount of payables for which confirmations were sent.

45. IMPACT OF GLOBAL MACROECONOMIC INSTABILITY AND GEOPOLITICAL UNCERTANITY ON THE BANK'S OPERATIONS

Since early March 2022, global financial and commodity markets have experienced increased instability due to the escalation of the conflict in Ukraine, which remains ongoing, accompanied by the imposition of sanctions on certain Russian companies and individuals. In October 2023, a conflict between Israel and Palestine erupted in the Middle East, with a ceasefire agreement reached in 2025.

These and other events in 2025 have given rise to multiple challenges affecting global economic stability and geopolitical uncertainty, including rising inflation, energy market volatility and uncertainty in the global banking sector. Such developments may have significant financial effects on many business entities, including those operating in affected regions and sectors, as well as on indirect stakeholders such as suppliers, customers, investors and lenders.

The Bank has immaterial direct exposure to Russia, Ukraine and the Middle East countries and, accordingly, did not experience any adverse effects on its operations in either 2025 or 2024. In the forthcoming period, the Bank does not expect any significant impact arising from its direct exposure to these countries.

Despite the Bank's limited direct exposure, the ongoing geopolitical uncertainty and macroeconomic instability, further exacerbated by tariffs imposed by the USA on numerous countries, are expected to continue exerting adverse effects on the global economy, particularly through higher energy prices, exchange rate and interest rate volatility, stock market fluctuations, supply chain disruptions and elevated inflationary pressures, which may indirectly impact the Bank's operations.

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

46. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting date that would require disclosure in the Bank's financial statements as of and for the year ended 31 December 2025.

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For the Year Ended 31 December 2025

47. EXCHANGE RATES

The official middle exchange rates of the National Bank of Serbia for the major currencies, used to translate balance sheet items denominated in foreign currencies into the functional currency (RSD) as of 31 December 2025 and 31 December 2024, were as follows:

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

Petar Jovanovic
Executive Board Chairman

Andrija Vukovic
Executive Board Member